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

Money Laundering and Financial Crimes Country Database

June 2016

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Money Laundering/Financial Crimes Countries/Jurisdictions

Countries and Jurisdictions Table

Countries/Jurisdictions of Primary Concern

Afghanistan	Latvia
Antigua and Barbuda	Lebanon
Argentina	Liechtenstein
Australia	Luxembourg
Austria	Macau
Bahamas	Mexico
Belize	Netherlands
Bolivia	Nigeria
Brazil	Pakistan
British Virgin Islands	Panama
Burma	Paraguay
Cambodia	Philippines
Canada	Russia
Cayman Islands	Singapore
China, People Rep	Sint Maarten
Colombia	Somalia
Costa Rica	Spain
Curacao	Switzerland
Cyprus	Taiwan
Dominican Republic	Thailand
France	Turkey
Germany	Ukraine
Greece	United Arab Emirates
Guatemala	United Kingdom
Guernsey	United States
Guinea Bissau	Uruguay
Haiti	Venezuela
Hong Kong	West Bank & Gaza
India	Zimbabwe
Indonesia	
Iran	
Iraq	
Isle of Man	
Israel	
Italy	
Japan	
Jersey	
Kenya	

Countries/Jurisdictions of Concern

Albania	Malaysia
Algeria	Marshall Islands
Angola	Moldova
Aruba	Monaco
Azerbaijan	Mongolia
Bahrain	Montenegro
Bangladesh	Morocco
Barbados	Nicaragua
Belarus	Peru
Belgium	Poland
Benin	Portugal
Bosnia and Herzegovina	Qatar
Bulgaria	Romania
Chile	Saudi Arabia
Comoros	Senegal
Cook Islands	Serbia
Cote d'Ivoire	Seychelles
Czech Republic	Sierra Leone
Djibouti	Slovakia
Ecuador	South Africa
Egypt	St. Kitts and Nevis
El Salvador	St. Lucia
Ghana	St. Vincent
Gibraltar	Suriname
Grenada	Syria
Guyana	Tanzania
Holy See	Trinidad and Tobago
Honduras	Turks and Caicos
Hungary	Vanuatu
Ireland	Vietnam
Jamaica	Yemen
Jordan	
Kazakhstan	
Korea, North	
Korea, South	
Kosovo	
Kuwait	
Laos	

Other Countries/Jurisdictions Monitored

Andorra	Mali
Anguilla	Malta
Armenia	Mauritania
Bermuda	Mauritius
Botswana	Micronesia FS
Brunei	Montserrat
Burkina Faso	Mozambique
Burundi	Namibia
Cabo Verde	Nauru
Cameroon	Nepal
Central African Republic	New Zealand
Chad	Niger
Congo, Dem Rep of	Niue
Congo, Rep of	Norway
Croatia	Oman
Cuba	Palau
Denmark	Papua New Guinea
Dominica	Rwanda
Equatorial Guinea	Samoa
Eritrea	San Marino
Estonia	Sao Tome & Principe
Ethiopia	Slovenia
Fiji	Solomon Islands
Finland	South Sudan
Gabon	Sri Lanka
Gambia	Sudan
Georgia	Swaziland
Guinea	Sweden
Iceland	Tajikistan
Kyrgyz Republic	Timor-Leste
Lesotho	Togo
Liberia	Tonga
Libya	Tunisia
Lithuania	Turkmenistan
Macedonia	Uganda
Madagascar	Uzbekistan
Malawi	Zambia
Maldives	

Comparative Table Key

The comparative table that follows the Glossary of Terms below identifies the broad range of actions, effective as of December 31, 2015, that jurisdictions have, or have not, taken to combat money laundering. This reference table provides a comparison of elements that include legislative activity and other identifying characteristics that can have a relationship to a jurisdiction's money laundering vulnerability. With the exception of number 5, all items should be answered "Y" (yes) or "N" (no). **"Y" is meant to indicate that legislation has been enacted to address the captioned items. It does not imply full compliance with international standards.** All answers indicating deficiencies within the country's/jurisdiction's AML/CFT regime should be explained in the "Enforcement and implementation issues and comments" section of the template, as should any responses that differ from last year's answers.

Glossary of Terms

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

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

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

Comparative Table

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

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Afghanistan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Albania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Algeria	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Andorra	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Angola	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Anguilla[1]	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Antigua and Barbuda	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Argentina	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Armenia	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N

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

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Aruba[2]	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Australia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Austria	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Azerbaijan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Bahamas	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Bahrain	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Bangladesh	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Barbados	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Belarus	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Belgium	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Belize	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Benin	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Bermuda[1]	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Bolivia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Bosnia & Herzegovina	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Botswana	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Brazil	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
British Virgin Islands[1]	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Brunei	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N

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

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Bulgaria	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Burkina Faso	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Burma	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Burundi	Y	Y	Y	Y	Y	Y	N	N	N	N	Y	Y	N	Y	Y	N	Y	N	Y	Y	N
Cabo Verde	Y	Y	Y	Y	Y	Y	Y	N	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Cambodia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Cameroon	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Canada	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Cayman Islands[1]	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N
Central African Rep.	Y	Y	Y	N	Y	Y	Y	Y	N	N	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Chad	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	N	Y	Y	Y	N	N
Chile	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
China	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	N	Y	N	Y	Y	N	Y	Y	Y	Y	N
Colombia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Comoros	Y	Y	N	N	Y	N	Y	Y	Y	Y*	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Congo, Dem Rep. of	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Congo, Rep. of	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	Y	Y	Y	N	Y	N
Cook Islands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Costa Rica	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Cote d'Ivoire	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Croatia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Cuba	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Curacao[2]	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Cyprus[3]	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Czech Republic	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Denmark	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Djibouti	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Dominica	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Dominican Republic	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Ecuador	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Egypt	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
El Salvador	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Equatorial Guinea	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	Y	N	N	N	N	N	Y	Y	N	N
Eritrea	N	N	Y	Y	Y	Y	N	N	Y	Y*	N	N	N	N	N	N	Y	N	Y	N	Y
Estonia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Ethiopia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Fiji	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	N
Finland	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
France	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Gabon	Y	Y	Y	Y	Y	Y	N	N	N	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	N

3

Area administered by Turkish Cypriots	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	N	Y	N	Y	Y	Y	N/A	N/A	N/A	N/A	N

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Gambia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Georgia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Germany	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Ghana	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Gibraltar[1]	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	N	N
Greece	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Grenada	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Guatemala	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Guernsey[1]	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Guinea	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	N	N	Y	Y	Y	Y	N
Guinea-Bissau	Y	Y	Y	N	Y	Y	Y	N	N	Y*	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y
Guyana	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Haiti	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Holy See	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Honduras	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Hong Kong[4]	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Hungary	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Iceland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
India	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Indonesia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Iran	Y	Y	Y	N	Y	Y	N	N	N	Y*	N	N	N	N	N	N	Y	N	N	Y	Y

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

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Iraq	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Ireland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Isle of Man[1]	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Israel	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Italy	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Jamaica	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Japan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	N	N
Jersey[1]	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Jordan	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Kazakhstan	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Kenya	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Korea, North	Y	Y	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N	N/A	N/A	N/A	N/A	N/A	Y	Y	N	N	Y
Korea, South	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N
Kosovo	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	N	N	N	N	N
Kuwait	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Kyrgyz Republic	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Laos	Y	Y	Y	N	Y	N	N	Y	Y	Y*	Y	N	N	N	N	N	Y	Y	Y	Y	N
Latvia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Lebanon	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Lesotho	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Liberia	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Libya	Y	Y	Y	N	Y	Y	N	N	N	Y*	N	N	N	N	N	N	Y	Y	Y	Y	Y
Liechtenstein	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Lithuania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Luxembourg	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Macau[4]	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Macedonia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Madagascar	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Malawi	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Malaysia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Maldives	Y	Y	Y	Y	Y	N	Y	N	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Mali	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Malta	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Marshall Islands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Mauritania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Mauritius	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Mexico	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Micronesia, FS	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	N	N	Y	Y	Y	Y	Y	N
Moldova	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Monaco	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Mongolia	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Montenegro	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Montserrat[1]	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
Morocco	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Mozambique	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Namibia	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Nauru	Y	N	Y	Y	Y	Y	Y	Y	Y	Y*	N	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Nepal	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Netherlands	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
New Zealand	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Nicaragua	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Niger	Y	Y	Y	N	Y	Y	N	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Nigeria	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Niue	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	N	N
Norway	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Oman	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Pakistan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Palau	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	Y	N	Y	N	Y	N
Panama	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Papua New Guinea	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	N	N	N	Y	N	Y	N
Paraguay	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Peru	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Philippines	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Poland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Portugal	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Qatar	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Romania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Russia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Rwanda	Y	Y	Y	Y	Y	Y	N	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
St. Kitts and Nevis	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
St. Lucia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
St. Vincent and the Grenadines	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Samoa	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
San Marino	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Sao Tome and Principe	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Saudi Arabia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Senegal	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Serbia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Seychelles	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Sierra Leone	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Singapore	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Sint Maarten[2]	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Slovak Republic	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Slovenia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Solomon Islands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	N	Y	N
Somalia	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	Y
South Africa	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
South Sudan	Y	Y	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	Y	N
Spain	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Sri Lanka	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Sudan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Suriname	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Swaziland	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Sweden	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Switzerland	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Syria	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	N	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Taiwan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	N	N
Tajikistan	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Tanzania	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Thailand	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Timor-Leste	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Togo	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Tonga	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N
Trinidad and Tobago	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Tunisia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Turkey	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Turkmenistan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Turks and Caicos[1]	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N
Uganda	Y	Y	Y	Y	Y	Y	N	Y	Y	Y*	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N

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

All Money Laundering and Financial Crimes Countries/Jurisdictions

Afghanistan

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 342 in 2014
Number of CTR received and time frame: 1,908,610 in 2014
STR covered entities: Banks (public and private), MSBs, hawaladars, lawyers, real estate agents, trust companies, securities dealers, independent legal professionals, insurance companies, and dealers of bullion, precious metals, and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 4 in 2014
Convictions: 4 in 2014

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Afghanistan's ability to enforce relevant laws and regulate institutions is hampered by corruption. Limited resources and lack of technical expertise and infrastructure also hamper effective regulatory oversight. Afghanistan has made progress with the enactment of its July 2014 AML and CFT laws. Significant provisions include the creation of an adequate legal basis to criminalize money laundering; and the authority to confiscate funds or real property derived from criminal activity, sell property, and hold the proceeds in an asset recovery/sharing fund. In addition, in mid-2015, Afghanistan enacted a comprehensive banking law to enhance reporting and the governance of private and state-owned banks. The law, which also includes criteria for fit and proper determinations and a regime for declaring cross-border transportation of cash and bearer negotiable instruments, will go into effect in early 2016.

Despite making some regulatory progress on banking, no clear division exists between the hawala system and the small formal financial sector. Hawaladars often keep accounts at banks and use wire transfer services to settle their balances with other hawaladars abroad. Due to limited bank branch networks, banks occasionally use hawaladars to transmit funds to hard-to-reach areas within Afghanistan. Afghanistan's financial intelligence unit, FinTRACA, reports that no MSBs or hawaladars have ever submitted suspicious transaction reports (STRs), as compared to the 10 to 15 STRs FinTRACA receives daily from traditional financial institutions. Insurance companies and securities dealers are also technically under the regulatory regime and are required to file STRs, but the government does not enforce this requirement. Precious metals and stones dealers, lawyers, accountants, and real estate agents are not supervised in Afghanistan.

Border security continues to be a major challenge throughout Afghanistan, with the country's 14 official border crossings under central government control. Afghanistan's cross-border reporting requirement applies to those entering or exiting the country with an amount of more than $10,000 but less than $20,000; however, the system is not enforced across Afghanistan's borders due to lack of resources. If Afghanistan implements its cross border regulation on cash movements to prohibit travelers from carrying more than $20,000 across borders or through airports, bulk cash smuggling could become increasingly difficult. However, implementing the law requires harmonization with existing customs regulations and other administrative changes. Customs regulations, issued in September 2015, lack clarity on what should be done by authorities when there is suspicion of ML/TF. Cargo is often exempted from any screening or inspection due to corruption at the border crossings and customs depots. Outside of official border crossings, most border areas are under-policed or not policed at all, and are particularly susceptible to cross-border trafficking, trade-based money laundering, and bulk cash smuggling. Kabul International Airport lacks stringent currency inspection controls for all passengers and includes a VIP lane that does not require subjects to undergo any inspections or controls. Beyond the formal border crossings, the Afghanistan-Pakistan frontier is notoriously porous, presenting an additional challenge for the government to control and enforce illicit cash and trade movements.

In 2011, the Afghanistan/Pakistan Transit Trade Agreement (APTTA) expanded trade cooperation between the two countries and attempted to minimize smuggling by maximizing oversight and technical monitoring. Yet the designated trade routes pass through key locations where insurgent and terrorist groups operate. It appears insurgents are finding creative ways to utilize APTTA's new rule of being able to maintain control of a cargo truck from country of origin to cross-border destinations without having to risk unloading trucks at border crossings. In addition, since the initiation of the new APTTA agreement, it appears organized smuggling groups have increased their use of Iranian ports of entry. With the phasing-out of Iranian sanctions, this trend will continue to grow. The Afghan transit trade is used in trade-based money laundering, value transfer, and in counter-valuation or the process of settling accounts between hawaladars.

Although Afghanistan enacted the Law on Extradition of the Accused, Convicted Individuals and Legal Cooperation, which would seemingly allow for extradition based solely upon multilateral arrangements, such as the 1988 UN Drug Convention, this interpretation conflicts with Article 28 of the Afghan Constitution, which more clearly requires reciprocal agreements between Afghanistan and the requesting country. Thus, Afghanistan's law on extradition is unclear. The U.S. does not have an extradition treaty with Afghanistan.

Afghanistan's laws related to terrorism financing are largely in line with international standards. The CFT law provides the basic framework needed to authorize Afghanistan's ability to freeze and seize terrorist assets; however, the corresponding implementing regulations lack clarity and effectiveness. FinTRACA's limited capacity to identify bad actors and build cases against them often meets administrative hurdles at the Attorney General's Office (AGO), which is considered ineffective in other criminal or anticorruption contexts, as well. The AGO is authorized to prosecute a case and freeze or seize illicit assets, but its senior leaders have expressed reluctance and skepticism regarding money laundering prosecutions in general and seizing assets in particular.

While the authority to seize assets exists, the Afghan government has yet to establish an asset recovery mechanism to recover the value of any assets seized, and as a result, no entity, including the police or the courts, has responsibility for post-conviction asset recovery. A small number of criminal investigations with asset forfeiture issues have been reported by Afghan authorities, but they have not led to seizures of real property or prosecutions or convictions for money laundering. However, for the first time, prosecutors are going after the real property of a high profile drug trafficker. Drug kingpin Haji Lal Jan Ishaqzai was convicted in 2013 and given a 15-year sentence for opium trafficking under Afghan's Counternarcotics (CN) law. Despite his questionable release from prison in June 2014, prosecutors are using the AML law to attempt to seize a shopping center owned by Lal Jan as proceeds of criminal activity. The case is pending before Afghanistan's CN Supreme Court.

Although Afghanistan has taken steps toward improving its AML/CFT regime, certain deficiencies remain. Afghanistan should pass and enforce legislation to regulate financial institutions and designated non-financial businesses and professions and ensure their compliance with AML/CFT regulations. Afghanistan also should issue the necessary regulatory instruments to increase the number of MSB/hawala inspections and enact a comprehensive registration regime, and expand implementation of the MSB/hawala licensing program. Afghanistan should create an outreach program to notify and educate hawaladars about the licensing, large transaction reporting requirement, and STR filing processes. Afghanistan should continue to implement an adequate framework for identifying, tracing, and freezing terrorist assets; work with the international community to train enforcement officers, prosecutors, and judges to provide them a better understanding of the basis for seizing and forfeiting assets; provide regulators and enforcement officers with the resources to carry out their oversight and investigative duties; implement adequate procedures for the confiscation of assets related to money laundering; and enhance the effectiveness of FinTRACA. Afghanistan also should strengthen inspection controls for airport passengers.

Albania

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

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,319 in 2015
Number of CTRs received and time frame: 558,480 in 2015
STR covered entities: Commercial banks; financial leasing and factoring companies; money remitters and foreign exchange offices; savings/credit unions and companies; postal services that perform payment services; issuers or managers of debit and credit cards, checks, traveler's checks, payment orders, electronic money, or other similar instruments; stock markets and securities agents and brokers; life insurance or re-insurance companies, agents, or intermediaries; pension funds; the State Authority Responsible for the Administration and Sale of Public Property and property transfer agents; games of chance, casinos, and race tracks of any form; lawyers, notaries, and other legal representatives; real estate agents and appraisers; accountants and financial consultants; and the Agency of Legalization, Urbanization, and the Integration of Informal Constructions/Zones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 220 in 2015
Convictions: 5 in 2015

RECORDS EXCHANGE MECHANISM:

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

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Since the passing of criminal code reforms and legislative amendments in 2012, the Government of Albania's implementation efforts have been lacking and slow to successfully improve. The AML/CFT regime is plagued by numerous technical deficiencies. Despite a nearly threefold increase in the number of money laundering prosecutions between comparable time frames in 2014 and 2015, the numbers of successful prosecutions remain extremely low. In 2015, the Prosecutor General's Office hired a single forensic accountant to assist in the investigation of cases.

The government has taken some steps to combat official corruption, but it needs to continue to address judicial and prosecutorial corruption. Since the lifting of immunity for judges and high officials in 2012, prosecutors have investigated at least 21 high-level officials, including 14 locally-elected officials, three judges, one court clerk, two prosecutors, and one police officer. Jurisdiction over judicial corruption and high level corruption was transferred to the Serious Crimes Court in March 2014. Prosecutions led by the related Serious Crimes Prosecution Office have resulted in the corruption convictions of two judges and one locally elected mayor. One other judge and two prosecutors charged with corruption are pending trial.

In 2014, the mayor of a major city, Vlore, and one other municipal employee were prosecuted for the falsification of building permits. In addition, three other persons were prosecuted for constructing illegal buildings. At the end of 2014, the Tirana District Court found all defendants not guilty. The same mayor was prosecuted in 2015 for another incident of falsification of a building permit. One other official and two other persons were also charged. The case remains on trial before the Vlora District Court.

In 2015, two employees of the Bank of Albania were found guilty of "bank robbery" (embezzlement) of $7.3 million and convicted, while 15 other employees were found guilty of abuse of office for actions and omissions that facilitated the robbery. The Governor was acquitted of abuse of office charges, and the Chief Inspector is still pending trial.

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

Despite arrests of intended foreign-fighters in early 2014, there is no indication that prosecutors have had the opportunity to freeze any assets. No terrorist financing cases have been pursued in 2015.

Albania should continue to take steps to remedy identified deficiencies and systematically address the pervasive corruption which enables money laundering and other financial crimes.

The government should continue to develop the effectiveness of its police and prosecutors that focus on corruption, money laundering, and economic crimes.

Algeria

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

On October 23, 2015, the FATF removed Algeria from its Public Statement. The FATF recognized Algeria's significant progress and the improvement in its AML/CFT regime. The FATF also indicated Algeria has substantially addressed its action plan.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, financial leasing firms, and mortgage refinance firms; financial services offered by the Algerian postal system; money remitters; insurance companies; exchange offices; gaming entities and casinos; stock market operation; trade,

capital, and investment advisors, managers, and intermediaries; lawyers, notaries, auctioneers, certified public accountants, and auditors; brokers, commissioners in customs, and exchange agents; real estate agents; companies engaged in finance and debt recovery; and dealers of precious stones and metals, antiquities, and artwork

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES:

In 2015, Algeria passed a series of legal, regulatory, and institutional AML/CFT reforms. In February, Parliament passed and the President signed a statute broadening the criminal offense of terrorist financing and providing a framework for the seizure of terrorist funds. Also in February, Algeria's financial intelligence unit (FIU), the CTRF, as well as the Bank of Algeria, each promulgated mandatory guidelines on customer due diligence. In May, the Prime Minister issued an executive decree providing explicit guidance on the seizure of terrorist funds. Later in May, the Minister of Finance issued ministerial orders providing further detail for such seizures. In September 2015, the CTRF and the Bank of Algeria each issued further guidelines, closing potential loopholes and providing more details and procedural protections in connection with seizure mechanisms.

The United States - Algeria mutual legal assistance treaty (MLAT), signed in April 2010, was submitted to the Senate for ratification in October 2015.

Given the scope of Algeria's informal economy, efforts should be made to identify and investigate informal remittance and value transfer services. Algerian law enforcement and customs authorities should enhance their ability to investigate trade-based money laundering, value transfer, and bulk cash smuggling. The Government of Algeria should release metrics on the numbers of suspicious transaction reports (STRs) filed, as well as money laundering prosecutions and convictions so as to better evaluate the effectiveness of the country's AML/CFT regime.

Andorra

Although the Principality of Andorra is not a regional financial center, it has a well-developed financial infrastructure. The non-financial crime rate is low in Andorra, with few instances of

drug-related offenses or other serious crimes. As of the end of 2015, the Andorran banking system is comprised of four banking groups.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 52 in 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks; leasing and factoring firms; asset, mutual fund, and risk-capital management firms; exchange houses; financial advisors and intermediaries; insurance companies, accountants, and tax advisors; real estate agents; notaries and other legal professionals; bingo establishments; and dealers in precious stones and metals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 15 in 2015
Convictions: 1 in 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Andorra continues to make progress in its efforts against money laundering. Andorra adopted Law 8/2015 of April on Urgent Measures to Implement Mechanisms for the Restructuring and

Resolution of Banking Institutions. The Law establishes the Agency for Resolution of Banking Entities and allows for the creation of a "bridge bank" into which the government would transfer the legitimate banking business of a failed bank or one taken into receivership, after rigorous AML/CFT screening. The Andorran Financial Intelligence Unit (FIU) has seen its work and resources increase as Andorra has increased its efforts to combat money laundering and terrorism financing. For the first time, the Andorran judiciary appointed two judges who specialize in economic and organized crimes.

On July 16, 2015, Andorra amended the 1989 law regulating the activity of insurance companies, introducing fit and proper criteria for natural and legal persons engaged in private insurance activities. In order to improve national and international cooperation, the Andorran parliament has also approved a series of laws that amend the Penal Code as well as the Law on International Penal Coordination. Andorra has twenty ratified, active bilateral agreements for the exchange of fiscal information upon prior request. Andorra also has signed non-double taxation agreements with France, Spain, Luxembourg, Liechtenstein, Portugal, and United Arab Emirates, and is working toward signing other such agreements.

The Government of Andorra should continue to examine bank secrecy laws carefully to ensure privacy protections are not exploited in favor of criminal activity. Andorra should consider the adoption of a large currency transaction reporting system. Andorra also should become a party to the UN Convention against Corruption.

Angola

Angola is not a regional financial center. It does not produce large quantities of narcotics but continues to be a transit point for drug trafficking, particularly for drugs from Brazil and other parts of South America destined for Europe. Increasingly, Angola is becoming a destination point as well, with a growing market for illicit drugs. Angola's borders are porous and vulnerable to general smuggling and trafficking in small arms, diamonds, humans, fuel, and motor vehicles. Angola has a high rate of U.S. dollar cash flow, although the government has implemented new financial policies to decrease use of all currencies except the Angolan kwanza. According to the Angolan Central Bank approximately $17 billion has left the economy in the last five years alone, an amount significantly above foreign direct investment into the country. The origin of this money is unclear. Additional value is transferred out of the country through abusive trade mis-invoicing. Widespread corruption in government and commerce facilitates money laundering.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:
Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Commercial and investment banks, microfinance institutions, financial groups, insurers, stock markets, casinos, lotteries, dealers in precious stones and metals, high-value goods merchants, currency exchange and remittance companies, paycheck issuers and managers, pension fund managers, individual and collective estate management groups, accountants, auditors, notaries, registrars, attorneys, solicitors, and other independent legal professionals

REPORTING REQUIREMENTS:
Number of STRs received and time frame: 127: January 1 – November 24, 2015
Number of CTRs received and time frame: Not available
STR covered entities: Commercial and investment banks, microfinance institutions, financial groups, insurers, pension fund managers, casinos, lotteries, dealers in precious stones and metals, high-value goods merchants, currency exchange and remittance companies, paycheck issuers and managers, individual and collective estate management groups, accountants, auditors, notaries, registrars, attorneys, solicitors, and other independent legal professionals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 0 in 2015
Convictions: 0 in 2015

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In June 2015, Angola also passed mutual legal assistance legislation that provides for international cooperation on criminal matters, including AML/CFT.

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

their employees from tipping off, but this legal prohibition does not appear to extend to citizens in their private capacity.

In 2015, Angola's FIU made no referrals to Angolan prosecutors for potential prosecution under the AML statutes. Angola's ability to investigate financial crimes is limited, but improving; corruption remains a problem.

The Government of Angola should take specific steps to combat pervasive corruption and should continue to implement and improve its AML/CFT regime. Angolan law enforcement authorities should not rely on referrals from the FIU to initiate money laundering investigations. Angola should adequately criminalize money laundering and terrorist financing; establish and implement an adequate legal framework for the confiscation of funds related to money laundering; implement an adequate supervisory framework; enforce reporting requirements for DNFBPs; and ensure appropriate laws and procedures are in place to provide mutual legal assistance.

Anguilla

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

The financial sector is small in comparison to other jurisdictions in the Caribbean, but the ability to register companies online, the zero-tax regime, and the use of bearer shares make Anguilla vulnerable to money laundering. The biggest perceived money laundering threat continues to come from abuses of the offshore industry in relation to mutual funds, trusts, and international business companies (IBCs). IBCs are able to maintain bank accounts in Anguilla even though they are not required to have a physical presence in the jurisdiction and are not permitted to transact business in the jurisdiction. Thus, the true nature of business undertakings of IBCs is not always verifiable. The Anguilla Financial Services Commission maintains an updated website listing active market participants. There are seven licensed domestic and offshore banks, two money service businesses, and over 275 captive insurance companies.

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Domestic and offshore banks, money transfer agents and money service businesses, insurance companies, mutual funds and fund intermediaries, company managers and service providers, trusts, securities brokers and dealers, dealers in high-value goods and precious metals and stones, lawyers, accountants, notaries, real estate agents, and friendly societies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 83: January 1 - November 2, 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Domestic and offshore banks, money transfer agents and money service businesses, insurance companies, mutual funds and fund intermediaries, company managers and service providers, trusts, securities brokers and dealers, dealers in high-value goods and precious metals and stones, lawyers, accountants, notaries, real estate agents, and friendly societies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 2 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

The Anti-Money Laundering and Terrorist Financial Regulations and Code require all covered businesses to keep underlying documents and to maintain records for a period of five years. Amendments were made to the AML/CFT Regulations in 2013 to include enhanced due diligence for domestic politically exposed persons (PEPs).

A UK Caribbean overseas territory, Anguilla cannot sign or ratify international conventions in its own right. The UK is responsible for Anguilla's international affairs and may arrange for the ratification of any convention to be extended to Anguilla. The 1988 UN Drug Convention was extended to Anguilla in 1995. The United Kingdom approved the extension to Anguilla of the International Convention for the Suppression of the Financing of Terrorism, on April 20, 2015; and the UN Convention against Transnational Organized Crime, on July 31, 2015. In April 2011, Anguilla's Executive Council agreed in principle to extend the UN Convention against Corruption to Anguilla and requested a legislative analysis to ascertain the changes necessary to implement the Convention.

Anguilla should amend its legislation, as appropriate, to ensure legal persons or corporations are criminally liable for money laundering or terrorist financing activity.

Antigua and Barbuda

Antigua and Barbuda is an offshore center which continues to be vulnerable to money laundering and other financial crimes. Its relatively large financial sector and internet gaming industry add to its susceptibility. According to the Antiguan Office of National Drug Control and Money Laundering Policy (AONDCP), the collaborative efforts between Antigua and Barbuda and United States law enforcement agencies have brought about a decrease in drug trafficking activity.

Although the number of internet gaming companies is in decline, according to AONDCP statistics, casinos and internet gaming maintain a strong presence in Antigua and Barbuda. Internet gaming companies are regulated by the Financial Services Regulatory Commission, and supervised for AML/CFT by the AONDCP. Regulation requires them to incorporate as international business corporations (IBCs) and maintain a physical presence on the island. Domestic casinos must incorporate as domestic corporations. The Government of Antigua and Barbuda receives millions of dollars per year from license fees and other charges related to the internet gaming industry.

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 272: January 1 – November 1, 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, international offshore banking businesses, venture risk capital, and money transmission services; entities issuing and administering means of payment (e.g., credit cards, traveler's checks, and banker's drafts); those offering guarantees and commitments, or trading for customers involved in money market instruments, foreign exchange, financial and commodities-based derivative instruments, or transferable or negotiable instruments; money brokers and exchanges, money lenders, and pawn shops; real property businesses; credit unions, building societies, and trust businesses; dealers in precious metals, art, jewelry, and high-value goods; casinos and providers of Internet gaming and sports betting; car dealerships; travel agents; company service providers, attorneys, notaries, and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 3 in 2015
Convictions: 1 in 2015

RECORDS EXCHANGE MECHANISM:

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

Antigua and Barbuda is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php/documents/mutual-evaluation-reports/antigua-and-barbuda-1/34-antigua-and-barbuda-3rd-round-mer

ENFORCEMENT AND IMPEMENTATION ISSUES AND COMMENTS:

Antigua and Barbuda continues to work to improve its AML/CFT regime. The AONDCP's 2014 analysis shows that financial institutions in Antigua and Barbuda have improved their AML/CFT policies and customer due diligence procedures. In 2014, AONDCP's Financial Investigations Department was involved in 14 new cases, both criminal and civil. In 2015, with the assistance of an international donor, AONDCP spearheaded a national risk assessment of the country's vulnerabilities to money laundering and terrorist financing.

In October, 2015, Antigua and Barbuda recorded its first successful confiscation case under the Proceeds of Crime Act. As part of a joint operation with the ABDF Coast Guard, the AONDCP first arrested two persons aboard a sailing vessel from Tortola in 2011 with over 160 kilograms of cocaine. The court ordered the defendant to pay $30,000 to the State. From the evidence provided, the court determined the defendant possessed assets which could be used to settle the confiscation order.

In 2015, the AONDCP successfully defended a constitutional motion before the Eastern Caribbean High Court by securing a ruling determining the provisions for civil forfeiture under the Money Laundering (Prevention) Act do not contravene the Constitution. Ahmed Williams was convicted of possession with intent to supply and possession with intent to sell after he was arrested while conducting a drug transaction. AONDCP and Police officers found him in possession of 3.3 kilograms of cocaine, US$16,446 and EC$41,965. Following the criminal case, two parcels of land owned by Williams were frozen by the Supervisory Authority and ultimately forfeited to the government. This case has created a legal precedent for civil forfeiture proceedings in the region, and the court's decision reinforces the principle that the provisions for civil forfeiture do not contravene the Antigua and Barbuda Constitution.

The Government of Antigua and Barbuda should continue to work to implement its AML/CFT action plan, and devote resources to money laundering investigations and enforcement.

Argentina

Institutionalized corruption, drug trafficking, high levels of informal and contraband trade, and an active informal exchange market present significant challenges for Argentina's AML/CFT regime. Contraband is smuggled into Argentina through the tri-border area (Argentina, Paraguay, and Brazil), and a very porous northern border shared with Bolivia and Paraguay, and through changes to shipping manifests designed to disguise the importer and the type of merchandise. The previous administration's use of currency controls to avoid balance of payments issues fostered a thriving black market for U.S. currency. During the first ten months of 2015, the unofficial exchange rate valued the dollar about 60 percent higher than the official

government rate. Argentina controlled access to foreign currency to try to maintain its falling central bank reserves. President Macri, inaugurated December 20, 2015, quickly adopted economic policies to address a host of economic problems, including high inflation and disputes with foreign creditors.

Many Argentines prefer to hold their savings in U.S. dollars and/or dollar-denominated assets as a hedge against high inflation and potential peso devaluation. Even during periods of more liberal currency exchange, Argentina has a long history of capital flight and tax evasion. The latter is the predicate crime in the majority of money laundering cases. Argentines hold billions of U.S. dollars outside the formal financial system, both domestically and offshore, much of it legitimately earned, but not taxed.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 25,589 in 2014
Number of CTRs received and time frame: Not available
STR covered entities: Banks, financial companies, credit unions, trusts, tax authority, customs, currency exchange houses, casinos, athletic societies, securities dealers, insurance companies, accountants, notaries public, dealers in art and antiques, jewelers, real estate registries, real estate agents, money remitters, charitable organizations, auto and boat dealers, and postal services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Argentina is a member of the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.gafilat.org/UserFiles//Biblioteca/Evaluaciones/Argentina_3ra_Ronda_2010.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While the Government of Argentina has established the legal authorities and structures necessary for an AML regime, implementation of that regime remains a challenge. Ongoing receipt of suspicious transaction reporting, including through online submission, demonstrates that the function has become institutionalized. The total number of suspicious transaction reports (STRs) dropped 29 percent in 2015, in part because the Financial Information Unit (UIF), the Argentine financial intelligence unit (FIU), raised the reporting threshold for savings and loan organizations. The thresholds had been low and had not been adjusted previously to account for inflation. The changes resulted in a 94 percent drop in reporting by the savings and loan sector. The UIF continues to face challenges in analyzing suspicious reporting information and converting analysis into actionable intelligence. To address these gaps, the UIF has developed a risk matrix and modernized reporting systems, including incorporating an online reporting capability. In addition, the Financial Crimes Enforcement Network (FinCEN), the U.S. financial intelligence unit, suspended information sharing with the UIF in June 2015. This is the second suspension of information sharing between FinCEN and the UIF due to Argentina's unauthorized disclosure of intelligence that FinCEN had shared with the UIF. The first suspension took place in July 2009, and lasted three and a half years. This is a serious offense and FinCEN is evaluating next steps.

Program effectiveness, as measured by convictions and asset forfeiture, has been negligible. Since 1999, Argentina has successfully prosecuted only seven cases of money laundering. In general, money laundering cases are pursued by a chief prosecutor, working as part of a prosecutorial unit focused on six operating areas. Systematic deficiencies in Argentina's criminal justice system persist, including widespread delays in the judicial process and a lack of judicial independence.

In an effort to support judicial action, the UIF and the Economic and Money Laundering Prosecutor's Office (PROCELAC) have enhanced cooperation with judges and prosecutors throughout the country. In 2015, PROCELAC reported opening 101 preliminary investigations and responding to 140 requests for case collaboration. However, reporting suggests the majority of these actions have focused on investigating foreign currency outflows and tax evasion.

In 2014, the UIF responded to 213 requests for information or testimony from judges and prosecutors and issued eight administrative orders to freeze the assets of 18 entities believed to be involved in terrorist financing. As a result of this intervention, 11 state terrorists were captured, bringing the total to 21 terrorists captured since 2013 using CFT instruments. To date, the offenders have largely been former members of the military junta, and the majority has been

charged with domestic terrorism related to crimes committed during military rule in Argentina (1976-1983). Argentina has not used its CFT regime to pursue international terrorism cases.

With its AML/CFT regime established through legal and regulatory structures, suspicious transaction reporting institutionalized, and information flowing more freely between branches of government, Argentina's challenge now is enforcement. Critical components of this effort will be demonstrating the country's commitment to the principles of transparency and good governance; fostering a universal culture of AML/CFT compliance; improving the ability to coordinate, investigate, and prosecute complex financial crimes efficiently; and increasing convictions.

Armenia

Armenia is not an international or regional financial center and is not believed to be at major risk for money laundering or terrorist financing. The 2014 National Risk Assessment identified fraud (including cybercrime), tax evasion, theft, and embezzlement as the most pervasive money laundering threats. Corruption and smuggling are additional issues. The real estate sector, the shadow economy, and the widespread use of cash rather than bank transactions all constitute vulnerabilities. Armenia is not a major drug-producing country and domestic consumption of illegal drugs is modest.

Armenia's banking sector holds approximately 90 percent of total assets of the financial system. In the non-financial sector, high-value transactions, such as real estate purchases, are believed to be risky. Casinos are legal and regulated by the Ministry of Finance.

The National Risk Assessment concludes that the risk of terrorist financing (TF) within Armenia is low. There are no concrete indications that Armenia's private sector and non-profit organizations (NPOs) are misused for TF purposes.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, credit organizations, exchange houses, money and value transfer services; investment companies, insurance companies and intermediaries; pawnshops; real estate agents; notaries, lawyers, accountants, and auditors; dealers in artwork

and precious metals and stones; auction organizers; casinos and organizers of games of chance, lotteries, and internet games of chance; trust and company service providers; credit bureaus; the State Cadaster; and the State Registry

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 191: January 1 – November 1, 2015
Number of CTRs received and time frame: 174,037: January 1 – November 1, 2015
STR covered entities: Banks, credit organizations, exchange houses, money and value transfer services; investment companies, insurance companies and intermediaries; pawnshops; real estate agents; notaries, lawyers, accountants, and auditors; dealers in artwork and precious metals and stones; auction organizers; casinos and organizers of games of chance, lotteries, and internet games of chance; trust and company service providers; credit bureaus; the State Cadaster; and the State Registry

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 2: January 1 – November 1, 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On June 21, 2014, amendments to the Law on Combating Money Laundering and Terrorism Financing and 14 other laws regulating the AML/CFT framework became law. The law and relevant regulations are meant to ensure a high level of compliance with international standards. The amendments address, among other items, administrative sanctions, prohibition of bearer shares, lowered threshold for reporting cash transactions, asset forfeiture provisions, the identification of predicate offenses for money laundering, and the adoption of a mechanism to freeze terrorist assets. Mechanisms for the implementation of targeted financial sanctions established under the respective UNSCRs have been established.

Most basic information on legal persons is publicly available through the State Register of Legal Entities. All legal persons in Armenia are required to disclose the identity of their beneficial owners to the State Register upon registration and whenever there is a change in shareholding. Information on beneficial ownership of legal entities is also ensured through the application of customer due diligence measures by banks.

The Government of Armenia is gradually increasing the number of money laundering investigations and prosecutions. The Central Bank's Financial Monitoring Center (FMC), the country's financial intelligence unit, has access to a wide range of information sources and

generates intelligence for dissemination to both domestic and international counterparts, as necessary.

The government should provide criminal penalties for legal persons involved in money laundering or terrorist financing, require additional scrutiny for domestic politically exposed persons (PEPs), and enhance the capacities of law enforcement authorities to effectively identify, trace, and seize assets at the earliest stages of an investigation by means of proactive parallel financial investigations conducted on a regular basis. Armenia should criminalize tipping off. Armenian authorities and the FMC should ensure all covered reporting sectors provide mandated financial intelligence reports to the FMC. The government is seeking international assistance to better regulate its activities.

Aruba

Aruba is an autonomous entity within the Kingdom of the Netherlands. Aruba has sovereignty on most internal matters but defers to the Kingdom in matters of defense, foreign policy, final judicial review, human rights, and good governance. Aruba is not considered a regional financial center. Because of its location, Aruba is a transshipment point for drugs from South America bound for the United States and Europe, and a transshipment point for currency flowing in the opposite direction. Bulk cash smuggling represents a risk due to the location of Aruba between North and South America. Money laundering is primarily related to proceeds from illegal narcotics trafficked by domestic and foreign criminal organizations, and occurs through real estate purchases and international tax shelters. There is no significant black market for smuggled goods on Aruba. There are 13 casinos, and online gaming is allowed under a licensing and reporting system.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:
Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, life insurance companies and insurance brokers, money transfer companies, investment companies and brokers, factoring and leasing companies, lawyers, civil notaries, accountants, tax advisors, casinos, dealers in jewels and precious metals, realtors, and dealers in art, antiques, vehicles, aircraft, and ships

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 14: November 1, 2014 – November 1, 2015
Convictions: 2: November 1, 2014 – November 1, 2015

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Aruba's money laundering laws do not cover proceeds generated from counterfeiting and piracy of products, insider trading, market manipulation, many types of environmental crimes, or fraud. Aruba complies with EU-imposed sanctions as part of the Kingdom of the Netherlands. In 2015, an AML/CFT national risk assessment was conducted. Additionally, Aruban authorities supported the seizure of $4.4 million and several arrests in an international money laundering case.

Aruba does not have a suspicious transaction reporting system but rather a broader unusual transaction reporting (UTR) system. Obliged entities are required to report large cash transactions of $14,000 or more, wire transactions of $278,000 or more, other unusual transactions, and transactions suspected to be related to money laundering or terrorist financing, including those related to persons or groups listed on the UN sanctions list. In 2014, 22,887 UTRs were received from financial institutions and 6,916 UTRs were received from Designated Non-financial Businesses and Professions (DNFBPs). During the same time frame, 871 cross-border cash declarations were received.

Aruba's State Ordinance for the Prevention of and Combating Money Laundering and Terrorist Financing (AML/CFT State Ordinance) addresses the identification and verification of clients and the reporting of unusual transactions when providing certain services. Non-regulated

financial service providers (including investment brokers and factoring and leasing companies) and covered designated non-financial businesses and professions must also comply with the requirements of the AML/CFT State Ordinance and must register with the Central Bank of Aruba.

The Kingdom of the Netherlands, of which Aruba is an autonomous constituent, may arrange for the ratification of any convention to be extended to Aruba. The Kingdom extended the application to Aruba of the 1988 UN Drug Convention in 1999; the UN International Convention for the Suppression of the Financing of Terrorism in 2005; and the UN Convention against Transnational Organized Crime in 2007. The Kingdom has not yet extended the application of the UN Convention against Corruption to Aruba.

Australia

Australia's well-functioning financial markets include major products, such as money, debt, equities, foreign exchange, and derivatives. While not large compared to equivalent markets in economies such as the United States or Japan, trading activity in many Australian financial market sectors is higher than the size of the economy might indicate. For example, Australia's largest market sector is the foreign exchange market and the Australian dollar is the seventh most actively traded currency worldwide. Australia is also recognized internationally in areas such as infrastructure financing and structured products. As an emerging financial services center within the Asia-Pacific region, the country's financial sector is supported by a number of government initiatives, such as the implementation of an investment manager regime and measures to provide tax exemption or tax relief for foreign managers. Finance and insurance, significant sectors in the Australian economy, are estimated to annually contribute some A$130 billion (approximately $92 billion) to the Gross Domestic Product, accounting for 9.3 percent of total value added. Australia has one of the largest pools of consolidated assets under management globally, valued at A$2.6 trillion (approximately $1.85 trillion). It is also a major destination for foreign direct investment.

According to the Australian Crime Commission (ACC), financial crimes continue to increase in diversity, scale, and the level of overall harm they cause Australia. The ACC conservatively estimates that serious and organized crime costs Australia approximately A$15 billion each year ($10.67 billion). Money laundering remains a key enabler of serious and organized crime.

The Australian Transaction and Reports Analysis Center (AUSTRAC) – the country's financial intelligence unit (FIU) and the national anti-money laundering/countering the financing of terrorism (AML/CFT) regulator – identifies key features of money laundering in Australia in its Annual Report: intermingling legitimate and illicit financial activity through cash intensive businesses or front companies; engaging professional expertise, such as lawyers and accountants; the use of money laundering syndicates to provide specific money laundering services to terrorists and domestic and international crime groups; and the "internationalization" of the Australian crime environment, a reflection of the pervasive international money laundering ties of Australia-based organized criminal groups. The report also notes that major money laundering channels are prevalent in banking, money transfer and alternative remittance services, gaming, and luxury goods. Less visible conduits include legal persons and arrangements, cash

intensive businesses, electronic payment systems, cross-border movement of cash and bearer negotiable instruments, international trade, and investment vehicles.

Trade-based money laundering (TBML), and its potential role in drug trafficking and importation, is a concern of law enforcement agencies. Australia's lack of free trade zones is considered to have lowered the risk of TBML.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 81,074: July 2014 - June 2015
Number of CTRs received and time frame: 4,694,287: July 2014 - June 2015
STR covered entities: Banks; gaming and bookmaking establishments and casinos; bullion and cash dealers and money exchanges and remitters; electronic funds transferors; insurers and insurance intermediaries; securities and derivatives dealers; registrars and trustees; issuers, sellers, or redeemers of traveler's checks, money orders, or similar instruments; preparers of payroll, in whole or in part in currency, on behalf of other persons; and currency couriers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

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

RECORDS EXCHANGE MECHANISM:

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

Australia is a member of the FATF and of the Asia/Pacific Group on Money Laundering (APG),

a FATF-style regional body. Its most recent mutual evaluation report can be found at: http://www.fatf-gafi.org/countries/a-c/australia/documents/mutualevaluationofaustralia.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Australia maintains a comprehensive system to detect, prevent, and prosecute money laundering. A statutory review of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CFT Act), conducted by the Attorney-General's Department with assistance from AUSTRAC, is underway to examine the objectives and scope of the AML/CFT regime, opportunities for deregulation, the risk-based approach to AML/CFT, and industry reporting obligations. The review is being conducted in the context of the government's deregulation agenda, and minimizing the compliance burden on industry is a priority. The report of the statutory review will be submitted to Government in the first half of the 2015-16 financial year.

Following amendments to the AML/CFT Act, customer due diligence (CDD) requirements became effective June 2014, which protect Australia's revenue base through enhanced collection and verification of customer information, and safeguard national security from organized criminals and money launderers misusing the complex business structures to conceal their ownership and controlling interest. A major enforcement tool to reduce money laundering risks inherent in the alternative remittance sector and informal value transfer systems is the ACC-led Eligo National Task Force (ENTF). The ENTF is an initiative involving the ACC, AUSTRAC, and the Australian Federal Police. In 2015, the ENTF resulted in 32 disruptions to criminal entities and identified 112 criminal targets previously unknown to law enforcement. The ENTF-initiated investigations resulted in seizures of more than A$365.5 million (approximately $262 million) in cash and drugs, 39 referrals to partner agencies, 40 financial intelligence reports to the Eligo Taskforce, and nine data mining information reports. As well as disrupting organized crime activities, the ENTF increases professionalism within the remittance sector to make it more resistant to organized crime. U.S. law enforcement agencies continue to collaborate with the ENTF.

AUSTRAC also works with Australian industries and businesses to promote their compliance with AML/CFT legislation. Australia has active interagency task forces, and consultations with the private sector are frequent. AUSTRAC signed seven new financial intelligence exchange agreements in 2015, increasing the number of Australia's exchange instruments with international counterparts to 72. Australian law enforcement agencies investigate an increasing number of cases that directly involve offenses committed overseas. Australia's Criminal Assets Confiscation Task Force brings together agencies with key roles in the investigation and litigation of proceeds of crime matters. The task force identifies and conducts asset confiscation matters.

In May 2014, the government announced that the AUSTRAC Supervisory Levy would be replaced with the AUSTRAC Industry Contribution. From the 2014-15 financial year onwards, reporting entities will pay a levy that allows AUSTRAC to recover the costs of its regulatory and financial intelligence. In June 2015, AUSTRAC started preparations for the 2015–16 industry contribution which will commence early in the 2015–16 financial year.

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

In 2014, AUSTRAC completed Australia's first classified National Risk Assessment on terrorism financing. A sanitized report titled "Terrorism Financing in Australia 2014" notes that Australia's banking and remittance sectors are used more frequently than other channels to send funds to individuals engaged in foreign insurgencies and conflicts. Terrorism financing in Australia varies in scale and sophistication, ranging from organized fundraising by domestic cells which are part of a larger, organized international network, to funds raised by small, loosely organized, and self-directed groups. While AUSTRAC is not currently preparing an updated version of its 2014 report, AUSTRAC disclosed that terrorism-related "suspicious matter reports" had increased threefold from 118 in 2013-14 to 367 in 2014-15.

In May 2015, the Government of Australia announced the establishment of a Serious Financial Crimes Taskforce (SFCT) to replace Project Wickenby, the cross-agency task force that played a key role in the fight against tax evasion, avoidance, and crime from 2006 until its termination on June 30, 2015. With a broader remit, and operational from July 1, the SFCT is also a multi-agency taskforce that forms part of the Australian Federal Police-led Fraud and Anti-Corruption Center. Drawing together the Australian Taxation Office, Australian Crime Commission, Australian Federal Police, Attorney-General's Department, Australian Transaction Reports and Analysis Centre, Australian Securities and Investments Commission, Commonwealth Director of Public Prosecutions, and Australian Customs and Border Protection Services, SFCT's primary role is to focus on operational activities, collect and share intelligence, identify reform measures with the aim of removing wealth from criminal activity, prosecute facilitators and promoters of serious financial crime, and deploy deterrent and preventative enforcement strategies.

Australia should require real estate agents, solicitors, and accountants to report suspicious transactions.

Austria

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

Casinos and gambling are legal in Austria, but in some provinces slot machines are prohibited, and there are efforts underway to limit certain aspects of sport betting. The laws regulating casinos include AML/CFT provisions. There are migrant workers in Austria who send money

home via all available channels, including regular bank transfers and money transmitters, but also informal and illegal remittance systems. No information is available to what extent informal systems are used.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,673 in 2014

Number of CTRs received and time frame: Not applicable

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 426 in 2014

Convictions: 46 in 2014

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

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

Austrian banks have strict legal requirements regarding secrecy. However, the law stipulates that secrecy regulations do not apply with respect to banks' obligation to report suspicious transactions in connection with money laundering or terrorism financing, or with respect to ongoing criminal court proceedings. Any amendment of these secrecy regulations requires a two-thirds majority approval in Parliament. In 2014, Austria accepted a long-delayed EU law to curtail bank secrecy and tax evasion. The law requires the EU member states to automatically exchange information on accounts held by their citizens abroad. Austria said it needed more time to comply with the agreement and create a new reporting system. Austria was given until 2018 to comply.

The Austrian Financial Market Authority (FMA) regularly updates a regulation issued January 1, 2012, which mandates banks and insurance companies apply additional special due diligence when doing business with designated countries. In 2014 the regulation stipulated increased scrutiny for foreign "politically exposed persons (PEPs)," such as government members, politicians, and prominent public officials.

After a decline in the previous year, the number of filed suspicious transaction reports (STRs), and particularly prosecutions and convictions, rose significantly in 2014. Austrian authorities maintain that the improved legal framework and training contributed to this development. The number of AML convictions in relation to the amount of prosecutions remains quite low.

Azerbaijan

Azerbaijan is a country with considerable natural resources located at the crossroads of Europe, the Middle East, and central Asia. In 2015 the energy sector was responsible for over 90 percent of the country's trade receipts and was the target for most of the foreign investment. All other economic activities lag energy in development and sophistication. The financial sector was hit hard in 2015 by two devaluations of the manat. The currency value dropped in total almost 99 percent from the start of the year. These economic factors, coupled with the history, long-standing trade relationships, and common borders the country shares with Iran and Russia, make Azerbaijan's financial institutions vulnerable to being used by foreign entities seeking money laundering/terrorist financing opportunities.

The major source of criminal proceeds in Azerbaijan is endemic corruption, which affects all sectors of government and commerce. International reports identify Azerbaijan as a transit country for the Afghan drug trade, and Azerbaijani authorities suspect narcotics trafficking

generates a significant amount of illicit funds. It is likely the current international sanctions in Iran have increased the volume of illicit funds flowing through Azerbaijan; changes to the sanctions regime, which may occur in 2016 under the Joint Comprehensive Plan of Action (JCPOA), seem unlikely to close down this activity completely. Other generators of illicit funds include robbery, tax evasion, smuggling, trafficking, and organized crime. Money laundering occurs in the formal financial sector as well as in the non-bank financial entities and alternative remittance systems. There is a significant black market for smuggled goods in Azerbaijan and illicit goods also transit the country.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 787: January 1 – December 28, 2015
Number of CTRs received and time frame: 349,051: January 1 – December 28, 2015
STR covered entities: Banks and money remitters; insurance and reinsurance companies and intermediaries; securities brokers and investment funds; leasing companies; company formation agents and asset managers; lawyers and auditors; real estate brokers and agents; lotteries; pawnshops; and NGOs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1: January 1 – December 1, 2015
Convictions: 1 in 2015

RECORDS EXCHANGE MECHANISM:

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

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Azerbaijan has made efforts in recent years to address its vulnerability to money laundering and terrorist financing. The Financial Monitoring Service (FMS), Azerbaijan's financial intelligence unit, has continued to improve its data collection, storage, and analysis. It is forward leaning in attempting to train personnel. However, the lack of interagency cooperation and the inadequate training levels significantly diminish its analytic abilities. In 2015, the FMS referred 43 reports to law enforcement agencies for investigation. Of the reports, 33 were for money laundering and 10 for terrorist financing.

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

Corruption in the public sector remains a major concern, although the Government of Azerbaijan announced several reforms late in the year to streamline customs administration and business licensing procedures that reduce opportunities for low-level corruption. The small number of prosecutions and convictions suggests, in part, that there is too much emphasis on initiating money laundering investigations via the filing of suspicious transaction reports (STRs) and referrals by the FMS. Azerbaijani law enforcement and customs authorities should receive additional training to recognize money laundering at the street and port levels. Concerned enforcement agencies also should examine regional trade-based money laundering and value transfer networks, and the link to tax evasion and underground financial systems. Oversight of designated non-financial businesses and professions should be increased and relevant entities should be added to the list of covered entities.

Bahamas

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

According to a 2013 report by the International Monetary Fund (IMF), the Bahamian financial system is "exceptionally large," reflecting the country's role as a "major offshore financial center." The report noted the financial system had total gross assets equivalent to 96 times GDP with total assets of the offshore banking sector equivalent to 75 times GDP. The offshore sector

consists mostly of branches or subsidiaries of global financial institutions and pursues a variety of business models.

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

Casino gaming is legal for tourists. The Bahamas has four large casinos, including a casino in Bimini that draws in customers from the United States via a ferry service to and from Miami. The $3.5 billion Chinese Export-Import Bank-funded Baha Mar Casino and Resort on New Providence Island, which has been in development since 2011, did not open as scheduled in 2015. If opened, it would be the largest casino in the Caribbean. Current law prohibits Bahamian citizens, permanent residents, and temporary workers from gambling in casinos. However, gaming operations based on U.S.-based lottery results and hosted on the internet, locally known as "web shops," flourish in the Bahamas. In September 2014, the government passed a comprehensive gaming bill designed to regulate the web shops and bring internet-based gaming into compliance with industry standards. Implementation is ongoing. Regulations require web shop operators to apply for a license, pay taxes on revenue and property, and comply with internal control standards.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not applicable
STR covered entities: Banks and trust companies, insurance companies, securities firms and investment fund administrators, credit unions, financial and company service providers, cooperatives, societies, casinos, lawyers, accountants, and real estate agents

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: Not available
Convictions: Not available

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of the Commonwealth of the Bahamas has the requisite institutional and legal framework to combat money laundering. In order to better gauge the effectiveness of the government's AML programs, authorities should release information on the numbers of suspicious transaction reports (STRs), prosecutions, and convictions.

The IMF report noted that, while oversight of the financial system has improved, the Bahamas is still recognized as a significant tax haven. For example, the Bahamas does not disclose in a public registry information about trusts and foundations; the Bahamas does not maintain official records of company beneficial ownership or place them in a public registry; there are no requirements that company accounts be placed on public record; nor does the Bahamas require resident paying agents to tell the domestic tax authorities about payments to non-residents.

The government's National Anti-Money Laundering Task Force, which meets monthly, is led by the Inspector at the Compliance Commission and includes representatives from the government and private sector. The goal of the body is to implement and comply with international standards to prevent and control money laundering and combat terrorist financing. The Task Force should seek to engender an AML culture in the Bahamas.

The Government of the Commonwealth of the Bahamas should continue to provide resources and training to its law enforcement, judicial, and prosecutorial bodies in order to investigate and prosecute money laundering; enforce existing legislation; and safeguard the financial system from possible abuses. With the expansion of gaming oversight, the government should ensure full implementation of appropriate safeguards, and continue to provide STR training. The Financial Intelligence Unit, in cooperation with Royal Bahamas Police Force financial investigators, should continue its outreach, training, and coordination with banking and non-banking sectors to assist institutions in implementing and maintaining effective STR regimes. The Bahamas should further enhance its AML/CFT regime by criminalizing bulk cash smuggling; continuing implementation of the National Strategy on the Prevention of Money Laundering; ensuring full compliance with UNSCRs 1267 and 1373; establishing a currency

transaction reporting system; and, implementing a system to collect and analyze information on the cross-border transportation of currency. It also should ensure there is a public registry of the beneficial owners of all entities licensed in its offshore financial center.

Bahrain

Bahrain is a leading financial center in the Gulf region. Bahrain has a primarily service-based economy, with the financial sector providing roughly 18 percent of GDP. It hosts a diverse group of financial institutions, including 113 licensed banks, 19 money changers, and several other investment institutions, including 151 insurance organizations. The greatest risk of money laundering stems from illicit proceeds of foreign origin that transit the country. Bahrain's vast banking network, along with its status as a transit point along the Gulf and into Southwest Asia, may attract money laundering activities. Bahrain does not have a significant black market for smuggled goods or known linkages to drug trafficking.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,044 in 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, investment houses, insurance firms, money exchangers, securities brokers and dealers, real estate brokers, gold dealers, car dealers, financial intermediaries, attorneys, auction houses, and galleries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 3 in 2015
Convictions: 0 in 2015

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Awareness within the capital markets and designated non-financial businesses and professions (DNFBPs) regarding suspicious transaction reporting (STR) obligations is inconsistent. According to authorities, the informal and non-bank financial sectors are regulated and investigated. The Government of Bahrain is trying to increase its capacity to investigate irregularities among exchange houses. There is little awareness of trade-based money laundering.

There was a 20 percent increase in STRs filed in 2015 compared to 2014, according to the Interior Ministry's Financial Intelligence Directorate's annual report.

The Government of Bahrain strives to be a leader in the region on matters involving terrorist financing.

The Government of Bahrain passed legislation in 2013 to criminalize 14 major offenses per the international standards. However, the Government of Bahrain acknowledges that a lack of specialized prosecutors and judges makes convictions a challenge. Tipping off is not prohibited and should be criminalized.

Bangladesh

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

The Bangladeshi economy relies heavily on remittances, with remittances through official channels reaching over $15.3 billion in calendar year 2015. According to the central bank, the share of remittances transmitted through the formal sector is increasing although there remains widespread use of the underground and illegal hawala/hundi alternative remittance system.

Black market money exchanges remain popular because of the limited convertibility of the local currency, cash-based economy, and scrutiny of foreign currency transactions made through official channels. Alternative remittance and value transfer systems also are used to avoid taxes and customs duties. Additional terrorism financing vulnerabilities exist, especially the use of non-governmental organizations (NGOs), charities, counterfeiting, and loosely-regulated private banks.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, finance and investment companies, leasing companies, insurance companies, money changers, money remittance or transfer companies, stock dealers and brokers, portfolio managers, merchant banks, securities custodians, asset managers, non-profit organizations (NPOs), and NGOs

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,094: July 1, 2014 – June 30, 2015
Number of CTRs received and time frame: 3,657,315: July 1, 2014 – June 30, 2015
STR covered entities: Banks, finance and investment companies, leasing companies, insurance companies, money changers, money remittance or transfer companies, stock dealers and brokers, portfolio managers, merchant banks, securities custodians, asset managers, NPOs and NGOs, dealers of precious metals and stones, trust companies, lawyers, and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: 1 in 2015

RECORDS EXCHANGE MECHANISM:

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

Bangladesh is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=060e4260-2ffd-4403-8594-6e4e8dc4b218

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Central Bank of Bangladesh and its Financial Intelligence Unit (FIU) lead the country's efforts to comply with the international AML/CFT standards. Bangladesh continues to work towards full implementation of the Antiterrorism Act of 2009. Bangladesh is also in the process of amending the Money Laundering Prevention Act of 2012. The new legislation will broaden the jurisdiction for money laundering investigations and prosecutions from the Anti-Corruption Commission and police to additional agencies.

Implementation of existing laws remains a significant issue, hampered by the lack of a career prosecution service, a dedicated prosecutorial counterterrorism task force, and police training. Further, terrorism trials take years to resolve. Investigators and prosecutors prefer to pursue relatively straightforward crimes while failing to scrutinize the more complex, and potentially more serious, crimes.

Criminal investigators and Bangladesh customs should systematically examine trade-based money laundering and value transfer. Not only will combating customs fraud provide needed revenue, but international trade is frequently used in Bangladesh and the surrounding region to provide counter-valuation or a method of settling accounts between hawala/hundi brokers. Authorities should address weaknesses in the transaction monitoring systems and ensure reporting entities fully implement appropriate due diligence procedures, to include both computerized tracking systems and active engagement by trained frontline personnel. While Bangladesh amended its legislation to prohibit "tipping off" and to provide a safe harbor for financial institutions and their employees who report suspicious activity to the government in good faith, it must ensure financial institutions are compliant with these laws, especially given allegations of pervasive corruption in Bangladesh. The Government of Bangladesh should continue its work on further legislative amendments as well as implementing mechanisms, and should continue to improve supervision and enforcement capacity. Bangladesh should improve its capacity to investigate financial crimes of greater sophistication, including corruption. The government should build the capacity of its law enforcement and prosecutorial services and enhance training of investigators so they better understand the connections among corruption, money laundering, and related crimes. Finally, Bangladesh also should emphasize the importance of human intervention and analysis in terrorism financing cases as the varied profiles of these cases may not trigger an automated report.

Barbados

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

There are nine commercial banks and holding companies, 13 trusts and merchant banks, and 45 international banks licensed by the Central Bank of Barbados (CBB). The CBB is responsible for regulating and supervising commercial and offshore banks, trust companies, merchant banks,

and finance companies. The CBB estimates the offshore sector is a $32 billion industry. There are no clear statistics available on the IBC sector, although promotional material suggests there are over 4,000 IBCs. IBCs are subject to heightened due diligence requirements for license applications and renewals, and are audited if total assets exceed $500,000.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not applicable
STR covered entities: Commercial and offshore banks and credit unions; money transmission services, investment or financial services; building, restricted, and friendly societies; offshore banks; IBCs and foreign sales corporations; mutual funds and fund administrators and managers; international trusts; real estate agents; dealers in precious metals and precious stones; lawyers and trust and company service providers; insurance companies, accountants, and finance companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2015
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On November 11, 2014, Barbados became a party to the UN Convention against Transnational Organized Crime. In 2015, Barbados developed a mechanism to implement UN targeted financial sanctions related to terrorism, terrorist financing, and proliferation.

There is a Double Taxation Treaty with the United States and a specific agreement between Barbados and the United States for the exchange of information with reference to taxes. Barbados' criminal law limits the government's ability to seize assets acquired through criminal activity.

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

Belarus

Belarus is not a major financial center. Corruption and illegal narcotics trafficking are primary sources of illicit proceeds. Economic decision-making in Belarus is highly concentrated within the top levels of government and, ultimately, in the presidency. The concentration of power in the hands of the presidency and the lack of a system of checks and balances among the various branches of government are the greatest hindrances to the rule of law and transparency of governance. Government financial institutions have little autonomy, and the financial sector is not sufficiently transparent and accountable. The substantial liberalization of the national currency exchange rate policies, coupled with tighter monetary policies, contributed to a decreased use of the dollar and euro in 2015 and significantly curbed foreign currency cash transactions' avoidance of the banking system. That also helped reduce the potential for off-book cash transactions and underground markets in 2015.

Trade-based money laundering occurs primarily between Russian and Belarusian businesses. Front companies are often involved and funds sometimes transferred for products that are never delivered. The Belarusian financial intelligence unit (FIU) noted increased efforts in 2015 to transfer funds from Russia to third countries via the Belarusian banking system, as an apparent consequence of Western sanctions against Russia.

There are many casinos, especially in the capital, Minsk, and foreign ownership is allowed. In 2013, the government introduced an automatic system to register winnings in legal gambling, which enables the real time registration of winnings. In 2014, the government passed various resolutions to tighten internal control in the gaming industry and issued risk management recommendations for such businesses. In 2015, the government upgraded and streamlined the system of registering financial operations in gambling via the introduction of an electronic data exchange.

Since 2006, Belarus has been the subject of numerous U.S. sanctions. In 2011, the United States reauthorized the Belarus Democracy and Human Rights Act of 2004, which includes a package of sanctions expanding the list of Belarusian officials and law enforcement representatives subject to visa bans and financial restrictions. The United States also extended limitations on trade with Belarus under the International Emergency Economic Powers Act. In May 2012, the U.S. Treasury designated Belarus-based JSC CredexBank (renamed JSC InterPayBank) as a financial institution of primary money laundering concern under Section 311 of the USA PATRIOT Act.

In March 2015, the U.S. Secretary of State decided to terminate sanctions imposed in 2011 on Belarusneft, a state-owned Belarussian energy company, for its involvement in the Iranian petroleum sector because the company is no longer engaging in sanctionable activity. In October 2015, the Department of the Treasury, in consultation and coordination with the Department of State, authorized general license transactions involving nine Belarusian entities pursuant to Executive Order 13405. The authorization expires on April 30, 2016, unless extended or revoked. The United States took this step in light of the positive move by the Belarusian government to release six political prisoners in August 2015.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

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

Number of CTRs received and time frame: 47,000 in 2014
STR covered entities: Banks and non-bank financial credit institutions; professional operators of the securities market; persons engaged in exchange transactions, including commodity exchanges; insurance firms and brokers; postal service operators; and property leasing firms

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 21 in 2015
Convictions: Not available

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2015, the Government of Belarus took significant steps to improve its legal and regulatory framework to fight money laundering and terrorism financing, including the revision of its AML/CFT law. The revised law, which was adopted on June 30, 2014 and came into effect on January 4, 2015, includes provisions on measures to prevent proliferation of weapons of mass destruction. In 2015, Belarus adopted a series of government resolutions that bring its financial regulatory framework in compliance with the revised AML/CFT law. In particular, the government tightened internal control and made some risk management recommendations to domestic financial organizations. Also, under the amended AML/CFT law, banks have the right to suspend or ban suspicious financial transactions.

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

In October 2015, the lower house of Belarus's parliament passed in the first reading some amendments to Belarus's laws on fighting terrorism. In November 2015, the General Prosecutor's Office submitted to Belarus's parliament amendments to the Criminal and Criminal Procedure Codes for the purpose of introducing provisions for the arrest and confiscation of property of persons involved in terrorist activities. The government also has drafted additional amendments to its AML/CFT law, as well as the Criminal and Criminal Procedure Codes. The amendments to the AML/CFT law seek to expand the list of covered entities and are scheduled to be adopted in 2016.

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

Belgium

Despite Belgium's physically small size, its location in the center of Europe and considerable port facilities have facilitated the development of a strong and internationally integrated banking industry with assets of $ 1.27 trillion as of 2014. Belgium's port of Antwerp is the second busiest port in Europe by gross tonnage and, together with the nearby larger port of Rotterdam in the Netherlands, handles the bulk of European maritime trade. A sophisticated national transportation network and historical role as a hub for airline traffic to Africa also aids Belgium's central role in Europe.

According to the Financial Information Processing Unit (CTIF), Belgium's financial intelligence unit, most of the criminal proceeds laundered in Belgium are derived from foreign criminal activity. Bulk cash smugglers, the principal money laundering concern per law enforcement, use the country's convenient location and modern transportation links to move illicit drug proceeds from throughout Europe out of the region. Difficulties in monitoring movements in the sprawling port of Antwerp, an abundance of under-regulated small airports, and limited investigations into passengers repeatedly declaring more than 10,000 euros (approximately $10,925) at the main airport of Zaventem facilitates the movement of cash. For the most part the bulk cash only transits Belgium, due to strong banking controls that make introducing the funds into the formal banking system difficult.

Illicit funds, however, do enter the banking system. The CTIF estimates the total amount of illicit funds in circulation in 2014 was about $1.68 billion. Illicit funds derived from tax fraud appear to be the main component of that amount. In addition, the approximately 600,000 used cars that transit Belgium annually remain vulnerable to bulk cash smuggling and trade-based money laundering (TBML) by incorrectly valuing the vehicle during international shipment in order to launder funds and transfer value. Trade in gold has diminished due to money laundering regulations implemented in 2013 that limit cash transactions for gold to under 3,000 euros ($3,280), and also due to lower gold prices.

Belgium's colonial ties with Africa have helped position the country as a leader in the diamond trade; approximately 80 percent of the world's rough diamonds and 50 percent of polished diamonds pass through Belgium. Antwerp is the largest of the six major diamond hubs in the world with $58.8 billion in diamond sales in 2014. Officials note that the high value and easy transport of diamonds makes them highly vulnerable to money laundering through both illicit sales and as a means of storing and transmitting value; diamonds are also ideal for TBML. The implementation of AML measures by diamond dealers has been negligible, and official supervision of these players is limited.

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

According to the 2014 CTIF annual report, contraband smuggling represents 13.7 percent of all tracked cases, while terrorism financing represents only 0.87 percent. However, Belgium's challenges with sourcing fighters that volunteer to serve in Middle East terrorist groups, and localized neighborhoods with high concentrations of returning fighters, may increase the vulnerability of its money transfer services to terrorist financing.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 27,767 in 2014
Number of CTRs received and time frame: 6,978 in 2014
STR covered entities: Banks, money remitting agencies, credit bureaus, Belgian post office, notaries, casinos, life insurance companies, accountants, real estate agents, National Bank of Belgium, private security firms, lawyers, diamond merchants, auditors, tax advisors, and surveyors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Belgium's legislation does not cover politically exposed persons (PEPs) in line with international standards. The definition of PEP includes neither domestic PEPs nor those who perform prominent functions within international organizations. Additionally, the law includes a limited list of persons considered as family members or close associates. Belgium is currently developing implementing legislation for the EU's new AML directive, which addresses enhanced due diligence for domestic PEPs.

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

The number of suspicious transaction reports (STRs) from diamond dealers remains low but has started to increase: in 2014 the CTIF received only one STR from an estimated 1,800 diamond traders, while it has received 20 reports through November 2015. The opaque and closed nature of the Antwerp diamond industry remains an obstacle to money laundering investigations. The number of diamond-related investigations and prosecutions is insufficient given the identified level of risk, even though two significant cases are currently under investigation. The March 2015 arrest of the Belgian Federal Police's diamond police commissioner on money laundering charges may point to at least some measure of official corruption in the sector.

Resources, both human and IT, should be allocated to the services responsible for countering terrorism and its financing, to enable a more proactive approach. Specifically, better understanding and implementation of AML/CFT measures is needed by money value transfer service providers, particularly those operating via a network of agents in Belgium, and certain money exchanges, due to the use of cash for their transactions. Officials should consider closer monitoring of certain nonprofit organizations, and using targeted financial sanctions to prevent terrorists and terrorist organizations from financing their activities.

Belgium should increase its supervision of the diamond industry, considering its size and vulnerability to money laundering and terrorist financing activity. Efforts to promote more STRs from diamond dealers should be encouraged and official corruption, particularly related to the now disbanded diamond police squad, should be thoroughly investigated and rooted out. Authorities should also prioritize the detection of cases of illegal diamond trafficking and large-scale tax fraud involving diamond dealers. The government should consider increasing efforts to monitor activity at the port and to share targeted trade data with its trading partners in an effort to spot trade anomalies that could be indicative of trade fraud, TBML, or underground finance. In addition, the Belgian Customs and Excise administration should consider pursuing more investigations involving people repeatedly declaring over 10,000 euros (approximately $10,925) at Zaventem. Belgian law enforcement also should improve its ability to coordinate with units in neighboring countries and pursue investigations across national boundaries.

Belize

Belize is not a major regional financial center; however, it has a substantial offshore financial sector. Belize is a transshipment point for marijuana and cocaine, and human trafficking is a

concern. There are strong indications that laundered proceeds are increasingly related to organized criminal groups involved in the trafficking of illegal narcotics, psychotropic substances, and chemical precursors. The Government of Belize continues to encourage offshore financial activities that are vulnerable to money laundering and terrorist financing, including offshore banks, insurance companies, trust service providers, mutual fund companies, and international business companies. The Belizean dollar is pegged to the U.S. dollar.

In 2013, the Caribbean Financial Action Task Force (CFATF) included Belize in its Public Statement for not making sufficient progress in addressing AML/CFT deficiencies and not complying with its action plan to address those deficiencies. In June 2015, the CFATF noted that Belize has made substantial progress and removed it from the Public Statement.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 216: January 1 - November 15, 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Domestic and offshore banks; venture risk capital; money brokers, exchanges, and transmission services; moneylenders and pawnshops; insurance; real estate; credit unions; building societies; trust and safekeeping services; casinos; motor vehicle dealers; jewelers; international financial service providers; public notaries; attorneys; accountants and auditors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 1 in 2015
Convictions: 1 in 2015

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Over the last three years, Belize made a turnaround in strengthening its legal infrastructure for oversight of the financial industry. Political will and involvement of different levels of government and public sector agencies as well as the private sector continue to be key elements in the reform process.

In addition to 2014 amendments to several acts, regulations were also promulgated or strengthened to include: Designated Non-Financial Business or Profession (DNFBP) Regulation; International Financial Services Commission; National Anti-Money Laundering regulations; Gaming – administrative penalty regulations; and the Misuse of Drugs Order. Belize's financial intelligence unit (FIU) worked with international donors to draft the new Proceeds of Crime Legislation. Despite the new laws and regulations, some international experts have said experienced staff and political will to use the new tools to actually implement an assertive program of investigation and prosecution are still necessary. There was reportedly one money laundering prosecution and conviction in 2015.

The FIU continues to have ongoing organizational issues, and there is currently only one less-experienced attorney to prosecute cases. The FIU has a broad mandate and a small staff, and does not have sufficient training or experience in identifying, investigating, reviewing, and analyzing evidence in money laundering cases. There is limited assistance from other law enforcement agencies, governmental departments, and regulatory bodies. The FIU is improving awareness of AML/CFT programs and has conducted training events for many businesses, including those in the CFZs. The FIU is reportedly in discussions with the Belize Police Department, special police units, and the Comptroller of Customs to develop a memorandum of understanding to support intelligence sharing and more integrated operations.

In 2014, the U.S. Government, with assistance from Belize's FIU, indicted six corporate executives and six corporate entities for orchestrating a $500 million offshore asset protection, securities fraud, and money laundering scheme. In a related action, the FIU froze assets of a company associated with the U.S. prosecution, but in November 2014, Belize's Chief Justice ordered the FIU to release those assets due to insufficient evidence to justify the continued freezing of those accounts. The local case has floundered.

While the Government of Belize is commended for its recent legislative and regulatory work, it should also demonstrate its commitment by providing additional resources, training, and political will to effectively enforce the country's enhanced AML/CFT regime. Its loosely monitored offshore financial sector continues to be a concern. Furthermore, the historically low prosecution and conviction figures reflect the lack of robust enforcement efforts. The government should ensure its investigative, prosecutorial, and judicial personnel have the capacity and resources to successfully fulfill their responsibilities. Belize should become a party to the UN Convention against Corruption.

Benin

Benin has a cash-based economy. Due to its proximity to unstable neighboring countries and extremely porous borders, Benin continues to face regional threats of transnational terrorism, organized crime, narcotics trafficking, and piracy. Money laundering occurs in the country's banking system and money service businesses. Other schemes include trade-based money laundering, the purchase of real estate, bulk cash smuggling, and the use of shell companies. An increase in foreign exchange bureaus operating with limited controls may further contribute to criminal activity.

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

There is significant informal trade of consumer goods with Nigeria, including frozen poultry, medicine, and vegetable oil. The majority of automotive fuel sold in Benin is smuggled from Nigeria and sold in informal markets, bypassing the tax revenue system. Internet fraud is also common, with arrests of cybercriminals claiming to have links to fraudulent operations in several West African countries. Benin is a transit point for cocaine and heroin moving from Latin America, Pakistan, and Afghanistan into Europe and Southeast Asia. Human trafficking and corruption also are of serious concern.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES ***Domestic:*** YES
KYC covered entities: Banks, foreign exchange bureaus, cash couriers, casinos, insurance companies, post office, real estate agents, lawyers, notaries, nongovernmental organizations (NGOs), travel agents, and dealers of precious metals, stones, and artifacts

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 195: January – September, 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, cash couriers, casinos, insurance companies, post office, real estate agents, lawyers, notaries, NGOs, travel agents, and dealers of precious metals, stones, and artifacts

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0
Convictions: 0

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Benin has taken steps to construct an AML/CFT regime, including establishment of a financial crime unit under the Judicial Police Directorate; however, there is poor information sharing and cooperation among government agencies and departments. Despite a requirement to declare transfers of funds equal to or exceeding 2,000,000 FCFA (approximately $3,360) across borders, Benin customs authorities do not evaluate cross-border currency declarations for money laundering purposes and do not share data with the financial intelligence unit (FIU). For the past year the FIU has convened quarterly meetings with representatives from Customs, Immigration, Commerce, Foreign Affairs, and Treasury to improve coordination.

Benin's law enforcement is hindered by a lack of financial crimes expertise. Nine Beninese investigators and prosecutors completed financial investigations training in October 2015 on national legislation, regional cooperation, financial profiling, and asset forfeiture. There is little data to reliably measure progress in combating money laundering.

KYC and suspicious transaction reporting (STR) requirements are not routinely implemented. AML/CFT controls are not applied to non-bank financial institutions, despite their coverage under the law.

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

Bermuda

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

There is no significant black market for smuggled goods in Bermuda. There is no known money laundering/terrorist financing activity through free trade zones, or money or other value transfer services in Bermuda. However, there were cases where domestic criminals utilized the formal financial sector for money laundering purposes. Bermuda does not permit offshore banks. A foreign bank may establish a subsidiary as a Bermuda company with its own board of directors, but it may not establish a branch. Bermuda does not permit bearer shares, nor does it permit shell companies. Sports betting is legal, but online betting and casinos are not permitted; however, the Casino Gaming Act 2014, passed in December 2014, will permit casino gaming in future hotel developments, subject to the oversight of an independent gaming commission.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, trustees, securities brokers and financial management firms, long-term insurance companies, money service businesses, insurance managers and brokers, fund administrators, investment fund operators, and independent legal advisers and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 389: January 1 – November 17, 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: All persons in the course of their trade, profession, business, or employment

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 13: January 1 – November 17, 2015
Convictions: 7: January 1 – November 17, 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Effective April 1, 2014, the Customs Department became part of the Ministry of National Security, which supports collaboration among the various law enforcement agencies as they now are part of the same ministry. The Charities Act came into force on December 31, 2014, thereby bringing the charities sector under AML/CFT supervision. The Proceeds of Crime (Asset Retention) Amendment Act 2015 came into force in Bermuda on July 23, 2015. This act provides for Bermuda to retain 50 percent of funds repatriated at the request of another jurisdiction when the funds are deemed to be the proceeds of crime or from some form of unlawful conduct. The legislative framework for the regulation and supervision of corporate service providers (CSPs) has been passed by Parliament. CSPs will be supervised by the Bermuda Monetary Authority.

The majority of filed suspicious transaction reports (STRs) continue to show a trend of suspicious currency exchanges, with 75 percent of the STRs involving the exchange of Bermuda currency for a foreign currency, usually U.S. dollars. The Financial Intelligence Agency, Bermuda's financial intelligence unit, believes it is highly likely the reported cash exchanges are connected to Bermuda's drug trade. In 2015, cash seizures amounted to $1,492,959 and forfeitures amounted to $2,996,713. The Government of Bermuda works closely with international partners and the Bermuda Police Service continues to provide assistance to U.S. and other law enforcement agencies.

As a British Overseas Territory, Bermuda cannot sign or ratify international conventions. Instead, the UK, which is responsible for Bermuda's international affairs, may arrange to extend the ratification of any convention to Bermuda. The 1988 UN Drug Convention was extended to Bermuda in 1995. In 2014, two conventions were extended to Bermuda, the UN Convention Against Transnational Organized Crime and the International Convention for the Suppression of the Financing of Terrorism. The UN Convention Against Corruption (UNCAC) has not yet been extended to Bermuda; however, legislation has been reviewed and the necessary amendments

will be made to ensure the articles of UNCAC are enshrined in the domestic legislative framework; this process is ongoing.

Bolivia

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

There is a significant market for smuggled goods in Bolivia. Chile is the primary entry point for illicit products, which are then sold domestically or informally exported to Brazil and Argentina. According to World Bank estimates, between 60 and 70 percent of the Bolivian population works in the informal economy, composed of thousands of micro-enterprises offering numerous opportunities for money laundering activities. According to the Bolivian Center for Multidisciplinary Studies (CEBEN), a local economic think-tank, the informal sector offers ample opportunity to avoid detection. In the informal sector, large amounts of money are split into smaller quantities to avoid detection and review by the financial regulatory agencies. This laundered money then enters the formal market through the financial system.

Informal currency exchange businesses and non-registered currency exchanges are illegal. There is no indication that illicit financial activity is linked to terrorism financing, though lack of proper safeguards creates a vulnerability to such activity. Much of the informal economic activity occurs in non-regulated commercial markets where many products can be bought and sold outside of the formalized tax system. Public corruption is common in these commercial markets and money laundering activity is likely.

The Bolivian financial system is moderately dollarized, with some 20 percent of deposits and 10 percent of loans distributed in U.S. dollars rather than Bolivianos, the national currency. Bolivia has 13 free trade zones for commercial and industrial use located in El Alto, Cochabamba, Santa Cruz, Oruro, Puerto Aguirre, Desaguadero, and Cobija. Casinos (hard gaming) are illegal in Bolivia. Soft gaming (e.g., bingo) is regulated; however, many operations have questionable licenses.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 486: January 1 - October 31, 2015

Number of CTRs received and time frame: 1,985,064: January 1 - October 31, 2015

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 40 in 2014

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

In May 2014, Bolivia transferred control of Bolivia's Financial Investigative Unit (UIF) from the Financial System Supervision Authority, Bolivia's financial regulatory body, to the Ministry of Economy and Public Finance. The government's goal was to decentralize the UIF, giving it a greater degree of independence. However, since the move, statistics that were previously available to the public are no longer available online. Bolivia is working to rectify this issue in order to ensure statistics related to its AML/CFT regime are available to the public.

While the UIF reports to the Ministry of Economy and Public Finance, the unit has its own annual budget and significant independence. In less than two years under its new leadership, UIF has developed a program pivoting toward objectives drawn from international standards. Many of the international standards Bolivia is using as benchmarks were copied from Colombia and Mexico, two countries in the region with significant experience in the area. The UIF is receiving guidance on money laundering issues from regional partners. UIF also is working to enhance its capacities in counter-terrorism finance.

In March 2015, General Hugo Nina Fernandez, former Director of the Bolivian Special Force to Fight Drug Trafficking and former Bolivian Police Commander, was arrested on charges of money laundering. Nina Fernandez and his legal team publicly implicated other high level Bolivian officials. There have been no reported developments since March.

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

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

Bosnia and Herzegovina

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

Due to its strategic geographical position and the Visa Liberalization Agreement with the EU, which enables easy transit from eastern countries and the Balkan region to countries of Western Europe, combined with porous borders and weak enforcement capabilities, BiH is a significant market and passageway for smuggled commodities, including cigarettes, firearms, counterfeit goods, lumber, and fuel oils. Bulk cash couriers also are used by organized criminal elements and potential terrorist financiers. There are concerns about the effectiveness of controls of cross-border transportation of currency and bearer negotiable instruments (BNIs) at the maritime border and land crossings. There is no indication BiH law enforcement has taken action to combat the trade-based money laundering (TBML) likely to be occurring in the country. Corruption is endemic, affecting all levels of the economy and society. Integration of laundered proceeds in real estate is a problem.

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

On June 1, 2014, the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) issued a Public Statement noting BiH's failure to amend its AML/CFT law to correct important deficiencies. On September 18, 2015, MONEYVAL lifted its public statement after BiH took steps to address outstanding shortcomings in relation to the money laundering offense and its confiscation regime.

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

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT

AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, currency exchange offices, and entities issuing, managing, and processing transactions with debit and credit cards and other means of payment; financial leasing firms; insurance companies; post offices; investment and mutual pension companies; stock exchanges and stock exchange agencies; casinos and gaming enterprises; dealers in vehicles, art, and precious metals and stones; lawyers, notaries, auditors, and accountants; real estate brokers; company formation agents; trusts and asset managers; pawnshops; travel agents; auctioneers; privatization agencies; and charities

REPORTING REQUIREMENTS:

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

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

RECORDS EXCHANGE MECHANISM:

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

BiH is a member of MONEYVAL, a FATF-style regional body. Its most recent mutual evaluation can be found at:
http://www.coe.int/t/dghl/monitoring/moneyval/Countries/BH_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

Criminal codes and criminal procedure codes from the State, the two entities, and Brcko District contain similar money laundering offenses. Self-laundering is not criminalized consistently and penalties for money laundering are not yet equivalent. Since the State does not have the resources to investigate all money laundering violations, the respective criminal codes complement one another. The jurisdictions, however, maintain separate bank supervision and enforcement/regulatory bodies. Although BiH has an overarching law providing a framework for implementing UNSCRs, in some cases, it lacks appropriate implementing regulations.

In June 2014, the BiH Parliament adopted changes to the Law on Prevention of Money Laundering and Terrorist Financing. In 2015, the state Parliament passed amendments to the criminal code that will result in punishments for suspects caught breaking the updated law. The criminal codes of the entities and Brcko District each lack specific provisions on some aspect of forfeiture income or other benefits, commingled property, or instrumentalities.

Customs officials have the authority to seize unreported currency in excess of the equivalent of $3,460 transported across the border. The dispositions of these seized currencies are handled in minor offense proceedings, in accordance with laws established at the entity level within BiH. Nevertheless, due to weak enforcement and corruption, large amounts of currency leave and enter the country undetected.

Bosnia and Herzegovina's law enforcement and customs authorities should take additional steps to control the integrity of the borders and limit smuggling. BiH should completely implement its anti-corruption strategy and combat corruption at all levels of commerce and government. The entities and Brcko District should amend their criminal codes, as appropriate, to explicitly enable the confiscation of income, benefits, and instrumentalities.

Botswana

Botswana aspires to be a regional financial center under its national Economic Diversification Drive strategy. Although money laundering in Botswana is not primarily related to narcotics, there has been an increase in drug trafficking in recent years, as well as in the sophistication and level of organization of cross-border crime. The presence of organized criminal groups continues to grow as does the trade in second-hand cars, which present certain risks related to money laundering. Fraud perpetrated against large organizations, e.g., banks or government departments, typically with the collusion of an employee, continues, and money laundering prosecutions have centered on these types of criminal activity. Law enforcement officials report an upsurge of cigarette smuggling in 2015. Botswana is a cash-based society and has an insufficient framework for addressing money laundering and terrorism financing.

Botswana supplies many of the world's diamonds. The stringent institutional framework for the mining and processing of diamonds affords limited opportunity for organized diamond smuggling. The smuggling that does occur is not believed to be linked to terrorism financing or the laundering of criminal proceeds. The DeBeers' diamond trading facility relocated from London to Gaborone in 2013, and the Government of Botswana continues to pursue expansion of its downstream diamond manufacturing. The growth of this industry presents an increased risk of money laundering and illicit financing activity.

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2015, three key laws related to AML/CFT entered into force: the Proceeds and Instruments of Crime Act (PICA) and the Anti-Human Trafficking Act (AHTA) on January 1, 2015; and the Counter-Terrorism Act (CTA) on May 1, 2015. The PICA introduces a system for identifying and forfeiting assets. Previously, the Directorate of Public Prosecution's Asset Forfeiture Unit had seized assets before trial but they could only be forfeited or confiscated after conviction. The CTA criminalizes the financing of terrorism, makes it a crime not to report suspected terrorist financing, and introduces the ability to freeze terrorist assets without delay. The AHTA criminalizes human trafficking and supporting human trafficking. It creates a victims support fund and establishes a steering group to coordinate anti-human trafficking activities.

The Government of Botswana is now pursuing several legislative amendments with the goal of obtaining parliamentary approval in 2016. The proposals include criminalizing the financing of an individual terrorist, providing for effective implementation of UNSCRs 1267 and 1373, covering additional money laundering-related offenses, strengthening cross-border currency reporting requirements, removing Financial Intelligence Agency Act (FIA Act) exemptions for certain entities, and adding customer due diligence obligations to the FIA Act. The proposals also would introduce requirements related to politically exposed persons (PEPs).

An amendment to the Firearms and Ammunition Act addressing arms proliferation remains pending. An amended version of the bill geared to improve corporate governance was submitted to Parliament for consideration in November 2015.

Capacity-building training and technical assistance will be key to the Financial Intelligence Agency's (FIA) successful performance. The FIA is preparing its first annual report and is developing its information release policies. In 2015, the FIA continued training workshops for lawyers, police, and real estate agents.

The Non-Bank Financial Institutions Regulatory Authority is responsible for AML oversight of non-financial institutions. However, there is no legal provision in Botswana for a covered entity, other than a bank, to monitor complex, unusually large transactions or unusual patterns of transactions with no apparent lawful purpose.

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

Botswana continued to improve its AML/CFT regime in 2015, although further steps are needed to bring it fully in line with international standards. The FIA is working to complete its National Risk Assessment in 2016. This process will provide insights into the strengths and weaknesses of Botswana's AML/CFT regime and clarify next steps and priority issues.

Brazil

In 2015, Brazil was the second-largest economy in the Americas and among the ten largest economies in the world, by nominal GDP. It is a major drug-transit country, as well as one of the world's largest consumer countries. São Paulo, Brazil's largest city, is considered a regional financial center for Latin America. Money laundering in Brazil is primarily related to domestic crimes, especially drug trafficking, corruption, organized crime, gambling, and trade in various types of contraband and counterfeit goods. Money laundering channels include the use of banks, real estate investment, financial asset markets, luxury goods, remittance networks, informal financial networks, and trade-based money laundering.

São Paulo and the Tri-Border Area (TBA) of Brazil, Argentina, and Paraguay possess high risk factors for money laundering. In addition to weapons and narcotics, a wide variety of counterfeit goods, including CDs, DVDs, and computer software (much of it of Asian origin), are routinely smuggled across the border from Paraguay into Brazil. In addition to São Paulo and the TBA, other areas of the country continue to be of concern. The Government of Brazil and local officials in the states of Mato Grosso do Sul and Paraná, for example, report increased involvement by Rio de Janeiro and São Paulo gangs in the already significant trafficking in weapons and drugs that plagues Brazil's western border states.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 251,234: January 1 - October 31, 2015
Number of CTRs received and time frame: 860,802: January 1 - October 31, 2015
STR covered entities: Commercial and savings banks and credit unions; insurance companies and brokers; securities, foreign exchange, and commodities brokers/traders; real

estate brokers; credit card companies; money remittance businesses; factoring companies; gaming and lottery operators and bingo parlors; dealers in jewelry, precious metals, art, and antiques

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On October 16, 2015, President Rousseff signed Law #13.170 which provides procedures for freezing assets relating to UNSCRs and for information provided bilaterally, closing a longstanding gap in Brazil's ability to confront terrorist financing. Terrorism and terrorist financing are still not criminalized in a manner consistent with international standards; a bill has been pending before Congress for several months.

In March 2014, money laundering at a gas station tipped off Brazilian law enforcement to a connection with the parastatal oil company, Petrobras. Since then, "Operation Carwash" (*Lava Jato*) has uncovered a complicated web of corruption, money laundering, and tax evasion, leading to the arrests of money launderers, Petrobras directors, and major construction company executives. Many Brazilian politicians are also under investigation. The landmark operation continues to uncover what many believe is already the biggest corruption scandal in Brazilian history.

Brazil does not maintain comprehensive statistics on money laundering prosecutions and convictions. This lack of data makes it difficult to evaluate the effectiveness of Brazil's AML/CFT regime.

The Government of Brazil continues to invest in border and law enforcement infrastructure. Brazilian Customs and the Brazilian Tax Authority continue to take action to suppress the smuggling of drugs, weapons, and contraband goods along the border with Paraguay. The Federal Police have Special Maritime Police Units that aggressively patrol the maritime border areas.

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

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

Brazil should pass legislation to fix the gap in its legal framework regarding the criminalization of terrorist financing. The government also should maintain and release statistical data regarding the volume of money laundering prosecutions and convictions.

British Virgin Islands

The British Virgin Islands (BVI) is a UK overseas territory. The economy is dependent on tourism and the offshore financial sector. BVI is a well-established, sophisticated financial center offering accounting, banking, and legal services; captive insurance; company incorporation; mutual funds administration; trust formation; and shipping registration. The BVI is advertised as the world's leading offshore center with more offshore companies than any other country. The Financial Services Commission (FSC) is the sole supervisory authority responsible for the licensing and supervision of financial institutions under the relevant statutes. The FSC's most recent statistical bulletin was published in September 2015 and notes there are 475,309 active companies. Of these companies, 123 are licensed fiduciary companies authorized to conduct company management and trust services. There are six commercially licensed banks, one private bank, and 2,037 registered mutual funds, which include public, private, professional, incubator, and approved funds. As of September 2015, the banking sector has assets valued at $2.4 billion.

The BVI has zero-rated corporation tax, with no wealth, capital gains, or estate tax for offshore entities. Exploitation of its offshore financial services, the unique share structure that does not require a statement of authorized capital, and the lack of mandatory filing of ownership information pose significant money laundering risks. The BVI is a favored destination for registering shell companies that can be established for little money in a short amount of time. There are reports that a substantial percentage of BVI's offshore business comes from China.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks and fiduciary services; money service businesses; insurance agencies; investment businesses; insolvency practitioners; trust and company service providers; charities and nonprofit associations; dealers in autos and yachts; dealers in precious metals, stones, and other high-value goods; real estate agents, notaries, lawyers, other independent legal advisers, and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 234: January 1 – November 11, 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks and fiduciary services; money service businesses; insurance agencies; investment businesses; insolvency practitioners; trust and company service providers; charities and nonprofit associations; dealers in autos and yachts; dealers in precious metals, stones, and other high-value goods; real estate agents, notaries, lawyers, other independent legal advisers, and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1 in 2014
Convictions: 2 in 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

BVI uses suspicious activity reports (SARs) rather than suspicious transaction reports (STRs). SARs, in general, relate to suspicious activities by a broad range of entities, rather than suspicious financial transactions. Therefore, the cited 234 reports encompass all types of suspicious activities, including those of a financial nature.

From January through September 2015, the BVI Enforcement Committee reviewed 51 enforcement cases, resulting in seven administrative penalties, five license revocations, and four warning letters.

There is collaboration between BVI law enforcement and regional as well as U.S. law enforcement agencies, resulting in several successful operations targeting drug smuggling and

drug dealing. There have been 25 money laundering related prosecutions and 15 convictions since 2008.

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

In 2013, the Government of the United Kingdom announced plans for the UK and its overseas territories and crown dependencies to establish mandatory registers of beneficial ownership. The BVI has implemented a register which would allow BVI competent authorities direct and immediate ownership information; however, this registry is not publicly available. The Government of the BVI should work toward the goal of making information on beneficial ownership of offshore entities available for legitimate requests by international law enforcement and, eventually, to the public.

Brunei Darussalam

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 65 in 2015
Number of CTRs received and time frame: 288,034: January 1 - November 5, 2015
STR covered entities: Banks; TAIB; insurance companies; finance companies; mutual fund and securities dealers; money exchange companies; money remittance companies; registered agents and trustees; real estate agents; casinos (although there are none in Brunei); dealers in precious metals, precious stones, and jewelry; advocates, solicitors, notaries, other independent legal professionals and accountants; trust and company service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1: January 1 – November 5, 2015
Convictions: 0: January 1 – November 5, 2015

RECORDS EXCHANGE MECHANISM:

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

Brunei is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:
file:///C:/Users/default.default-PC/Downloads/Brunei%20Darussalam%20MER%202010.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2014, the National Anti-Money Laundering and Combating the Financing of Terrorism Committee (NAMLC) endorsed an updated National Strategy on Anti-Money Laundering and Combating Financing of Terrorism for the period fiscal year 2014 - 2016. The Financial Intelligence Unit (FIU) of Autoriti Monetari Brunei (AMBD), as the Secretariat to the NAMLC, will work closely with international donors in developing a national risk assessment and risk-based action plans to combat the money laundering and terrorism financing risks of the country. The national risk assessment is expected to be concluded no later than January 2017.

The FIU, in its capacity as the Secretariat to the NAMLC, has increased training for reporting entities on suspicious transaction reports (STRs) and AML/CFT requirements. Under section 47(1) of the Anti-Terrorism Order 2011, financial institutions and designated non-financial businesses and professions that suspect, or have reasonable grounds to suspect, a transaction involving property is linked to terrorism or those who finance terrorism must submit a STR to the FIU.

Beginning in 2014, companies in the remittance and money changing sectors are required to submit a monthly report of all transactions to AMBD. Onsite inspections for all licensees are a

prerequisite license renewal. Inspections are intended to ensure all licensees are in compliance with laws and regulations as well as AML/CFT requirements.

In 2015, law enforcement agencies received additional training to improve their capacity to investigate, particularly in the areas of money laundering, terrorism financing, proliferation, and other serious crimes. Law enforcement agencies continue to develop procedures on conducting financial investigations, in line with powers and responsibilities given by the Criminal Asset Recovery Order (CARO) of 2012. A similar manual is being drafted for prosecutors.

In 2014, Brunei detained a foreign national (member of Jemaah Islamiyah) under the Internal Security Act (Chapter 133) for involvement in terrorist related activities. In March 2015, Brunei detained a local woman under the same law for suspected involvement in terrorist-related activities. After investigation revealed she was unknowingly in contact with suspected terrorists, she was released and remains under close supervision by law enforcement.

In June 2015, two Malaysian nationals and a Malaysian-based money changer were charged with laundering the equivalent of approximately $274,000 cash into Brunei, money that is believed to be the proceeds of criminal activity. The case marks Brunei's first prosecution of money laundering under the CARO legislation.

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

Bulgaria

Bulgaria's geo-strategic location as an entry point into Europe and persistent problems with the rule of law make the country a significant source of money laundering. This is exacerbated by the large, cash-based gray economy and high levels of corruption. Other activities connected to money laundering in Bulgaria include tax and custom offenses; fraud; usury; cybercrime, especially ATM and credit card fraud, and increasingly, phishing and social engineering fraud; and the smuggling of migrants and contraband goods, such as cigarettes, alcohol, and fuel.

Industries that Bulgarian criminals use for money laundering include tourism, gaming, retail, construction, healthcare, and energy. Within these sectors, small businesses are created to hide laundered funds, increasingly in offshore territories where ownership is difficult to trace. The businesses most frequently used for this purpose are casinos, hotels, nightclubs, car dealerships, shopping centers, pawn shops, media outlets and metal scrap collectors. Investments in Bulgarian sovereign bonds are increasingly being used as a money laundering tool.

A significant facet of the gray economy in Bulgaria is large-scale tax evasion, particularly of value-added tax (VAT) and excise duties. Proceeds from VAT fraud are significant and are largely transferred to foreign accounts held by offshore companies in tax havens or in countries with tight bank secrecy regimes. They are then returned to Bulgaria and declared as loans, thus

creating a legal origin for future use. Evasion of social security payments, through unreported income and informal employment arrangements, continues to be widespread.

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

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 2,284 in 2014
Number of CTRs received and time frame: 225,994 in 2014
STR covered entities: Banks and money exchangers; insurance companies; investment funds; gaming businesses; securities dealers and company service providers; real estate brokers; political parties, professional organizations, and trade unions; sports clubs; NPOs; dealers of autos, arms, petrol, and petrochemical products; accountants, notaries, and lawyers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 28: January 1 – September 30, 2015
Convictions: 18: January 1 – September 30, 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Bulgarian AML/CFT legislation is generally in line with international standards. However, some deficiencies remain, particularly concerning the list of predicate offenses for money laundering, which does not cover all categories of piracy, market manipulation, insider trading, or certain aspects of terrorism financing.

The Financial Intelligence Directorate (FID), the country's financial intelligence unit, has primary responsibility for AML/CFT measures for all reporting entities. Reporting by non-bank institutions, such as gaming entities, investment intermediaries, notaries, NPOs, and leasing companies has again increased slightly. FID's resources remain limited, particularly with respect to performing onsite inspections in non-banking institutions, but it does conduct joint inspections with other oversight agencies. Despite improvements in data collection, publicly available information on persons who own, control, or direct the activities of NPOs is still not consistently maintained.

The Bulgarian National Bank (BNB) has a Special Supervision Directorate to investigate banks for AML/CFT compliance. The 2014 bankruptcy of Bulgaria's fourth-largest bank, Corporate Commercial Bank (CCB), and a run on the third-largest bank, First Investment Bank, exposed serious flaws in the accounting and auditing of bank transactions as well as bank supervision, which appears to have been subject to political influence. In addition to the CCB bankruptcy proceeding, there are pending investigations of the bank's owner, for embezzlement, and of three BNB officials, including two consecutive BNB deputy governors, for dereliction of supervisory duties with respect to CCB.

The national Strategy for Combating Money Laundering (2011-2015) remains in place. Implementation of non-conviction-based asset forfeiture legislation, which allows investigation and seizure without criminal conviction, began in 2014. The first actual seizure under the new law was confirmed by a court in September 2015, and several other cases were pending at yearend. The government did not identify, freeze, seize, or forfeit any terrorism-related assets.

Financial crime enforcement capacity is limited. Aggressive prosecution of money laundering cases is hampered by the lack of financial expertise within law enforcement and the Prosecution Service, and by the limited pool of independent experts. Slow introduction of e-government initiatives, especially for public procurement, has created opportunities for fraud and impeded law enforcement efforts. Other limitations include reluctance of key witnesses to testify against organized criminal groups and lack of incentives for prosecutors to pursue complex cases. The authorities generally opt to pursue easy-to-prove, low-level corruption and related money laundering cases. These investigations rarely go deeper into the target's tax history and affiliation with political patrons.

In November 2013, prosecutors launched a money laundering investigation into an influential Bulgarian politician who resigned as Deputy Speaker of Parliament days before being formally charged with a crime. Prosecutors ultimately dropped money laundering charges, and in December 2015, a first instance court acquitted him of charges of tax evasion and failure to report income. Several claims are pending against him in civil courts for recovery of ill-gotten assets.

The Government of Bulgaria should empower the FIU, criminal investigators, and prosecutors to devote time and resources to long-term and complex money laundering cases, particularly those linked to official corruption. While Bulgaria undertook steps against the smuggling of contraband goods, it should better control its borders to guard against smuggling of all types and investigate and prosecute its link to organized criminal groups. Expertise should be developed to combat trade-based money laundering and value transfer which is linked to customs and VAT fraud.

Burkina Faso

Burkina Faso is not a regional financial center. Its economy is primarily cash-based, and most economic activity takes place in the informal sector. Only an estimated 13 percent of the population had bank accounts as of 2015. Burkina Faso lacks the resources necessary to monitor adequately the movement of goods and people across its porous borders. Narcotics trafficking, smuggling, contraband sales, and black market currency transfers occur within the country. Corruption, a lack of resources, and overburdened and weak judicial and law enforcement systems are major challenges to the government's ability to counter these activities. Burkina Faso continues to struggle with corruption in its customs service and, to a lesser degree, in the National Police, increasing the country's vulnerability to smuggling and money laundering.

Following the abrupt resignation of former President Blaise Compaore in October 2014 due to a popular uprising, the country was under a transitional government until elections were held in November 2015. This hampered administrative and judicial functions. It also has increased the country's susceptibility to illicit activities, including smuggling and money laundering.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 68: January 1 - November 26, 2015
Number of CTRs received and time frame: 0 in 2015
STR covered entities: The Public Treasury, BCEAO, banks and microfinance organizations, exchange bureaus, independent legal professionals, auditors, real estate agents, funds transporters, owners of casinos and lotteries, travel agencies, NGOs, and agents selling high-value goods and precious metals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 3: January 1 - November 26, 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Burkina Faso has a three-year strategy, from 2014 - 2016, for fighting financial crime, but due to recent political uncertainty much of this strategy has not been implemented. Realistically, action on AML/CFT deficiencies will likely be delayed until the new government resulting from the November 2015 elections sets its priorities.

One aspect of the strategy, a strengthening of financial disclosure requirements for government officials, was included in the charter for the transitional government that was adopted on November 16, 2014. Until recently, high-ranking government officials were only required to file financial disclosure forms with the Constitutional Council on entering and leaving office. Under the new requirements, the disclosure of the President will be published in the Official Journal, and the Court of Auditors will be able to investigate the assets of high-level government officials.

In 2014, the government put in place a committee on administrative asset freezing. In late September 2015, the government froze the assets of 14 individuals and four political parties suspected of involvement in the failed coup d'état which took place earlier that same month.

In 2014 Burkina Faso joined the Partnership on Illicit Finance, an initiative that brings African partners and the United States together to jointly address the generation and movement of proceeds from corruption and other financial crimes. Its two main objectives are to examine illicit financial flows from Africa and to develop national action plans through which each member government can improve transparency and accountability in public and private sectors.

Burkina Faso's financial intelligence unit (FIU) is the National Financial Information Processing Unit (CENTIF). CENTIF reports there are 17 individuals currently being prosecuted for money laundering or other financial crimes, with three new cases in 2015. It can take years for criminal cases in Burkina Faso to reach a conclusion, and there were no money laundering or financial crime convictions in 2014 or 2015.

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

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

Burma

Burma is not a regional or offshore financial center. Its economy is underdeveloped, as is its financial sector, and most currency is still held outside the formal banking system, although bank deposits have increased over the past several years. The lack of financial transparency, the low risk of enforcement and prosecution, and the large illicit economy makes it potentially appealing to the criminal underground. Besides narcotics, trafficking in persons; the illegal trade in wildlife, gems, and timber; and public corruption are major sources of illicit proceeds. Global Witness estimates the amount of jade extracted and exported to China through porous borders are annually in the tens of billions of dollars. Yet annual tax receipts from jade stand at approximately $374 million - representing not even 2 percent of production. Both the smuggling and customs fraud involved are predicate offenses for trade-based money laundering. Most of the companies involved are either directly owned by the army, or operated by cronies with close ties to military and government officials.

Many Burmese, particularly emigrants remitting money from Thailand or Malaysia to family in Burma, have relied on informal money transfer mechanisms, such as hundi, a type of alternative remittance system that has been abused by criminal networks. Many business deals and real estate transactions are done in cash. Less than 15 percent of adults have a bank account. As a result of the cash-based economy and informal money transfer systems, it is very difficult for authorities to follow the money trail.

Burma continues to be a major source of opium and exporter of heroin, second only to Afghanistan. Since the mid-1990s, Burma has also been a regional source for amphetamine-type stimulants. The 2015 joint Burma-UN Office of Drugs and Crime illicit crop survey reported that opium poppy cultivation decreased this year after having risen for eight consecutive years. The government faces the additional challenge of having vast swaths of its territory, particularly in drug producing areas along Burma's eastern borders, controlled by non-state armed groups. In some areas, continued conflict between ethnic armed groups and Burma's government allow organized crime groups to function with minimal risk of interdiction. Burma's long, porous borders are poorly patrolled.

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

There have been at least five operating casinos, including one in the Kokang special region near China (an area the Burmese government does not control), that primarily have targeted foreign customers. Little information is available about the regulation or scale of these enterprises. They continue to operate despite the fact casino gambling is officially illegal in Burma.

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

In November 2003, the United States identified Burma as a jurisdiction of "primary money laundering concern," pursuant to Section 311 of the USA PATRIOT Act, and issued a proposed rulemaking generally prohibiting U.S. financial institutions from establishing or maintaining correspondent accounts with Burmese financial institutions. This proposed rule was finalized on April 12, 2004. The U.S. took this action against Burma because of major deficiencies in its AML system.

Since 2011, Burma has been on the FATF Public Statement, the most recent of which is dated October 23, 2015, although the FATF no longer calls for countermeasures against Burma. To be removed from the blacklist, Burma must first complete all of the items in its action plan, agreed with the FATF in 2010. The FATF notes that Burma has made progress in implementing its action plan, including issuing new AML and CFT rules in 2015 and strengthening customer due diligence (CDD) requirements for the financial sector. Nevertheless, Burma still needs to address certain strategic AML/CFT deficiencies, including adequately criminalizing terrorist financing and implementing asset freezes pursuant to UNSCRs 1267 and 1373.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks (including bank-operated money changing counters); the Customs Department, Internal Revenue Department, Trade Administration Department, Marine Administration Department, and Ministry of Mines; state-owned insurance company and small loan enterprise; securities exchange; accountants, auditors, legal and real estate firms and professionals; and dealers of precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Burma's 2014 AML law criminalizes money laundering and defines predicate offenses. It also includes CDD requirements for all reporting entities. Regulations to implement the AML law were issued in September 2015. At the same time, regulations were issued to implement the counterterrorism law, also enacted in 2014. These regulations include provisions addressing the freezing of terrorist assets.

The informal economy generates few reliable records, and Burma makes no meaningful efforts to ascertain the amount or source of income or value transfers. Regulation of financial institutions is weak. In 2014, the government awarded limited banking licenses to nine foreign banks. They have subsequently opened branches but are restricted to providing loans in foreign currency and are required to partner with local banks in order to lend to local companies. This is likely to significantly increase the volume and frequency of cross-border currency transfers over the next few years. While some Burmese financial institutions may engage in currency transactions related to international narcotics trafficking that include significant amounts of U.S. currency, the absence of publicly available information precludes confirmation of such conduct.

In 2013, Burma enacted a law that grants the Central Bank both independence and exclusive jurisdiction over monetary policy. However, the Central Bank will require substantial assistance and additional resources to develop its capacity to adequately regulate and supervise the financial sector, which remains very limited.

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

Burma still needs to take a number of steps to improve its AML/CFT regime. The government should focus on implementation of its requirements on KYC and CDD. The FIU should become an agency that functions without interference from other government offices on its core mission to receive and conduct analysis of suspicious financial information, and Burma should supply adequate resources to administrative and judicial authorities for their enforcement of government regulations. Burma should end all policies that facilitate corrupt practices and money laundering, and strengthen regulatory oversight of the formal financial sector, including by strengthening the independence of the Central Bank.

Burundi

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

Approximately two-thirds of the people of Burundi live on approximately $190 per year. Overseas remittances from the Burundi diaspora are vital to the economy and well-being of the people, contributing as much as 22 percent of the country's total GDP. It is estimated only 7 percent of the population has access to traditional bank accounts. Burundians are increasingly able to receive remittances digitally via a mobile wallet linked to their mobile phone.

Executive Order 13712, issued on November 22, 2015, imposes a travel ban and freezes any assets held in the United States of Burundi's Minister of Public Security Alain Guillaume Bunyoni, former Defense Minister Cyrille Ndayirukiye, Major General and former chief of Burundi Intelligence Service Godefroid Niyombare, and Deputy Director-General of the National Police Godefroid Bizimana for human rights violations, inciting violence, and undermining the democratic processes and institutions in Burundi.

On October 1, 2015, the EU imposed similar travel bans and freeze orders against Mr. Bizimana; Gervais Ndirakobuca, Head of Cabinet of the Presidential Administration; Mathias/Joseph Niyonzima, officer of the National Intelligence Service; and former army general Leonard Ngendakumana.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: Not available

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Not available

REPORTING REQUIREMENTS:

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: Not available
Convictions: Not available

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

Burundi is not a member of a FATF-style regional body (FSRB), but has Observer status in the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG).

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

Neither the Financial Crime Unit (FCU) of the Burundian National Police nor the Financial Intelligence Unit (FIU) of the Ministry of Finance has conducted any financial investigations. There is no evidence the FIU is operational, except on paper. It is not believed personnel have been assigned to the unit. Both the FCU and the FIU appear to be held back due to a lack of political will and a lack of resources. Burundian law enforcement officials lack training and expertise in investigating financial crimes. Burundi's current political, economic, and security crisis has made government information, difficult to get at the best of times, nearly impossible to obtain and widely non-credible.

The central bank recently put in place severe restrictions on the transfer of sums of more than $3,000 out of the country and limited depositors' ability to access hard currency (i.e., dollars and euros) even in accounts denominated in those currencies. While a potentially effective control for illicit money movements, these controls were likely put in place more in response to the country's severe hard currency shortage.

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

Cabo Verde

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, money exchangers, accountants and fiscal consultants, notaries, insurance companies, lawyers, real estate or property brokers, dealers in precious metals and stones, gaming centers, auto dealers, and securities dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Cabo Verde's national AML/CFT strategy expired at the end of 2014, and the Council of Ministers approved a new strategy in early 2015. Cabo Verde's Ministry of Justice expects amendments to be made to strengthen the strategy in the first quarter of 2016. The government does not have the human, technical, and logistical resources to respond in an effective and timely manner to AML/CFT challenges. Limited resources hamper the government's ability to enforce AML regulations, and local institutions are often unaware of their reporting responsibilities. Although not required by law, financial institutions exercise enhanced due diligence procedures for both domestic and foreign politically exposed persons (PEPs). For statistical purposes, currency transaction reports (CTRs) and suspicious transaction reports (STRs) are not differentiated; a total of 64 reports were received in 2015, compared to 38 in 2014.

Public officials and international experts consider the Cabo Verdean Financial Information Unit (UIF), the country's financial intelligence unit, deficient regarding its regulatory framework, although the government has made corrective improvements. The UIF still lacks adequate human and financial resources to carry out all its functions effectively, particularly the proper identification, analysis, and dissemination of suspicious transactions. The UIF disseminated 29 cases to the Office of the Prosecutor in 2015, up from 12 in 2014. In 2015, the capacity of the Financial Investigative Unit, the Cabo Verdean Ministry of Justice's AML division, increased significantly.

In 2013, the Cabo Verdean parliament ratified a law to prevent and repress terrorism in Cabo Verde. The legislation allows for the freezing of bank accounts and financial transactions that support terrorist financing. The government has begun to implement the law but needs to take additional steps, including those necessary to implement its obligations under UNSCRs 1267 and 1373. In November 2015, the Cabo Verdean parliament ratified amendments to the penal code that further criminalizes terrorist financing and inciting terrorism.

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

Cambodia

Cambodia is neither a regional nor an offshore financial center. Several factors, however, contribute to Cambodia's significant money laundering vulnerability. These include Cambodia's weak AML regime; its cash-based, dollarized economy; its outsized and inadequately-supervised banking and financial industries sector; its porous borders; and its unregulated or under-regulated non-financial sectors including, most significantly, the gaming and real property industries. A

weak judicial system and endemic corruption are additional factors negatively impacting enforcement.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, microfinance institutions, and credit cooperatives; securities brokerage firms and insurance companies; leasing companies; exchange offices/money exchangers; real estate agents; money remittance services; dealers in precious metals and stones; post offices offering payment transactions; lawyers, notaries, accountants, auditors, investment advisors, and asset managers; casinos and gaming institutions; NGOs and foundations

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

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

Cambodia is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.apgml.org/mutual-evaluations/documents/default.aspx?pcPage=6

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The National Coordination Committee on Anti-Money Laundering and Combating the Financing of Terrorism is a permanent and senior-level AML/CFT coordination and policy-setting body. In the last year, it has continued to be active in putting forward legal and policy reforms to tackle the country's AML deficiencies. In December 2014, the Government of Cambodia revised Strategy 5 in the National Strategies on AML/CFT 2013-2017 by adding seven more actions to build the capacity of Cambodia's Financial Intelligence Unit (CAFIU) and law enforcement agencies as well as to expand and strengthen cooperation among relevant domestic agencies in AML/CFT activities.

The law on AML/CFT excludes pawnshops from its explicit list of covered entities but does allow the FIU to designate any other profession or institution to be included within the scope of the law.

Cambodia's AML/CFT law allows authorities to freeze assets relating to money laundering or the financing of terrorism until courts have rendered final decisions, but the AML/CFT regime lacks a clear system for sharing assets with foreign governments.

In 2015, CAFIU was admitted to the Egmont Group. CAFIU received approximately 1,000 suspicious transaction reports (STRs) and approximately 2 million currency transaction reports (CTRs) in the first 10 months of 2015.

The primary enforcement and implementation concerns involve the willingness of domestic authorities to adequately and efficiently share relevant information among themselves and to competently investigate and prosecute AML-related crimes. In addition, CAFIU oversight of financial institutions is weak. In response, the Government of Cambodia has established a Review Panel, led by the Counter-Terrorist Department of the General Commissariat of National Police, as part of the supplementary measures laid out in the National Strategies on AML/CFT 2013-2017. The Panel, which is comprised of CAFIU and relevant law enforcement agencies, serves as a mechanism to strengthen cooperation and improve information sharing among AML/CFT regulatory and law enforcement bodies.

Although gaming is illegal for Cambodian citizens, it is legal for foreigners in Cambodia. Cambodians often participate in illegal gaming. There are 57 legal casinos in the country. For example, the Cambodian town of Poipet, located along the Cambodia/Thailand border, has 10 casinos in operation. According to a UNODC report, more than 90 percent of the patrons in these casinos are Thai. No visa is required for Thai citizens, Thai baht is accepted, and daily return buses operate between Poipet and Bangkok and Pattaya, Thailand. As a result, large amounts of money flow through Poipet's casinos; it is estimated approximately $12 million of cash destined for border casinos crosses the Poipet border every day. The casinos have weak to

non-existent AML controls. Moreover, no casino located in Cambodia has ever submitted a cash or suspicious transaction report to CAFIU.

In 2015, Global Financial Integrity released a report analyzing data that shows, during the decade between 2004 and 2013, Cambodia lost at least $15 billion to illicit financial outflows via TBML. Much of the wealth was shifted offshore. More than $4 billion left the country in 2013 alone. TBML was also used to shift value into Cambodia. Most of the laundering was done via abusive trade mis-invoicing. TBML and customs fraud represent enormous income loss for the Government of Cambodia.

The Government of Cambodia should take further steps to implement adequate procedures for the confiscation of funds related to money laundering, ensure an effective CAFIU, and fully implement controls for cross-border cash movements. The government should continue its work to increase the volume and quality of reporting of STRs and CTRs from reporting entities of all types, but especially among those in high-risk sectors, such as casinos and participants in the real property industry. Given the high level of corruption and lack of public financial transparency, the government also should require enhanced due diligence for domestic politically exposed persons (PEPs). Cambodia should work to strengthen control over its porous borders and crack down on customs fraud and TBML. The government should implement effective operational procedures both within and among affected agencies, and measure the effectiveness of these procedures on an ongoing basis. It should continue to undertake measures to increase the capacity of reporting entities, law enforcement and judicial agencies, and regulatory bodies.It also should empower and require law enforcement and regulators to strictly enforce AML/CFT laws and regulations.

Cameroon

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

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

Risks to the integrity of the Cameroonian financial system include terrorism activities, illicit wildlife trafficking, and maritime piracy. Instability in neighboring countries and the use of a

common currency have resulted in Cameroon being used as a conduit to move funds from those countries to Nigeria, Europe, and the Middle East. Trade-based money laundering is rampant and utilizes the banking system, microfinance institutions, and the informal financial sector. Cameroon is particularly vulnerable to abuse by bulk cash smugglers and exploitation by companies transferring money internationally. Most foreign currency transactions are in naira, euros, or dollars.

The six member states of CEMAC share the BEAC, a regional central bank, and a common currency, the Central African Franc (CFA). Traffickers and money launderers may exploit dysfunctions in cross-border cooperation between national agencies. As the largest economy in the region such regulatory weaknesses may, at the domestic level, result in Cameroon being used as a conduit to move funds from those countries to tax havens and other personal investments primarily in Europe and Asia.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 415 in 2015
Number of CTRs received and time frame: Not available
STR covered entities: Government treasurers and tax inspectors; chief executive officers and managing directors of state-owned companies; banks and microfinance institutions; insurance brokers and firms; manual money changers; managers, directors, and owners of casinos and gaming establishments; notaries, accountants, auditors, tax advisors, and lawyers; securities or asset managers and brokers; company formation agents and managers; trusts; real estate agents; companies that transport and transfer funds; travel agencies; dealers

in high-value goods, metals, precious stones, and automobiles; and the Douala Stock Exchange

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: Not available
Convictions: Not available

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

Cameroon is a member of the Task Force against Money Laundering in Central Africa (GABAC), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://spgabac.org/site/wp-content/uploads/2015/10/rapport_%C3%A9valuation_mutuelle_cameroun.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2014/2015 the National Agency for Financial Investigations (ANIF), Cameroon's financial intelligence unit (FIU), conducted several training sessions, as well as annual working sessions and meetings with banks and microfinance institutions. Cameroon's Ministry of Justice is developing a program called "e-government" to computerize data on prosecutions and convictions, including those for financial crimes.

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

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

Canada

Money laundering activities in Canada are primarily a product of illegal drug trafficking, financial crimes, and fraud, notably capital markets fraud, commercial (trade) fraud, payment

card fraud, and mass marketing fraud. The criminal proceeds laundered in Canada derive predominantly from domestic activity controlled by drug trafficking organizations and organized crime. Foreign-generated proceeds of crime also are laundered in Canada.

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

Canada does not have a significant black market for illicit goods. Cigarettes and counterfeit goods and software are the most commonly smuggled goods in the country. There are indications that trade-based money laundering occurs, and underground financial systems are used within the immigrant community. Some human trafficking organizations engage in money laundering. Bulk cash smuggling is widespread.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks and credit unions; life insurance companies, brokers, and agents; securities dealers; casinos; real estate brokers and agents; agents of the Crown (certain government agencies); money services businesses (MSBs); accountants and accounting firms; lawyers; dealers in precious metals and stones; and notaries in Quebec and British Columbia

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 92,531: April 1, 2014 - March 31, 2015
Number of CTRs received and time frame: 8,445,431: April 1, 2014 - March 31, 2015
STR covered entities: Banks and credit unions; life insurance companies, brokers, and agents; securities dealers; casinos; real estate brokers and agents; agents of the Crown; MSBs; accountants and accounting firms; dealers in precious metals and stones; and notaries in British Columbia and Quebec

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 228: 2013-14

Convictions: 40: 2013-14

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

Canada is a member of the FATF and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.fatf-gafi.org/countries/#Canada

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In July 2015, Canada published its national inherent risk assessment on ML/TF. The purpose of this report is to better identify, assess, and understand inherent money laundering and terrorist financing risks in Canada.

On July 4, 2015, the Government of Canada pre-published for public consultation amendments to the Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations to strengthen its AML/CFT regime and improve its compliance with international standards. The proposed regulations introduce a number of regulatory amendments that are needed to enact some legislative amendments made in June 2014, as well as other standalone regulatory measures. The package of amendments would: expand the concept of politically exposed persons (PEPs) to include domestic PEPs and heads of international organizations; clarify the type of customer information reporting entities must obtain and keep as part of the customer due diligence process; clarify obligations to assess and document the risks associated with new technologies used by reporting entities; and expand the designated information that the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), Canada's financial intelligence unit, can disclose. Final publication for these amendments, scheduled for mid-2016, is required before the PEP provisions come into force. A new Security of Canada Information Sharing Act was adopted in 2015 to facilitate the sharing of information between Canadian government agencies with regards to any activity that undermines the security of Canada, including terrorism.

Canada has a rigorous detection and monitoring process in place to identify money laundering and terrorism financing activities, but additional enhancements to its enforcement and conviction capability would be beneficial. FINTRAC made 1,260 disclosures to law enforcement and other government agencies from April 1, 2014 to March 31, 2015. Of these, 923 disclosures were money laundering related, 228 were terrorism financing or security threat related, and 109 were both money laundering and terrorism financing or security related.

Obstacles to successful enforcement include privacy rules that prevent FINTRAC from freely sharing information with law enforcement; complex investigations that can take understaffed police agencies years to finish; and overworked Crown Prosecutors. Though the legislative framework does not allow law enforcement agencies direct access to FINTRAC's databases, FINTRAC may disclose actionable financial intelligence to assist money laundering, terrorist financing, and security threat investigations.

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

might lead to prosecutions and convictions. The government should further enhance its enforcement and conviction capability.

Cayman Islands

The Cayman Islands, a UK Caribbean overseas territory, is an offshore financial center. Most money laundering that occurs in the Cayman Islands is primarily related to foreign criminal activity and involves fraud, tax evasion, and drug trafficking, largely cocaine. The offshore sector is used to layer or place funds into the Cayman Islands financial system. Due to its status as a zero-tax regime, the Cayman Islands is also considered attractive to those seeking to evade taxes in their home jurisdictions.

The Cayman Islands is home to a well-developed offshore financial center that provides a wide range of services, including banking, structured finance, investment funds, various types of trusts, and company formation and management. As of June 30, 2015, the banking sector had $1.398 trillion in international assets. As of September 2015, there are 193 banks, 151 trust company licenses, 118 company managers and corporate service providers, 740 captive insurance companies, six money service businesses, and almost 100,000 companies licensed or registered in the Cayman Islands. According to the Cayman Islands Monetary Authority, as of September 2015 there are approximately 11,215 mutual funds, of which 7,889 are registered, 2,830 are master funds, 395 are administered, and 101 are licensed. Shell banks are prohibited, as are anonymous accounts. Bearer shares are generally issued by exempt companies and must be immobilized.

Gambling is illegal. The Cayman Islands does not permit the registration of offshore gaming entities. The authorities do not see risks from bulk cash smuggling related to the large number of cruise ships that dock in the jurisdiction. Cayman Enterprise City, as a Special Economic Zone (SEZ), was established in November 2011 for knowledge-based industries, primarily Internet & Technology, Media & Marketing, Commodities & Derivatives, and Biotechnology. A potential area of vulnerability is in the commodities and derivatives sphere.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 568: July 1, 2014 – June 30, 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, trust companies, investment funds, fund administrators, securities and investment businesses, insurance companies and managers, money service businesses, corporate and trust service providers, money transmitters, dealers of precious metals and stones, and the real estate industry

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 2: January 1 – October 31, 2015
Convictions: 2: January 1 – October 31, 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2015, the Cayman Islands released a draft money laundering self-risk assessment. The findings included outdated AML/CFT laws and regulations, weak supervision of nonprofits and non-financial organizations, and insufficient international cooperation.

The Cayman Islands Legislative Assembly passed the Proceeds of Crime (Amendment) Law 2015 on April 17, 2015. This amendment repeals section 5(1)(b) of the Proceeds of Crime Law (2014 Revision), replacing the Financial Secretary with the Chief Officer in the Ministry responsible for Financial Services, or the Chief Officer's designate, as a member of the Anti-money Laundering Steering Group.

The Department of Commerce and Investment now supervises real estate agents and precious metal dealers. The Government of the Cayman Islands reports that AML/CFT supervision will be enhanced for designated non-financial businesses and professions (DNFBPs) that trade or store precious metals and stones and financial derivatives and when trades occur within the SEZ. A Special Economic Zone (Amendment) Bill is expected to be presented to the Legislative Assembly in early 2016. The bill will allow for stronger due diligence and will authorize the Special Economic Zone Authority to request beneficial ownership information.

In 2015, the Financial Reporting Authority (FRA), the financial intelligence unit, cooperated with the United States on two cases regarding ongoing corruption investigations involving FIFA officials, which include several million dollars of fraud and money laundering schemes by

entities with overseas connections. This has resulted in assets of the entities being reported frozen in various jurisdictions.

The Cayman Islands continues to develop its network of tax information exchange mechanisms and has a network of 36 signed information exchange agreements, with 29 in force. Pursuant to legislation and intergovernmental agreements, the Cayman Islands exchanged tax information with the United States in 2015, and will exchange information with the United Kingdom in 2016.

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

The Cayman Islands reportedly is considering changes to its AML/CFT regime, including incorporating a risk-based approach in money laundering regulations; implementing a supervisory framework for DNFBPs and non-profit organizations, imposing administrative penalties for financial and DNFBP supervisors; incorporating tax crimes as a money laundering offense under the Proceeds of Crime Law; and increasing human resources for the FRA and the Financial Crimes Unit of the Royal Cayman Islands Police Service. The government should take steps to adopt and implement these items. The Government of the Cayman Islands decided to continue its current non-transparent method when it comes to disclosing beneficial ownership information. The government should set up a public central register to bring together this information to facilitate access by law enforcement.

Central African Republic

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

The UN has issued an arms embargo against the CAR, and the UN, EU, and United States have imposed travel restrictions and asset freezes against former government officials and leaders of rebel groups that undermine the peace, stability, or security of the CAR or threaten or impede the political transition process or the stabilization and reconciliation process, or that promote violence.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Public treasuries, banks, investment companies, insurance companies, microfinance organizations, money exchange and transfer companies, casinos, notary offices, real estate and travel agencies, accounting and auditing offices, and merchants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, microfinance organizations, merchants, public treasuries, and money exchanges

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

The CAR is a member of the Task Force against Money Laundering in Central Africa (GABAC), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://spgabac.org/site/wp-content/uploads/2015/10/Rapport-evaluation-mutuelle-RCA.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Oversight and enforcement of AML laws and regulations are lax in most areas of governance in the CAR. The government lacks the capacity to supervise financial activity and enforce legislation, and the responsibility to do so is ill-defined among the relevant enforcement bodies.

The CAR has taken steps to establish a financial intelligence unit, but it is not operational due to lack of funding and staff. There is little expertise to investigate financial crimes. CAR law enforcement units involved in enforcing existing AML or anti-fraud laws, like CAR law enforcement overall, is very weak and lacks training and resources to conduct even basic law enforcement efforts. The Gendarmerie does have a financial crimes investigation unit, but it is unclear how many cases it processes in a given year.

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

Chad

Chad's financial services sector is small and relatively underdeveloped. Chad's economy is predominately cash-based, with relatively few transactions passing through formal financial institutions. Despite measures to process public servant salaries through local banks, only 5 percent of the Chadian population uses formal banking services.

On January 16, 2015, the Parliament approved sending troops to the northern regions of Cameroon to counter Boko Haram. This decision, which received popular support, came amid rising concerns about the economic impact of the siege on the Chadian economy. Chad depends heavily on the import of goods that transit through Nigeria and northern Cameroon. As a result of the August border closure and the continued attacks, the prices of imported goods have increased in the local market. Increased border security significantly reduced incidences of contraband and goods smuggled across the Sahel and borders with Nigeria and Cameroon.

Instability in the Central African Republic (CAR) and the subsequent return of displaced Chadians and the arrival of CAR refugees facilitate trafficking of goods between the two countries. Across Chad's northern desert and along the Sudan/Chad border in the east, smuggled items include drugs and weapons. Drugs, mainly cannabis and cocaine, are transported via Chad and Sudan to the Arabian Peninsula.

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 0 in 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Public treasury, banks, microfinance organizations, money exchange and transfer companies, casinos, notaries, real estate and travel agencies, accountants and auditors, and merchants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

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

Chad is a member of the Task Force against Money Laundering in Central Africa (GABAC), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://spgabac.org/site/wp-content/uploads/2015/10/rapport_evaluation_mutuelle_TCHAD.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The government lacks equipment to monitor transactions and the Government of Chad does not track money and value transactions through wire transfer services (i.e., Western Union), hawala remittance systems, or SMS mobile money transfers. In October 2015, the government announced measures to formalize the economy by registering more than 30,000 businesses operating in the informal sector.

Several banks reported suspicious transactions, but the practice is not universal. Within the BEAC, the Banking Commission of Central Africa addresses money laundering. Following its

meeting in September, 2015, the BEAC moved toward strengthening information technology vigilance, detection, automated alerts, and tracking of sensitive or suspicious transactions to more effectively combat money laundering and terrorist financing in the Central Africa sub-region.

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

In 2015, the Government of Chad recruited an additional 500 new rangers for the Chadian Anti-Poaching Brigade. Over one hundred of these rangers received extra training at Zakouma National Park. This training, in conjunction with Chad's national wildlife protection efforts, has been instrumental in reducing wildlife poaching. Following a cabinet reshuffle, the Ministry of Environment and Fisheries created a Directorate for elephant protection and drafted a strategy and mandate for elephant protection. Most of the illegal ivory goes to China. It is not clear how payment for the ivory is made.

ANIF, the financial intelligence unit, continues to face serious resource constraints, and financial intelligence reporting and analysis are limited. Law enforcement and customs officials lack the capacity to fulfill their responsibilities of financial crimes enforcement.

Ratification of the UN Convention against Corruption is in process, but the promulgation decree has not yet been signed.

Chile

Chile has a large and well developed banking and financial sector with an established AML/CFT regime. Chile's economic stability makes it an attractive location for the financial operations of criminal groups. Recent legislation has addressed many of the systematic vulnerabilities of Chile's past AML/CFT regime, to include deficiencies in detection and prevention of money laundering, easing of bank secrecy laws, and increase in oversight of public institutions. Some issues remain such as a lack of sufficient resources for investigators and prosecutors.

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks and credit unions; pension funds; mutual fund administrators; securities brokers and dealers; leasing and factoring companies; credit card issuers and operators; insurance brokers and companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 2,356: January - September 30, 2015
Number of CTRs received and time frame: 244,678: January 1 - September 30, 2015
STR covered entities: Banks and representative offices of foreign banks; mutual and investment fund managers; pension fund administration companies; custom agents; securities depository, securities and commodities brokers and dealers; futures and options markets operators, and commodity and stock exchanges; nonprofit savings and loans companies and savings and loan cooperatives; money transfer and transportation companies and currency exchange offices; auction houses; casinos, floating casino games, gaming houses, and horse tracks; the Foreign Investment Committee; insurance companies; real estate registrars, brokers, and management companies; credit card issuing and operating companies; financial leasing, financial factoring, and securitization companies; notaries; entities authorized to receive foreign currencies; FTZ users and administration companies; sports clubs (stock companies) and professional sport organizations; general fund managers; and public institutions

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 100: January 1 - October 30, 2015
Convictions: 79: January 1 - October 30, 2015

RECORDS EXCHANGE MECHANISM:

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

Chile is a member of the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://gafilat.org.iplan-unix-03.toservers.com/UserFiles//Biblioteca/Evaluaciones/Chile_3ra_Ronda_2010.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Chile has strengthened its AML/CFT efforts over the past year, making progress towards meeting international standards and addressing many of the vulnerabilities in its previous regime. Particularly noteworthy was the 2015 passage of Public Law 4426-07, designed to expand the scope and depth of detection, investigation, and prosecution of money laundering crimes. The Chilean system previously had many organizations in place to address money laundering and terrorist financing; however, there were issues of communication as well as resource scarcity. The new law gives greater power and resources to relevant agencies to address these issues.

Public Law 4426-07 addresses one of the most significant obstacles to money laundering investigations – bank secrecy. Previously, prosecutors were severely limited in their ability to gather evidence and banking information and, as a result, were unable to move forward on many investigations. With the passage of Public Law 4426-07, prosecutors, working with a judge, now have the ability to gather information from banks regarding an individual's banking account and relevant transactions, a substantial improvement in both the investigation and prosecution of money laundering crimes. Also noteworthy is the law's expansion of what is included as a 'crime' with relation to money laundering. A previous limitation to prosecutors was the narrow scope of what was considered a money laundering crime, which prevented investigation of crimes that were likely connected to money laundering. The new law now includes such offenses as tax crimes, smuggling, and crimes against intellectual property as 'predicate offenses' and therefore open to investigation. Together, these changes have provided the Chilean government an expanded scope of power and influence in both investigating and ultimately prosecuting money laundering crimes.

In its first year of enforcement of Public Law 4426-07, Chilean agencies have already seen a marked increase in reporting of suspicious activity and a general mobilization within all government organizations to combat money laundering and terrorist financing. This is a direct result of the expanded reporting requirements included in the new law. Previously, only private organizations had any reporting requirements, meaning some 600 public institutions had no internal AML/CFT mechanisms, leaving their transactions largely unchecked. With the new law, it is now a requirement for each public institution to have internal mechanisms to detect and report suspicious activity, leading not only to greater oversight over these organizations but greater communication between them. In addition, Chile's enforcement agencies can now coordinate directly with those public institutions to ensure potential illicit activity is reviewed and investigated accordingly.

One of the principal limiting factors of the new law is its lack of retroactivity. The law only pertains to activity taking place after its passage in February 2015, meaning previous activity is outside the scope of enforcement. Moreover, while public institutions are now required to report suspicious activity, enforcement organizations must still rely on court orders to obtain further information, such as copies of documents or information related to bank operations once suspicious activity has been reported.

While the new law focuses on expanding the scope and definition of what constitutes money laundering (to now also include contraband and falsification of bank documents), Chilean authorities nevertheless remain focused on drug trafficking. This is primarily due to resource allocation. Regardless, the expanded scope of what is considered a crime will enable Chilean

authorities to dedicate more time and resources to the investigation and prosecution of these activities. Previously, these activities could not be used as predicate offenses in money laundering investigations as they were not technically crimes.

In 2015, the Government of Chile helped fund the country's first bitcoin/peso exchange. The Chilean Financial Intelligence Unit (FIU) will provide AML/CFT oversight. Another key advancement is the expanded scope of STR-covered entities, to include free trade zone users and administrators and credit card operating companies.

Following passage of Public Law 4426-07, Chile should now focus on increasing resources for its enforcement agencies as well as providing training to public institutions embarking on new AML/CFT regimes. While resource scarcity will remain an issue, the greater issue facing public institutions is a lack of knowledge and understanding of an AML/CFT regime. For many, there were no mechanisms in place to report suspicious activity and although they are now required to do so, many lack the understanding of how to best implement this. To that end, Chile should continue focusing on providing the requisite training needed to sufficiently comply with the new law. Chile also should adopt enhanced due diligence procedures for both foreign and domestic politically exposed persons (PEPs).

China, People's Republic of

The development of China's financial sector has required increased enforcement efforts to keep pace with the sophistication and reach of criminal networks. The primary sources of criminal proceeds are corruption, narcotics and human trafficking, smuggling, economic crimes, intellectual property theft, counterfeit goods, crimes against property, and tax evasion. Criminal proceeds are generally laundered via methods that include bulk cash smuggling; trade-based money laundering (TBML); manipulating invoices for services and the shipment of goods; purchasing valuable assets, such as real estate, art, and gold; investing illicit funds in lawful sectors; gaming; and exploiting formal and underground financial systems, in addition to third-party payment systems. Chinese officials have noted that corruption in China often involves state-owned enterprises, including those in the financial sector. According to Global Financial Integrity (GFI), China leads the world in illicit capital flows as measured by trade mis-invoicing – a form of TBML. GFI estimates that approximately $260 billion left the country in 2013.

While Chinese authorities continue to investigate cases involving traditional money laundering schemes, they have also identified the adoption of new money laundering methods, including illegal private equity fundraising activity, cross-border telecommunications fraud, and corruption in the banking, securities, and transportation sectors. Chinese authorities also have observed that money laundering crimes continue to spread from developed coastal areas such as Guangdong and Fujian provinces to underdeveloped, inland regions.

China is not considered a major offshore financial center; however, China has multiple Special Economic Zones (SEZs) and other designated development zones at the national, provincial, and local levels. SEZs include Shenzhen, Shantou, Zhuhai, Xiamen, and Hainan, along with 14 other coastal cities. As part of China's economic reform initiative, China opened the Shanghai Free Trade Zone in 2013 and Tianjin, Guangdong, and Fujian in 2015.

Chinese foreign exchange rules cap the maximum amount of yuan individuals are allowed to convert into other currencies at approximately $50,000 each year and restrict them from transferring yuan abroad directly without prior approval from the State Administration of Foreign Exchange. A variety of money laundering techniques are used to circumvent the restrictions, including structuring, using networks of family and friends, transferring value with the help of loved ones emigrating abroad, overseas cash withdrawals using credit cards, TBML, underground remittance systems such as *fei-qian* or "flying money," and organized gaming junkets to Macau and elsewhere. Chinese organized crime is also involved. In addition to capital flight, a substantial amount of money is laundered through the purchase of overseas properties in places such as Vancouver, Sydney, London, San Diego, and New York.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 11,645 in 2013
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While China's October 2011 legislation addressed some deficiencies in the implementation of the requirements of UNSCRs 1267 and 1373, some deficiencies must still be addressed. These include guidance for designated non-financial businesses and professions; delisting and unfreezing procedures; and the rights of bona fide third parties in seizure/confiscation actions. In 2013, the People's Bank of China published new guidance requiring Chinese banks to rate clients' risks based on a variety of factors, conduct internal risk assessments by the end of 2015, and commence implementation of new internal control rules by January 1, 2015. To improve monitoring and reporting on suspicious transactions through bank cards, China issued a Notice on Further Strengthening AML Work on Bank Card Business. In 2015, Chinese authorities issued guidelines for internet finance that include strengthened AML/CFT controls for internet finance operators.

In October 2015, the State Administration of Foreign Exchange (SAFE) published new rules to limit overseas cash withdrawals from credit cards, for the first time putting an annual cap on such overseas cash withdrawals through credit cards. In November, Chinese authorities arrested suspects for illegal foreign-exchange transactions totaling $64 billion and announced a crackdown on underground banks that assist in the evasion of capital controls and the transfer of funds offshore.

In domestic cases, once an investigation is opened, all law enforcement entities and public prosecutors are authorized to take provisional measures to seize or freeze property in question to preserve the availability of the same for later confiscation upon conviction. Although China's courts are required by law to systematically confiscate criminal proceeds, enforcement is inconsistent and no legislation authorizes seizure/confiscation of substitute assets of equivalent value. Information about the implementation of the 2013 Criminal Procedure Law remains scarce.

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. In addition to the lack of law enforcement-based cooperation, the Chinese government's inability to enforce U.S. court orders or judgments obtained as a result of non-conviction-based forfeiture actions against China-based assets remains a significant barrier to enhanced U.S.-China cooperation in asset freezing and confiscation.

While China continues to make improvements to its AML/CFT legal and regulatory framework and is gradually making progress toward meeting international standards, implementation and transparency remain lacking, particularly in the context of international cooperation. The Government of the People's Republic of China should expand cooperation with foreign counterparts and pursue international AML/CFT linkages more aggressively. China's Ministry of Public Security should continue ongoing efforts to develop a better understanding of how AML/CFT tools can be used, in a transparent fashion, to support the investigation and prosecution of a wide range of criminal activity. China also should cooperate with international law enforcement to investigate how indigenous Chinese underground financial systems and trade-based value transfer are used to circumvent capital restrictions for illicit outbound transfers and capital flight, and to receive inbound remittances and criminal proceeds for Chinese organized crime. China should enhance coordination among its financial regulators and law

enforcement bodies to better investigate and prosecute offenders. The government should ensure all courts are aware of and uniformly implement mandatory confiscation laws.

Colombia

Despite the Government of Colombia's fairly strict AML/CFT regime, the laundering of money, primarily from Colombia's illicit drug trade and illegal mining, continues to penetrate its economy and affect its financial institutions. Money laundering is a significant avenue for terrorist financing in geographic areas controlled by both the Revolutionary Armed Forces of Colombia (FARC) and the bandas criminales (BACRIM). In 2015 there was a reported uptick in the use of dirty money to influence local and national elections.

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

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

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 7,642: January – November 2015
Number of CTRs received and time frame: Not available
STR covered entities: Banks, securities broker/dealers, trust companies, pension funds, savings and credit cooperatives, depository and lending institutions, lotteries and casinos, vehicle dealers, currency dealers, importers/exporters, and international gold traders

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 73: January - October 2015
Convictions: 29: January - October 2015

RECORDS EXCHANGE MECHANISM:

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

Colombia is a member of the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.gafilat.org/UserFiles//Biblioteca/Evaluaciones/Colombia_3era_Ronda_2008.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

The Colombian Penal Code lays out a framework for an oral accusatory criminal justice system. Despite the positive institutional step of a 2014 reorganization of the Colombian Attorney General's Office (AGO) to, among other moves, create a specialized investigative body with the technical, financial, and investigative expertise to successfully detect and investigate money

laundering/terrorist financing cases, the legal framework requires that all cases be investigated, creating a resource challenge for the limited number of prosecutors, who focus on the most serious cases. There is also a limited pool of trained prosecutors, police, and investigators outside of Bogota who have the ability to successfully investigate and prosecute ML/TF cases. Additional training is required.

COLJUEGOS continues to make limited gains by adding analytic capacity through technology purchases and training. However, the agency still has difficulty completing its regulatory obligations due to a lack of resources, unfamiliarity with how to process and share information with prosecutors and judicial police, and a lack of information sharing agreements with other regulatory and intelligence agencies. COLJUEGOS had stated its intention to address the "Chance" game issues, as well as other regulatory weaknesses, through stronger legislation, but new laws have yet to be passed.

Colombian law limits the effectiveness of law enforcement by restricting the disclosure of financial intelligence from Colombia's financial intelligence unit (FIU), the Unit for Information and Financial Analysis (UIAF), to the AGO only. Although Colombia improved case coordination among the UIAF, prosecutors, and the Colombian National Police's specialized judicial police units, the legal requirement that prosecutors conduct investigations means that many cases already investigated by UIAF must be re-examined by the AGO. This increases case processing time and adds unnecessarily to prosecutor caseloads.

Colombia's 2014 Asset Forfeiture Reform Law, Law 1708, was designed to streamline the asset forfeiture process and was expected to reduce forfeiture case processing time. While the law gives Colombian authorities a strong tool, lack of familiarity with the law, especially outside of Bogota, continues to challenge the judicial sector. Moreover, a recent decision by the Supreme Court introduces an additional step to the proceedings, requiring prosecutors to first appear before an arraignment judge before the case can continue to the higher courts. This is likely to cause further delays in the process. In 2014, the Colombian government also reorganized the body in charge of managing seized assets obtained under the new asset forfeiture law, which was intended to increase the speed by which these assets could be discharged and the funds disbursed to the appropriate government entities. However, the AGO still retains the right to seize certain assets. A lack of coordination between the two entities, as well as a lack of sound practices and standards in the seizure and management of assets by both organizations continues to be an impediment.

The Government of Colombia should pass legislation that broadens respective authorities among agencies to foster collaboration in pursuing financial crimes. Agencies should have a clear delineation of roles and responsibilities, and regulatory institutions should have expanded analytical capacity and tools, including technology, to better convert the vast amount of available data into actionable information. The UIAF, in addition to regulatory agencies, should develop a mechanism for including prosecutors in its investigations from the start to ensure greater prosecutor participation and prosecutorial utility of the information gathered. Colombia should ensure appropriate training is provided to all officials involved in supervising, investigating, and prosecuting money laundering and terrorism financing. The government should increase the number of judges trained in money laundering and asset forfeiture, both in Bogota and in the regions where many of these cases occur.

Comoros

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

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

Comoros is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.esaamlg.org/userfiles/Comoros_Mutual_Evaluation_Detail_Report.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2015, Comoros terminated its membership in the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) and joined GIABA, which conducts business in both French and English and will allow Comoran officials to access French-language AML/CFT resources.

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

Comoran efforts to enforce the country's AML/CFT laws and regulations are hampered by insufficient resources and training, lack of capacity and political cohesion in government ministries, corruption, and a weak judiciary. Comoran government security forces have limited resources and lack AML/CFT training. There have been no investigations or convictions for money laundering or terrorism financing. While the law on economic citizenship technically permits the granting of citizenship to those who have been convicted of money laundering and/or drug trafficking, among other crimes, Comoran authorities state they have implemented strict control measures intended to prevent such abuses. However, the sale of large numbers of economic citizenship passports to individuals from the UAE and Kuwait in the past and lax control of both regular and diplomatic passports contradict and undermine these assurances.

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

Congo, Democratic Republic of the

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

Inefficient and burdensome customs and tax policies and chronically low public sector salaries encourage a climate of bribery and clandestine transactions, especially in import/export activities and mineral exploitation and sales. Gold, diamonds, and other minerals have long been extensively mined in and sometimes smuggled out of the DRC. Casinos and smuggling of gold, diamonds, and weapons are sources of illicit revenues. Customs and tax fraud, tax evasion, misappropriation of public funds, endemic corruption throughout all sectors of society, sale of prohibited products and services, and a history of state expropriations undercut development of a

healthy commercial climate. The DRC does not have any free ports or areas designated as free trade zones.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 102 in 2014
Number of CTRs received and time frame: Not available
STR covered entities: Congolese Central Bank, banks, credit institutions, money transfer institutions, financial companies, microfinance institutions, money exchangers, insurance companies, leasing companies, financial intermediaries, postal checking systems, transferable securities and stock exchange market operations, gaming companies, notaries, independent legal advisors, real estate agencies, funds conveyors, travel agencies, auditors, accountants, tax consultants, and sellers of works of art, antiques, and precious stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014
Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

The National Financial Intelligence Unit (CENAREF), the DRC's financial intelligence unit, conducts periodic studies and advises the Government of the DRC on how to advance its AML/CFT regime. There is a strong perception that CENAREF is not empowered to investigate businesses and transactions if such investigations might adversely impact the economic interests of high-level Congolese officials and ruling elites. The organization collaborates very closely with Belgian and French counterpart financial investigation units. CENAREF has also long expressed interest in increasing bilateral cooperation with the United States.

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

The DRC acceded to the UN Convention against Corruption in 2010 and to the UN Convention against Transnational Organized Crime in 2005.

The DRC should pursue membership in a FSRB and should work to build the capacity of its supervisory and enforcement entities.

Congo, Republic of the

The Republic of the Congo (Congo-Brazzaville) is not a major regional financial center, nor is it a major narcotics destination or source. The port city of Pointe-Noire is frequently utilized as a transshipment point for narcotics moving north to Europe or into Angola and the Democratic Republic of the Congo. Most financial crimes involve domestic corruption and embezzlement. The economy is cash dependent, relying very little on electronic transfers and checks. When they travel, business executives and government officials alike carry large amounts of cash, which are frequently used to settle transactions. Money laundering through investments in domestic real estate is a growing problem, given increased scrutiny of funds sent overseas.

Congo-Brazzaville, as part of the Euro-CFA Zone Agreements, deposits reserves with the Bank of Central African States (BEAC), a regional central bank that serves six Central African countries. BEAC conducts the Economic Intervention Service, which harmonizes the regulation of currency exchanges in the member states of the Central African Economic and Monetary Community (CEMAC). The BEAC also supervises the country's banking system, though evidence suggests the BEAC's supervision is insufficient.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, money exchangers, accountants, notaries, thrifts, and money remitters

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, money exchangers, accountants, notaries, money remitters, jewelry shops, car dealers, casinos, and law firms

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0
Convictions: 0

RECORDS EXCHANGE MECHANISM:

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

The Republic of the Congo is a member of the Task Force against Money Laundering in Central Africa (GABAC), a FATF-style regional body. Congo-Brazzaville had its first mutual evaluation in 2015. When published, the report will be found at: http://spgabac.org/rapports-devaluation-mutuelle/

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Despite widespread efforts at improvement in recent years, transparency and corruption remain significant problems in the Republic of the Congo. Inadequate law enforcement efforts as well as a capacity-challenged judicial system mean that few financial crimes are identified, and even fewer are successfully prosecuted. Review, record-keeping, and transparency are weak and have not kept up with the rapidly expanding public and private financial activities in the country. The government has many of the legal and institutional frameworks in place that are necessary to combat financial crime, and high-level government officials are publicly committed to greater fiscal transparency. However, the relevant laws and regulations often are not always

implemented, and the institutions involved are staffed with poorly-trained and ill-equipped officials.

While Congo-Brazzaville had been lagging behind international standards' requirements in recent years, the government recently revitalized its moribund National Agency for Financial Investigation, appointing a new director in late 2013 and completely re-staffing the agency.

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

Cook Islands

The Cook Islands is not a regional financial center and has no free trade zones. The Cook Islands is a self-governing democracy, operating in free association with New Zealand. The Cook Islands' substantial offshore financial sector is an important part of its economy, but also represents its most significant vulnerability to money laundering and terrorist financing activities.

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Cook Islands has a generally well-supervised financial industry. The 2014 Trustee Companies Act brings the regulatory regime for the trustee companies sector in line with that already in existence for banks and other financial institutions. The government performs annual on-site examinations of all domestic and offshore financial institutions. In June 2015, the Financial Intelligence Unit Act 2015 was enacted to provide enhanced powers to the Cook Islands Financial Intelligence Unit (CIFIU), an independent unit of the Financial Supervisory Commission, to allow it to continue to operate as a national and central unit to administer and enforce financial misconduct legislation and to conduct related investigations and analysis. The CIFIU also regulates and conducts compliance examinations of all registered reporting institutions.

Large cash transactions involving locally generated funds are immediately apparent, and suspicious transactions are reported to the CIFIU for further review. Government officials note that remaining money laundering and terrorist financing risks stem from the lower KYC standards and the provision of false information to Cook Islands financial institutions by businesses and customers in other jurisdictions, particularly in Asia.

Costa Rica

Transnational criminal organizations increasingly favor Costa Rica as a base to commit financial crimes, including money laundering, as a result of its geographic location and other factors,

including limited enforcement capability. This trend raises serious concerns about the Costa Rican government's ability to prevent these organizations from further infiltrating the economy. As Costa Rica has shifted from a transit point to an operations base for regional narcotics trafficking organizations, the laundering of proceeds from illicit activities has increased. Proceeds from international narcotics trafficking represent the largest source of assets laundered in Costa Rica, although human trafficking, financial fraud, corruption, and contraband smuggling also generate illicit revenue. In 2015, the head of Costa Rica's intelligence agency, known as the DIS for its Spanish acronym, said that approximately $4.2 billion annually is laundered in Costa Rica.

Much of the money laundering in Costa Rica is channeled through the country's nascent construction industry. Other sectors have been identified as vulnerable to exploitation by criminal organizations seeking to launder illicit proceeds, including both state and private financial institutions. Money/value transfer services, including money remitters, the casino industry, and the real estate sector, are also particularly susceptible. Various Costa Rica-based online gaming operations launder millions of dollars in illicit proceeds through the country and offshore centers annually. Authorities also have detected, however with less frequency, trade-based money laundering schemes. There have been no prosecutions related to terrorist financing, and measures to detect, investigate, and prosecute such financing are limited. Moreover, narcotics and arms trafficking linked to the Revolutionary Armed Forces of Colombia (FARC) and bulk cash smuggling by nationals from countries at higher risk for terrorist financing have been detected in recent years.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 214: January – November, 2015

Number of CTRs received and time frame: Not available
STR covered entities: Banks, savings and loan cooperatives, pension funds, insurance companies and intermediaries, money exchangers, and money remitters; securities broker/dealers, credit issuers, sellers or redeemers of traveler's checks and postal money orders; trust administrators and financial intermediaries; asset managers, real estate developers and agents; manufacturers, sellers, and distributors of weapons; art, jewelry, and precious metals dealers; sellers of new and used vehicles; casinos, virtual casinos, and electronic or other gaming entities; lawyers and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: Not available
Convictions: 21 in 2014

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

Costa Rica is a member of the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.gafilat.org/UserFiles//Biblioteca/Evaluaciones/IEM%204ta%20Ronda//MER_Costa_Rica_Final_Eng%20(1).pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Costa Rica has made progress in enhancing its AML/CFT legal and regulatory frameworks. In addition, the Attorney General's Office established a Money Laundering and Asset Forfeiture Bureau and collaborates well with U.S. law enforcement agencies investigating financial crimes related to narcotics and other crimes. However, Costa Rica remains deficient in a number of areas, including with respect to the financing of terrorism and implementing appropriate risk-based policies to mitigate the money laundering risks identified in its 2014 risk assessment.

The Attorney General's Office still has not successfully prosecuted any complex money laundering schemes, although 21 persons were convicted on related money laundering charges in 2014. Moreover, regulators have only sanctioned a few entities for non-compliance of AML/CFT obligations. The scarcity of convictions and sanctions raises concerns regarding Costa Rica's capacity to effectively detect, prevent, investigate, and prosecute money laundering crimes; and combat the sophisticated criminal enterprises operating in the country.

A number of successful investigations concluded in the United States in 2015 have ties to Costa Rica, including the conviction in North Carolina of an individual for conspiracy to commit money laundering and six counts of international money laundering concealment. The subject was involved in a telemarketing scheme in which his co-conspirators contacted U.S. residents from call centers in Costa Rica, falsely claiming they had won substantial cash prizes in "sweepstakes." To claim the cash prizes, the victims were instructed to send a purported "refundable insurance fee." The subject was identified as a person who facilitated the laundering of hundreds of thousands of dollars received from the victims and sent to co-conspirators in Costa Rica.

Costa Rica does not have an adequate legal framework for non-conviction-based asset forfeiture. Recent legislative proposals would remedy this deficiency and enhance Costa Rica's ability to dismantle criminal organizations.

In 2015, Costa Rican officials presented a National Strategy to Counter Money Laundering and Terrorism Financing. The strategy is designed to address noted deficiencies and challenges, including the lack of regulatory oversight of designated non-financial businesses and professions (DNFBPs); the lack of transparency regarding beneficial ownership of legal entities; an inadequate sanction regime for noncompliance; and insufficient resources, including personnel, allocated to primary AML/CFT stakeholders. The Government of Costa Rica should implement the strategy. However, significant obstacles, including a divided legislature and a national budget crisis, could impede the devotion of the resources necessary to progress on the plan.

Cote d'Ivoire

Since the end of the post-electoral crisis in April 2011, the political situation in Cote d'Ivoire has stabilized. The country held a peaceful and credible presidential election on October 25, 2015, which turned a symbolic page on its conflict-ridden past. Despite a more stable political environment and increased prosecutions in 2015, Ivoirians continue to be involved in regional criminal activities, such as the smuggling of consumer goods and agricultural products, and in the subsequent laundering of the proceeds. Smuggling over Cote d'Ivoire's porous borders, motivated in part by a desire to avoid duties or taxes or to sell goods at a higher profit, generates illicit funds that are primarily laundered via informal value transfer systems, such as money service businesses or exchange houses, and via mobile telephone payments or transfers (M-Payments).

Many Ivoirians use informal cash couriers, money and value transfer services (MVTS), hawaladars, and goods transportation companies to transfer funds domestically and within the region. There is no regulation of domestic informal MVTS.

There are concerns about the increase in cyber theft through online commercial transactions. In addition, Ivoirian authorities believe criminal enterprises use the formal banking system, as well as the used car, real estate, and counterfeit pharmaceutical drug industries to launder funds. The use of Ivoirian territory as a transshipment point for drugs from South America to Europe has decreased with the creation of new routes by drug traffickers after the Arab spring and tightened airport security. Hezbollah is present in Cote d'Ivoire and conducts fundraising activities, mostly among the large Lebanese expatriate community in the country.

Cote d'Ivoire still remains under sanctions imposed by the UN Security Council (UNSC) stemming from the civil war and political/military crisis period. On April 29, 2014, the UNSC lifted the ban on exporting rough diamonds from Cote d'Ivoire and partially lifted the arms embargo, allowing the purchase of small-caliber weapons while still requiring Cote d'Ivoire to seek a UNSC exemption for purchases of certain other arms. Additionally, several officials of the former regime are subject to targeted financial sanctions by the United States, the UK, and the EU. The government continues to work toward the goal of having the international sanctions lifted for some of these officials. The country was found Kimberley Process compliant in

November 2013, and legal exportation of diamonds under the Kimberley Process began in March 2015.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, post offices, deposit and consignment offices, microfinance institutions, chartered manual exchangers, insurance and reinsurance companies and brokers, regional stock exchanges, the Central Depository of Holder Instruments/Bank of International Settlements, management and brokerage firms, asset management companies, undertakings for collective investment in transferable securities, and fixed capital investment companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 93 in 2015
Number of CTRs received and time frame: Not available
STR covered entities: Banks, exchange houses, brokerage firms, post offices, deposit and consignment offices, microfinance institutions, insurance and reinsurance companies and brokers, regional stock exchanges, the Central Depository of Holder Instruments/Bank of International Settlements, management firms, asset management companies, undertakings for collective investment in transferable securities, fixed capital investment companies, the public treasury, the Central Bank of West African States, business contributors to financial institutions, auditors, dealers in high-value items, cash couriers, casinos, the national lottery, nongovernmental organizations, travel agencies, attorneys, and real estate agents

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 20 in 2015
Convictions: 4 in 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The current Government of Cote d'Ivoire has demonstrated its commitment to continue building and implementing an AML/CFT regime. In 2015, the government endorsed several laws and regulations on AML/CFT. These decrees aim to put the regulatory board, ARTCI, at the heart of internet governance in Côte d'Ivoire and also to contain the risks related to the large scale development and use of information technology and telecommunications. Two additional decrees create the Directorate of External Services and the National Coordination of Intelligence and are intended to reinforce and improve coordination of intelligence services.

The government has adopted the West African Economic and Monetary Union (WAEMU) uniform community law criminalizing money laundering; however, the implementation of the WAEMU community laws remains incomplete. The Appendix to Cote d'Ivoire's AML law relating to specific obligations of financial institutions regarding customers' financial operations has yet to be formally adopted. Insider trading and the manipulation of financial markets are not included as predicate offenses to money laundering under Cote d'Ivoire's AML law. In 2014, the regional council of public savings and financial markets of the WAEMU initiated a draft law on the repression of stock exchange-related infractions. Further, in 2015, a draft bill on the repression of illicit traffic of migrants was transmitted to Ivoirian authorities for review.

The economic police are responsible for investigating financial and white collar crimes but have limited capacity as a result of inadequate resources and training. Judicial and security capabilities remain weak and allegations of corruption persist. Despite this, prosecutions of crimes related to money laundering increased 233 percent in 2015. The Aircop project aims to deter drug trafficking through the airport by building the capacity of law enforcement officers, providing drug detection equipment, and serving as a coordination mechanism with Interpol. In September 2015, GIABA opened an anti-money laundering information center in Abidjan for outreach and to train civil society.

The country does not yet have the legal or institutional structures necessary to implement its obligations under UNSCRs 1267 and 1373. Nevertheless, when the Ministry of Foreign Affairs receives the UN lists related to resolutions 1267 and 1373, the Finance Ministry orders financial institutions to freeze the assets of persons and entities listed. No cases of terrorism financing were reported for the past year. On July 7, 2015, bill 2015-493 on the repression of terrorist activities was approved by the Parliament. The main provisions include naming the court of Abidjan as the jurisdiction for legal proceedings and trials of terrorism cases and providing for sentences from 10 to 20 years imprisonment and penalties of $8,620 to $86 million for punishment of terrorist acts, with complementary sentences such as the confiscation of assets, a travel ban, and passport withdrawal. A new customs code developed by the Ministry of Finance is projected to include provisions related to money laundering and terrorism financing; however, it has not been approved yet.

The Government of Cote d'Ivoire should continue to strengthen its rule of law institutions, its AML/CFT legal framework, and its law enforcement and judicial capacities. Specifically, the government should amend the AML law to cover all predicate offenses to money laundering included in the international standards, criminalize terrorist financing in line with international standards, finalize the necessary decree to implement Cote d'Ivoire's obligations under UNSCRs

1267 and 1373, and provide additional guidance and training to reporting entities and judges, such that financial crimes may be more easily and consistently detected, prosecuted, and punished.

Croatia

Croatia is not an offshore financial center. Although an EU member country, Croatia has not joined the Eurozone. Croatian authorities consider most money laundering in the country to be of domestic origin, involving the proceeds of illegal domestic narcotics sales and economic crimes, including corruption, fraud, and tax evasion. Although Croatia is part of a transit route for drugs entering Europe, there is little evidence these networks have utilized Croatia's financial system. Money laundering occurs primarily through non-resident accounts, transfers to offshore banks using counterfeit documents, and deposits in foreign currency accounts; it also has been linked to the real estate market and the purchase of luxury automobiles. Public corruption has been linked to money laundering, and several investigations are active. Financial crimes investigations in Croatia are often linked to abuse of power and embezzlement, particularly from state-owned enterprises.

There is not a significant black market in Croatia. Management of Croatia's ports has improved through the EU accession process, and further upgrades are anticipated as Croatia prepares to join the Schengen region. The Export Border Security Office continues to tighten controls and screening to prevent smuggling.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, loan brokers, and lending companies; savings banks and credit unions; companies that issue payment instruments, rent safe deposit boxes, or perform payment option services; the Croatian Post Office; investment funds and asset management companies; pension companies; financial service companies; insurance companies and brokers; authorized exchange offices; casinos and betting parlors; pawnshops; leasing firms; guarantors; dealers in precious metals, gems, art, or antiques; auctioneers; lawyers, notaries, auditors, accountants, and tax advisors

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 705: January – September, 2015
Number of CTRs received and time frame: 39,753: January – September, 2015
STR covered entities: Banks, loan brokers, and lending companies; savings banks and credit unions; companies that issue payment instruments, rent safe deposit boxes, or perform payment option services; the Croatian Post Office; investment fund and asset management companies; pension companies; financial service companies; insurance companies and brokers; authorized exchange offices; casinos and betting parlors; pawnshops; leasing firms; guarantors; dealers in precious metals, gems, art, or antiques; auctioneers; lawyers, notaries, auditors, accountants, and tax advisors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 2: January – June, 2015
Convictions: 0: January – June, 2015
RECORDS EXCHANGE MECHANISM:
With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Croatia has mechanisms in place and tools at its disposal to effectively combat money laundering and financial crimes. The Ministry of Finance formed the Office of Tax Fraud Investigations in November 2014, which has the authority to review domestic and international bank accounts of Croatian citizens. The Anti-Money Laundering Department (AMLD), Croatia's financial intelligence unit, oversees all non-bank financial institutions and designated non-financial businesses. The AMLD cooperates with other government agencies to track, monitor, and address money laundering issues in Croatia. These institutions include the State Prosecutor's Office, the Office for the Suppression of Corruption and Organized Crime, the Ministry of Interior, Croatian Intelligence Office, the Croatian National Bank, and the Croatian Financial Services Supervisory Agency. Croatia cooperates with neighboring countries on law enforcement issues and helped establish a regional working group to address money laundering. Croatia has not yet implemented the 2003 U.S.-E.U. Mutual Legal Assistance Treaty.

Trials of several current and former high-ranking officials on charges associated with corruption and financial crimes continued in 2015. Although there is a lack of subject matter expertise in financial crime matters among the police and judiciary, the Law on Criminal Procedure affords both the police and judiciary access to financial experts to investigate and evaluate such cases.

Cuba

Cuba is not considered a regional financial center. Cuban financial practices and U.S. sanctions continue to prevent Cuba's banking system from fully integrating into the international financial system. The government-controlled banking sector, low internet and cell phone usage rates, and

lack of government and legal transparency render Cuba an unattractive location for money laundering through financial institutions. The high degree of state ownership allows for little, and extremely regulated, private activity. There is a significant black market in Cuba that operates parallel to the heavily subsidized and rationed formal market dominated by the state.

Cuba's geographic location puts it between drug-supplying and drug-consuming countries. Cuba has little foreign investment, a small international business presence, and no offshore casinos or internet gaming sites. Cuba's first special economic development zone at the port of Mariel in northwestern Cuba was established in November 2013 and is still under development. Cuba issued a new foreign investment law in 2014 that aims to attract foreign direct investment in certain priority sectors. There are no known issues with or abuse of nonprofit organizations (NPOs), alternative remittance systems, offshore sectors, free trade zones, bearer shares, or other specific sectors or situations.

Remittances from the United States, likely in excess of $2 billion, reach Cuba via physical transport by relatives, friends, or informal couriers, as well as through formal channels, such as bank transfers and money service businesses. These funds are usually traded for Cuban pesos at government foreign exchange houses or in the small informal exchange market.

The U.S. government issued the Cuban Assets Control Regulations in 1963, under the Trading with the Enemy Act. As of yearend 2015, the sanctions regulations have been significantly modified, easing restrictions on authorized travel and commerce. The embargo remains in place, however, and still restricts tourist travel and most investment and prohibits the import of most products of Cuban origin. Export licensing policy has been updated as well, and 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.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: Not available

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, money exchangers and remitters, financial management firms

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available
STR covered entities: Banks, money exchangers and remitters, financial management firms

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:
With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO
With other governments/jurisdictions: Not available

Cuba is a member of the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-cuba-2015.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Cuba does not identify money laundering as a major problem. Cuba claims to be in full compliance with international counterterrorism conventions and to take into account international standards. Legislation released in 2013 outlines regulations regarding enhanced customer due diligence of foreign politically exposed persons (PEPs), although it continues to exempt domestic PEPs from the reach of the legislation. Although the risk of ML/TF is low, Cuba has a number of strategic deficiencies in its AML/CFT regime. These include a lack of SAR reporting to its FIU from financial institutions and designated non-financial businesses and professions (DNFBPs) and weak supervision and enforcement of its DNFBP and NPO sectors.

Cuba has bilateral agreements with a number of countries related to combating drug trafficking. It is unclear whether any of these agreements include mechanisms to share information related to financial crimes or money laundering. Cuba has agreed to continued cooperation and to the establishment of mechanisms to promote cyber-security and to combat terrorism, drug-trafficking, trafficking and trade in persons, money laundering, smuggling, and other transnational crimes. The government continues a high-profile campaign against corruption, investigating and prosecuting Cuban officials and foreign businesspeople. Cuba released no reports of prosecutions for money laundering in 2015; the last reported case occurred in August 2011.

The deficiencies in Cuba's AML/CFT program stem from Cuba's secretive and opaque national banking system, which hampers efforts to monitor the effectiveness and progress of Cuba's AML/CFT efforts. Cuba should increase the transparency of its financial sector and continue to increase its engagement with the regional and international AML/CFT communities in order to expand its capacity to fight illegal activities. Cuba should ensure its customer due diligence measures and STR requirements include domestic PEPs, all DNFBPs, and the NPO sector, and create appropriate laws and procedures to enhance international cooperation and mutual legal assistance. Cuba also should increase the transparency of criminal investigations and prosecutions.

Curacao

Curacao is an autonomous country within the Kingdom of the Netherlands that defers to the Kingdom in matters of defense, foreign affairs, final judicial review, human rights, and good governance. Curacao is considered a regional financial center and, due to its location, it is a transshipment point for drugs from South America bound for the United States, the Caribbean, and Europe. Money laundering is primarily related to proceeds from illegal narcotics. Money laundering organizations take advantage of the availability of U.S. dollars, banking secrecy, offshore banking and incorporation systems, two free trade zones (airport and harbor), an expansive shipping container terminal with the largest oil transshipment center in the Caribbean, and resort/casino complexes to place, layer, and launder illegal proceeds. Money laundering occurs through real estate purchases and international tax shelters. Laundering activity also occurs through wire transfers and cash transport among Curacao, the Netherlands, and other Dutch Caribbean islands and illegal underground banking. Bulk cash smuggling is a continuing problem due to Curacao's close proximity to South America.

Economic activity in the free zones continues to decline. Curacao's active "e-zone" provides e-commerce investors a variety of tax saving opportunities and could be attractive to illegal activities.

The financial sector consists of company (trust) service providers, administrators, and self-administered investment institutions providing trust services and administrative services. These entities have international companies, mutual funds, and investment funds as their clients. Several international financial services companies relocated their businesses elsewhere because Curacao is fighting its perception of being a tax haven. Curacao continues to sign tax information exchange agreements (TIEAs) and double taxation agreements with other jurisdictions to prevent tax fraud, financing of terrorism, and money laundering.

Several casinos and internet gaming companies operate on the island, although the number of internet gaming companies is declining.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Onshore and offshore banks, saving banks, money remitters, credit card companies, credit unions, life insurance companies and brokers, trust companies and

other service providers, casinos, Customs, lawyers, notaries, accountants, tax advisors, jewelers, car dealers, real estate agents, and administration offices

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 510: January 1 – November 1, 2015
Number of CTRs received and time frame: 7,852: January 1 – November 1, 2015
STR covered entities: Banks, saving banks and building societies, money remitters and exchangers, financial leasing companies, credit associations, credit card companies, credit unions, life insurance companies, insurance brokers, securities broker/dealers, trust and company service providers, casinos, Customs, lawyers, notaries, accountants, tax advisors, auditors, jewelers and dealers in luxury goods, pawn shops, car dealers, real estate agents, administration offices, the Central Bank of Curacao and Sint Maarten, financial advisors, lotteries, online betting lotteries, dealers in precious stones and metals, construction material dealers, superannuation/pension funds, and administrators of investment institutions and self-administered investment institutions and investors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1 in 2014
Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

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

Curacao is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=349&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Dutch Kingdom government agencies continue to work together to combat organized crime in the Caribbean region. In 2014, local law enforcement authorities, together with their counterparts in the Netherlands, launched a three-year program intended to fight economic and financial crimes. This program has resulted in various seizures and arrests.

In March and November 2015, Curacao passed new legislation that addresses money laundering vulnerabilities in the money remittance and currency exchange sector. Also, the prescriptive list of indicators was removed and replaced by one category of subjective indicators that is flexible enough to allow reporting entities to submit what could be considered a suspicious or unusual transaction. This indicator is: transactions where there is a cause to presume they may be related to money laundering or terrorist financing.

The investigation into money laundering allegations against a now former member of the board of the Curacao Lottery Foundation, who also is a major lottery operator, is ongoing. The Government of Curacao's cooperation with the U.S. government led to the freezing of over $30 million of the lottery operator's assets in the United States. The lottery operator is reputedly a major financer of a political party in Curacao. Curacao's gambling industry is allegedly

intertwined with the mafia. A former prime minister and a current member of parliament are also on trial for alleged money laundering and associated crimes.

Curacao utilizes an "unusual transaction" reporting system. Pursuant to local legislation, the reporting entities file unusual transaction reports (UTRs) with the financial intelligence unit (FIU) and not suspicious transaction reports (STRs), as is the custom in common law legal systems. The FIU analyzes the UTR and determines if it should be classified as a STR. There were 17,169 UTRs filed in 2015, as of November 1. From January 1 - November 1, 2015, there were 667 disseminated referrals to law enforcement agencies. On May 1, 2015, a new head of the FIU was appointed.

A few years ago, Curacao achieved a major result by confiscating funds from a Venezuelan drug trafficker who laundered criminal proceeds via Puerto Rico. As a result, in August 2015, U.S. authorities shared $873,127.57 with Curacao, based on an asset sharing treaty. To amplify this success Curacao launched the "Confiscation and Asset Recovery Team Curacao."

The mutual legal assistance treaty between the Kingdom of the Netherlands and the United States applies to Curacao. Additionally, Curacao has a TIEA with the United States.

Curacao is part of the Kingdom of the Netherlands and cannot sign or ratify international conventions in its own right. Rather, the Netherlands may arrange for the ratification of any convention to be extended to Curacao. The 1988 Drug Convention was extended to Curacao in 1999. In 2010, the UN Convention against Transnational Organized Crime was extended to Curacao, and the International Convention for the Suppression of the Financing of Terrorism was extended to the Netherlands Antilles, and as successor, to Curacao. The UN Convention against Corruption has not been extended to Curacao.

Curacao should continue its regulation and supervision of the offshore sector and free trade zones, investigate the underground banking phenomenon, and pursue money laundering investigations and prosecutions. The government should work to fully develop its capacity to investigate and prosecute money laundering and terrorism financing cases. Curacao also should continue to strengthen cooperation within the Kingdom, particularly among agencies such as the Public Prosecutors Office, Customs, Immigration, Revenue Services, Coast Guard, and the Royal Dutch Marechaussee (military police).

Cyprus

Since 1974, Cyprus has been divided between a government-controlled area, comprising the southern two-thirds of the island and a northern third administered by Turkish Cypriots. The Republic of Cyprus government is the only internationally recognized authority; in practice, it does not exercise effective control over the area the Turkish Cypriots declared independent in 1983. The United States does not recognize the "Turkish Republic of Northern Cyprus," nor does any country other than Turkey.

Cyprus is a regional financial center, and until its financial crisis of 2013, had a robust financial services industry and a significant number of nonresident businesses. Cyprus' preferential tax regime; double tax treaties with 55 countries, including the United States, several European

countries, and former Soviet republics; well-developed and modern legal, accounting, and banking systems; a sophisticated telecommunications infrastructure; and EU membership all contributed to Cyprus' rise as a regional business hub. As of October 31, 2015, there were 252,890 companies registered in Cyprus, many of which belong to nonresidents, particularly Russians. Many of these nonresidents moved their money from banks to investment companies. All companies registered in Cyprus must disclose their ultimate beneficial owners to the authorities.

Experts agree that the greatest money laundering vulnerability in Cyprus is primarily due to international criminal networks that use Cyprus as an intermediary. Examples of specific domestic criminal threats include advance fee fraud, counterfeit pharmaceuticals, and transferring illicit proceeds from identity theft. There is no significant black market for smuggled goods in Cyprus. Police and customs officials report that what little black market trade exists is usually related to small-scale transactions, typically involving fake clothing, pirated CDs/DVDs, and cigarettes moved across the UN-patrolled buffer zone dividing the island.

The Republic of Cyprus government is on track to successfully complete a three-year economic bail-out program with the "Troika" (IMF, European Commission, and the European Central Bank) by the end of March 2016. The Troika program has helped the government address fiscal imbalances, although restructuring of the banking sector remains a work in progress. Capital controls were fully lifted in April 2015, two years after their introduction, and confidence is returning in the local banking sector. After almost four years of recession, the Cypriot economy started growing again in 2015, recording growth that could reach 1.5 percent, although unemployment remains high at approximately 15 percent.

Cyprus has two free trade zones (FTZs) located in the main seaports of Limassol and Larnaca, which are used for transit trade. These areas enjoy a special status and are considered to be outside normal EU customs territory. Consequently, non-EU goods placed in FTZs are not subject to any import duties, value added tax, or excise tax. FTZs are governed under the provisions of relevant EU and domestic legislation. The Ministry of Finance Department of Customs has jurisdiction over both areas and can impose restrictions or prohibitions on certain activities, depending on the nature of the goods.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, cooperative credit institutions, securities and insurance firms, money transfer businesses, payment and electronic money institutions, trust and company service providers, auditors, tax advisors, accountants, real estate agents, dealers in precious stones and gems, and attorneys

REPORTING REQUIREMENTS:
Number of STRs received and time frame: 813: January 1 – November 16, 2015
Number of CTRs received and time frame: Not available
STR covered entities: Banking institutions, cooperative credit institutions, and securities and insurance firms; payment institutions, including money transfer businesses and e-money institutions; trust and company service providers; auditors, tax advisors, accountants, and real estate agents; dealers in precious stones and gems; attorneys; and any person who in the course of his profession, business, or employment knows or reasonably suspects that another person is engaged in money laundering or terrorist financing activities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 15: January 1 – November 11, 2015
Convictions: 24: January 1 – November 11, 2015

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Republic of Cyprus continues its efforts to counter criticisms of lax banking rules by strengthening its AML regime and resources. In 2015, despite the government-wide hiring freeze and caps on government spending, the Unit for Combating Money Laundering (MOKAS), the Republic of Cyprus's financial intelligence unit (FIU), hired two new staff members and continued to improve its analytical capacity. Cyprus has adopted and implemented new provisions addressing enhanced due diligence for politically exposed persons (PEPs) and inclusion of tax evasion as a money laundering offense.

Throughout 2015, Cypriot authorities continued to implement the requirements of the AML action plan that include enhanced legislation and systems for identifying, tracing, freezing, seizing, and forfeiting narcotics-related assets and assets derived from other serious crimes.

Cyprus has no provisions allowing non-conviction-based forfeiture of assets, except in the case of dead or absconded persons. MOKAS can freeze assets of indicted entities but will not actually forfeit them until after conviction. Cyprus has engaged in bilateral and multilateral negotiations with other governments to enhance its asset tracking and seizure system.

Post financial crisis, Cypriot authorities and the public are paying increased attention to the need for transparency and avoiding questionable business practices. Cyprus should focus on enforcement and education, and maintain best business practices, particularly in light of plans to deregulate and establish a gaming industry.

Area Administered by Turkish Cypriots

The Turkish Cypriot-administered area lacks the legal and institutional framework necessary to provide effective protection against the risks of money laundering. There are 22 banks in the area administered by Turkish Cypriots; seven are branches of international banks. The "Ministry of Economy" drafts banking "regulations" and the "central bank" supervises the implementation of the "regulations."

The offshore banking sector remains a concern to law enforcement. It consists of seven banks regulated by the "central bank" and 332 companies regulated by the "Ministry of the Economy." Offshore banks are not authorized to conduct business with residents in the north and may not deal in cash. Turkish Cypriots only permit banks licensed by Organization for Economic Co-operation and Development-member nations or Turkey to operate an offshore branch in the north.

As of November 2015, there are 28 casinos in the Turkish Cypriot-administered area - four in Nicosia, three in Famagusta, three in Iskele, and 18 in Kyrenia. These remain essentially unregulated because of shortfalls in available enforcement and investigative resources.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks, cooperative credit societies, finance companies, leasing/factoring companies, portfolio management firms, investment firms, jewelers, foreign exchange bureaus, real estate agents, retailers of games of chance, lottery authority, accountants, insurance firms, cargo firms, antique dealers, auto dealers, and lawyers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 664: January 1 – November 13, 2015

Number of CTRs received and time frame: Not available
STR covered entities: Banks, cooperative credit societies, finance companies, leasing/factoring companies, portfolio management firms, investment firms, jewelers, foreign exchange bureaus, real estate agents, retailers of games of chance, lottery authority, accountants, insurance firms, cargo firms, antique dealers, auto dealers, and lawyers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 9: January 1 – November 13, 2015
Convictions: 3: January 1 – November 13, 2015

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

The area administered by Turkish Cypriots is not part of any FATF-Style Regional Body (FSRB) and thus is not subject to normal peer evaluations.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While progress has been made in recent years with the passage of "laws" better regulating the onshore and offshore banking sectors and casinos, these "statutes" are not sufficiently enforced to prevent money laundering. The resources dedicated to enforcing the administered area's "AML Law" fall short of the present need. Experts agree the ongoing shortage of law enforcement resources and expertise leaves the casino and gaming/entertainment sector essentially unregulated, and, therefore, especially vulnerable to money laundering abuse. The unregulated money lenders and currency exchange houses are also areas of concern for "law enforcement." The EU provides technical assistance to the Turkish Cypriots to combat money laundering more effectively because of the area's money laundering and terrorist finance risks.

With international assistance, the Turkish Cypriots drafted new AML "legislation" in 2014 that incorporates UNSCRs 1267 and 1373 and extends to casinos and exchange houses. The "legislation" was referred to "parliament" in June 2014 for discussion and is still pending approval.

Banks and other designated entities are required to submit suspicious transaction reports (STRs) to the "FIU." Following receipt, the "FIU" forwards STRs to the five-member "Anti-Money Laundering Committee," which decides whether to refer suspicious cases to the "attorney general's office," and then, if necessary, to the "police" for further investigation. The five-member committee is composed of representatives of the "Ministry of Economy," "Money and Exchange Bureau," "central bank," "police," and "customs."

The Turkish Cypriot authorities should continue their efforts to strengthen the "FIU" and more fully resource and implement a strong licensing and regulatory environment to prevent money laundering and the financing of terrorism. This is particularly true for casinos and money exchange houses. Turkish Cypriot authorities should enforce the cross-border currency declaration requirements and take steps to enhance the expertise of members of the enforcement, regulatory, and financial communities with an objective of better regulatory guidance, more

efficient STR reporting, better analysis of reports, and enhanced use of legal tools available for prosecution.

Czech Republic

The Czech Republic has a mid-sized, export-oriented economy. The country's central location in Europe and openness as a market economy leave it vulnerable to money laundering. Proceeds from fraud and tax evasion - especially related to the value-added tax (VAT) and excise tax - are reportedly the primary sources of laundered assets in the country. A common tactic is "carousel trading," in which a chain of related companies creates fictitious records of transactions and related invoicing, against which the final link in the chain claims a refund of the VAT. Commodities frequently misused for tax evasion include diesel and fuel oils, electric power, gas, scrap and precious metals, rapeseed, poppy seed, frozen meat, and carbon permits. Alcoholic beverages also are typically exploited in consumption tax fraud schemes. The key criteria for the selection of suitable commodities include the potential for high-volume transfers, difficulty in tracing goods, and cross-border transit.

According to the Czech police, there have been increased incidents of cyberattacks on banking networks, including cases during the past year of persons gaining illegal access to online banking systems through use of false identities, fake banking websites, breaking of passwords, skimming, and phishing. Online consumer fraud is another source of illicit funds. While perpetrators originally had targeted primarily customers interested in buying electronic goods, criminals have moved increasingly into fraudulent sale of items that fall below the $225 per item threshold for criminal prosecution, especially apparel.

The Czech police and Ministry of Finance (MOF) have also reported several cases of fraud and/or money laundering connected to bitcoin and other digital currencies. Though the government has expressed concern about potential abuse of digital currencies by criminals in connection to tax evasion, money laundering, terrorist financing, and sanctions circumvention, there were no reported cases of financing terrorism or avoidance of financial sanctions. The MOF's Financial Analytical Unit (FAU), the country's financial intelligence unit, recorded isolated cases of laundering of proceeds from tax evasion and internet fraud by purchase of bitcoin worth tens of thousands of euros.

Domestic and foreign organized criminal groups target Czech financial institutions for laundering activity, most commonly by means of financial transfers to tax havens. Illicit proceeds from narcotics, trafficking in persons, or smuggling counterfeit goods are often associated with foreign groups, particularly from the former Soviet republics, the Balkans, and Asia. Proceeds from fraud and tax evasion are typically laundered by specialized groups from various EU states and the Middle East, using the services of local lawyers and tax advisors who specialize in trading with ready-made shell companies and creating offshore structures, allowing for fund transfers under the umbrella of tax optimization. According to the Czech police, development and investment companies, real estate agencies, currency exchange offices, casinos, gaming establishments, antique shops, pawnshops, restaurants, taxi companies, (executive) auction halls, imaginary research centers, and advisory companies have all been used to launder criminal proceeds.

There are 10 free trade zones operating in the Czech Republic, but Czech authorities do not consider them to be vulnerable to money laundering.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, currency exchanges, insurance companies, and postal license holders; securities dealers and exchanges; gaming enterprises; attorneys, trusts, and company service providers; realtors, notaries, accountants, tax advisors, and auditors; pawnshops and dealers of precious metals and stones and of secondhand goods, including vehicles

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 2,723: January 1 - November 25, 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, currency exchanges, insurance companies, and postal license holders; securities dealers and exchanges; gaming enterprises; attorneys, trusts, and company service providers; realtors, notaries, accountants, tax advisors, and auditors; pawnshops and dealers of precious metals and stones and of secondhand goods, including vehicles

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 148 in 2014
Convictions: 20 in 2014

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Czech companies issuing bearer shares must register their shares with the Central Securities Depository of the Prague Stock Exchange; have the shares held in a legal entity's safe deposit

box; or convert the shares into registered stocks. Law enforcement personnel acknowledge some companies have been searching for other ways to obscure true ownership; joint stock companies showing non-transparent ownership structures reportedly include numerous dormant or inactive companies not engaged in any business activity and with no active points of contact, or an ultimate owner registered in jurisdictions friendly to non-transparent ownership structures.

The government has yet to publish any formal regulations on digital currency. In 2013, the MOF published reporting guidance for banks regarding digital currency payments. In October 2015, the European Court of Justice (ECJ) issued a judgment on bitcoins and other virtual currencies. According to this decision, bitcoins and digital currencies are considered to be a means of payment; trading them does not constitute a commitment to pay VAT. Neither the Czech National Bank (CNB) nor the MOF has yet developed any guidance to incorporate this decision into the national legislation.

There is weak AML regulatory oversight of the gaming industry. The Czech gaming industry is represented by a powerful lobby that has succeeded in blocking many proposed regulations. Casinos continue to file a relatively small number of suspicious transaction reports (STRs). Contrary to the lottery and betting companies, other gaming entities, including bars and restaurants with electronic games and slot machines, are not yet subject to the Anti-Money Laundering Act (AMLA) requirements. Without robust oversight and the applicability of the AMLA to all gaming establishments, the potential exists for money laundering to become more significant in the gaming sector, especially resulting from a growing potential of online lottery and betting. The FAU has stated that the Government of the Czech Republic will amend the AMLA by mid-2016 following the European Commission's recent actions regarding gaming restrictions.

The 2013 amendment to the excise tax law had required fuel distributors to post an annual deposit of CZK 20 million (approximately $2.9 million) against liabilities for fuel-related excise tax. While this tool proved effective at combating tax evasion, it also drove out tax-compliant distributors that lacked the cash flow to post such a large deposit. This has left only 8 percent of the fuel distributors operating in 2013 still active in the Czech market. In 2015, the government reduced the surety requirement to CZK 10 million (approximately $1.5 million).

The introduction in 2013 of VAT reverse charges on some commodities – applied to business customers - has proven to be an effective measure against VAT evasion in some instances. Its effectiveness is limited, however, because EU law permits them only through an exemption process. Criminal entities are also able to shift their activities quickly to commodities not covered by reverse-charge rules, and to jurisdictions that offer more favorable conditions for fraud. The government took several measures against commodity-related fraud and trade-based money laundering in 2015, including implementation of a surety (bond) for gasoline distributors and a reverse VAT charge on various commodities, including on non-ferrous metals, scrap and some waste, carbon permits, cell phones, computers, and some cereals.

In 2014, the government established a specialized team consisting of experts from the Tax Authority, Counter-Financial Criminality Unit of the Czech police, and Czech Customs. The team deals primarily with cases that originated prior to the implementation of measures to combat tax evasion. Since the launch, the team has seized criminal proceeds of approximately $94.5 million.

According to the Czech Penal Code, police are always required to start an investigation under the supervision of a public prosecutor when there is a justified suspicion a criminal offense has been committed. It pertains also to the laundering of assets. Two aspects of the Czech legal framework, however, continue to constrain efforts to prosecute money laundering. First, prosecutors must prove the accused also committed a predicate offense resulting in the laundering of assets. Second, a court can only sentence an individual to prison for one crime, even if several crimes were committed. Since convictions for predicate offenses generally result in prison sentences at least as long as those for money laundering, prosecutors have typically had little motivation to pursue money laundering convictions. Nevertheless, the Czech police report the situation is improving, as some prosecutors have expressed willingness to prosecute both the predicate offense and the money laundering in one procedure. Police investigated 678 criminal cases of money laundering in 2014, which resulted in approximately CZK 878 million (approximately $36 million) in frozen assets.

The Czech Republic should strengthen its oversight of the gaming industry and ensure all appropriate entities are covered under the AMLA. Additionally, the government should expand its definition of terrorist financing to include the collection of funds for terrorist purposes and make such an offense prosecutable without the funds being used or linked to a specific terrorist act. Furthermore, the Czech Republic should establish corporate criminal liability for all terrorist financing offenses.

Denmark

Denmark does not have a serious problem in the area of financial crimes. Money laundering activity is generally derived from foreign criminal activity and is primarily related to the sale of illegal narcotics, specifically cocaine, heroin, and amphetamines. Immigrant gangs as well as outlaw motorcycle gangs have been involved in a range of offenses, including narcotics-related offenses, smuggling of goods, and various financial crimes. The Danish Special Crimes unit also believes human trafficking, car theft, robberies, smuggling of alcohol and tobacco, and tax or duties fraud also generate laundered funds. Illegal money remittances and foreign exchange services and their possible link to terror finance pose risks. There are no indications of trade-based money laundering as it relates to drug trafficking in Denmark, and public corruption is virtually non-existent. Denmark is geographically vulnerable to serving as a transit country for smuggling into Sweden and Norway.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, electronic money institutions, and currency exchanges; insurance brokers and intermediaries; pension and mutual funds; securities brokers and dealers; portfolio, asset, and capital managers; financial leasing and factoring entities; issuers and processors of credit cards, traveler's checks, and money orders; accountants and auditors; real estate agents; trust and company service providers; attorneys; real estate agents; and casinos

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 14,051: January 1 – November 23, 2015

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, electronic money institutions, and currency exchanges; insurance brokers and intermediaries; pension and mutual funds; securities brokers and dealers; portfolio, asset, and capital managers; financial leasing and factoring entities; issuers and processors of credit cards, traveler's checks, and money orders; accountants and auditors; real estate agents; trust and company service providers; attorneys; real estate agents; and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Denmark is a member of FATF. Its most recent mutual evaluation can be found at: http://www.fatf-gafi.org/countries/#Denmark

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Denmark has a comprehensive AML/CFT regime.

Businesses which do not have a reporting obligation under the AML legislation, for example, car dealerships, are prohibited from receiving cash amounts of 50,000 DKK (approximately $7,500) or more. The Danish Customs Act mandates cross-border currency declarations for amounts over 10,000 EUR (approximately $11,140). Businesses and private citizens are obligated to pay for goods and services digitally if the amount exceeds 10,000 DKK (approximately $1,500), including value added tax (VAT).

The Somali immigrant community sends large sums out of Denmark every year. It is believed a substantial amount is sent to designated terrorist organizations via informal remittances. Much of the funding is routed via Dubai.

The Danish Special Crimes Unit sees the doubling of suspicious transaction reports from 2014 to 2015 as the result of increased awareness and sustained action to combat money laundering and threat finance. The Unit estimates the money laundering potential in Denmark as approximately $3 billion per year. The Unit believes money remittance and foreign exchange services pose the greatest risks and is therefore focusing on these areas. In 2015, the authorities issued a reprimand and placed administrative orders with Euronet, a foreign exchange service company and subsidiary of Euronet Worldwide Inc.

Denmark should continue to enhance its laws and regulations as necessary to adhere to international standards, including by extending its AML/CFT requirements to cover gaming establishments and internet gaming providers. Authorities should closely monitor informal alternative remittance systems, such as hawala, and possible links to money laundering and terror finance.

Djibouti

Djibouti is one of the most stable countries in the Horn of Africa. Djibouti's GDP continues to grow by over 6 percent a year due to a surge in foreign investment in the port, construction, and tourism sectors, primarily from the countries of the Gulf Cooperation Council and China. Djibouti aspires to be a regional financial hub, touting its U.S. dollar-pegged currency and lack of foreign exchange controls as key characteristics of the monetary system.

Djibouti hosts no offshore banks, although its banking laws explicitly permit offshore institutions. Hawala and other money/value transfer services are prevalent in the region, and informal markets for goods are sometimes used for counter-valuation.

Smuggled goods consist primarily of highly-taxed cigarettes and alcohol. A khat import quota instituted in 2014 has resulted in increased khat smuggling. Djibouti's cultural and historical trading ties with neighboring Somalia present a risk factor. Many Djibouti-based financial institutions have operations in Somalia, a jurisdiction which has no AML/CFT legislation or other controls. There are also allegations of Djibouti-based financial facilitation on behalf of the Somali terrorist group al-Shabaab.

There are currently two free zones administered by the Djibouti Ports and Free Zone Authority (DPFZA). The chief executive officer of DPFZA reports directly to the Office of the President. One free zone is located at the "old" port. The other, Djibouti Free Zone (DFZ), is located on 40 hectares and offers office space, warehouses, light industrial units, and hangars. Jebel Ali Free Zone, based in Dubai, manages the commercial and operational aspects of the DFZ. The purpose of both free zones is to promote foreign investment in Djibouti with the goal of making Djibouti the gateway to regional and East African markets. There are plans to build two additional free zones in the coming years.

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

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT

AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks, credit establishments, financial and investment intermediaries and advisors, money transfer agents, money changers, casinos, notaries, and attorneys

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 3 in 2015
Number of CTRs received and time frame: 0 in 2015
STR covered entities: Banks, credit establishments, financial and investment advisors and intermediaries, money transfer agents, money changers, casinos, notaries, and attorneys

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Djibouti recognizes its banking sector is vulnerable to money laundering and requires monitoring by the Central Bank's Fraud Investigation Unit (FIU), Djibouti's financial intelligence unit. Although the government enacted its AML law in 2002, enforcement of the law continues to be a challenge. The FIU is not operationally independent from the Central Bank and does not appear to be carrying out the core FIU functions of receiving, analyzing, and disseminating suspicious transaction reports (STRs).

Djibouti makes an effort to control all formal transaction points. Informal remittance and value-transfer systems are not monitored. Although Law no. 112/AN/11/6ème requires the reporting of large transactions, specifically, transactions involving an amount exceeding 1,000,000DJF (approximately $5,600), the FIU tracks large currency transactions only if there is an accompanying STR. Greater resources and independence would improve the oversight capabilities of the Central Bank and the FIU.

Severe resource limitations constrain the FIU's ability to carry out its investigative and supervisory functions, as well as its ability to collect and analyze basic financial intelligence. Because of Djibouti's free zones and the introduction of bank-free cash transfers via mobile

phones, additional training and resources for the FIU continue to be a critical need. At the regional level, the FIU works in collaboration with FIUs from member states of the Intergovernmental Authority on Development.

The lack of coordination among different law enforcement authorities, especially security agencies, impedes investigations and makes staffing in-depth investigations difficult. Law enforcement expertise in financial investigations and targeting financial crimes is minimal. Djiboutian magistrates and judges also lack both experience and expertise in prosecuting and hearing cases involving financial crimes. The Ministry of Justice examines each predicate offense and seldom considers links to money laundering or terrorism financing unless currency is directly involved.

The Government of Djibouti should take steps to increase the capacity of its supervisory, enforcement and prosecutorial entities. Djibouti should apply its AML/CFT regime in all current and planned free zones, and to all professionals involved in financial matters. Law enforcement should not wait for a money laundering or terrorism financing referral from the FIU, but rather should investigate financial crimes at the street level and in the ports. The government should continue to focus on improving customs controls on cross-border currency movements, especially at land borders. The government also should enhance its record-keeping requirements and create regulatory and law enforcement benchmarks so as to measure progress in its AML/CFT regime. It should continue to pursue observer status and, ultimately, full membership in an appropriate FSRB.

Dominica

Dominica is a key offshore center with a considerable international business company (IBC) presence and internet gaming. In 2015, money laundering cases involved external proceeds from fraudulent investment schemes, advance fee fraud schemes, and the placement of euros related to questionable activities conducted in other surrounding jurisdictions. Domestic money laundering is chiefly linked to narcotics activities.

Dominica reports a noticeable increase in the amount of European currency transported to and from the neighboring islands of Guadeloupe and Martinique. Dominica hosts one internet gaming company, nine offshore banks, and close to 19,000 IBCs. Bearer shares are permitted, but beneficiaries of the bearer shares must be disclosed to financial institutions as part of their know-your-customer programs.

Under Dominica's economic citizenship program, individuals can obtain citizenship for approximately $100,000 for an individual and $200,000 for a family of up to four persons, with each additional dependent costing $50,000. There is no residency requirement and passport holders may travel to most Commonwealth countries without a visa. An application for economic citizenship must be made through a government-approved local agent and requires a fee for due diligence or background check purposes.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, venture risk capital, money transmission services, money and securities brokers, traders in foreign exchange, money lenders and pawnshops, money exchanges, mutual funds, credit unions, building societies, trust businesses, insurance businesses, securities exchange, real estate businesses, car dealers, casinos, courier services, jewelry businesses, internet gaming and wagering entities, management companies, asset management and advice services, custodial and nominee service providers, registered agents, telecommunications companies, and utility companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 221 in 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, venture risk capital, money transmission services, money and securities brokers, traders in foreign exchange, money lenders and pawnshops, money exchanges, mutual funds, credit unions, building societies, trust businesses, insurance businesses, securities exchange, real estate businesses, car dealers, casinos, courier services, jewelry businesses, internet gaming and wagering entities, management companies, asset management and advice services, custodial and nominee service providers, registered agents, telecommunications companies, and utility companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Proceeds of Crime Statutory Rules and Orders (SR) 10 of 2014 make provision for a Code of Practice cited as the Anti-Money Laundering and Suppression of Terrorist Financing Code of Practice. The update ensures every entity puts proper controls in place to detect and prevent

money laundering and terrorist financing. Secondly, it provides guidance to every financial services entity and professional to appropriately apply the requirements of the Money Laundering Prevention Act of 2011. This update also promotes the use of an appropriate and proportionate risk-based approach to the detection and prevention of money laundering and terrorist financing.

Dominican Republic

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

Corruption within the government and the private sector, the presence of international illicit trafficking cartels, a large informal economy, and weak financial controls make the DR vulnerable to money laundering and terrorism financing threats. The large informal economy is a significant market for illicit or smuggled goods. The under-invoicing of imports and exports by Dominican businesses is a relatively common practice for those seeking to avoid taxes and customs fees, though the government is making efforts to sanction violators with fines. The major sources of laundered proceeds stem from illicit trafficking activities, tax evasion, and fraudulent financial activities, particularly transactions with forged credit cards. U.S. law enforcement has identified networks smuggling weapons into the DR from the United States. Car dealerships, the precious metals sector, casinos, tourism agencies, and real estate and construction companies contribute to money laundering activities in the DR.

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. The smuggling of bulk cash by couriers and the use of wire transfer remittances are the primary methods for moving illicit funds from the United States into the Dominican Republic. Once in the DR, currency exchange houses, money remittance companies, real estate and construction companies, and casinos facilitate the laundering of these illicit funds.

Casinos are legal in the DR, and unsupervised gaming activity represents a significant money laundering risk. While the country has passed a law creating an international free trade zone, implementing regulations will not be issued until the law is reformed to avoid perceptions the zone will be left out of the DR's AML regulatory regime.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, currency exchange houses, and securities brokers; issuers, sellers, and redeemers of traveler's checks, money orders, or other types of negotiable instruments; credit and debit card companies; remittance companies and offshore financial service providers; casinos; real estate agents; automobile dealerships; insurance companies; and dealers in firearms and precious metals

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 8,043: January 1 - October 31, 2015
Number of CTRs received and time frame: 644,787: January 1 – October 31, 2015
STR covered entities: Banks, agricultural credit institutions, money exchangers, notaries, gaming centers, securities dealers, art or antiquity dealers, jewelers and precious metals vendors, attorneys, financial management firms, and travel agencies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 12 in 2015
Convictions: 5 in 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Following its expulsion from the Egmont Group of FIUs in 2006, the FIU improved its functionality, but it was only in 2014 that the necessary legislative changes were made to eliminate a second FIU-like organization that may bring the legislative framework into compliance with Egmont Group rules. The Dominican Republic officially requested readmission to the Egmont Group in 2015.

The DR does have a mechanism (Law 72-02) for the sharing and requesting of information related to money laundering and terrorism; however, that mechanism is not in force due to the exclusion of the DR from the Egmont Group. The United States and the DR do not have a bilateral mutual legal assistance agreement (MLAT) but do in fact use the MLAT process via multilateral law enforcement conventions to exchange data for judicial proceedings. The process is only used 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 DR Congress is currently reviewing legislation that would institute non-conviction based asset forfeiture and align the asset forfeiture regime with international standards.

The government should take steps to rectify continuing weaknesses regarding politically exposed persons (PEPs), pass legislation to provide safe harbor protection for suspicious transaction report (STR) filers, and criminalize tipping off. The government should better regulate casinos and non-bank businesses and professions, specifically real estate companies, and strengthen regulations for financial cooperatives and insurance companies.

Ecuador

Ecuador is a major drug transit country. With a dollarized economy and geographic location between two major drug producing countries, Ecuador is highly vulnerable to money laundering. Corruption is a significant problem in Ecuador and facilitates money laundering. There is evidence that money laundering occurs through trade and commercial activity, as well as through cash couriers. Large amounts of undeclared currency entering and leaving Ecuador indicate that transit of illicit cash is a significant activity. There is no way to accurately determine the magnitude of money laundering activity in the country.

Structuring (smurfing) is also a problem in Ecuador, especially along the northern border with Colombia where low-level criminals cross the border into Ecuador to make deposits into financial institutions under the $10,000 threshold, thereby avoiding currency transaction reporting (CTR) requirements. Some observers note that money laundering is an important component in Ecuador's financial sector and authorities lack sufficient will to stamp out this activity.

On June 26, 2015, the FATF removed Ecuador from its Public Statement. The FATF determined Ecuador had taken appropriate steps to establish the legal and regulatory frameworks necessary to address the actions required under its action plan.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Savings banks, offshore banks, foreign and domestic private banks, credit information offices, currency exchanges, credit unions, foreign branches of financial institutions, mutual companies, public financial institutions, offices representing foreign banks, financial corporations and groups, credit card companies, insurance providers (including private insurance), cooperatives, trust and fund managers, money transfer companies, couriers, and brokerages

REPORTING REQUIREMENTS:
Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, finance companies, credit unions, and mutual savings and loan societies; insurance and reinsurance companies; international bank branches subject to Ecuadorian financial sector supervision; stock exchanges and brokerage firms; fund administrators and trusts; cooperatives, foundations, and NGOs; sellers of vehicles, watercraft, and aircraft; money transfer and courier services, including operators, agents, and agencies; tourism agencies and operators; individuals and corporations dedicated to real estate investment, sales, and construction; casinos (now banned), gambling houses, bingo parlors, slot machines, and race tracks; pawnshops; dealers of jewels, metals, and precious stones; art and antique dealers; notaries; property and mercantile registrars

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: Not available
Convictions: 4: January - August 2015

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

Ecuador is a member of the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.gafilat.org/content/biblioteca/

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2015, Ecuador demonstrated it had made significant progress in addressing strategic AML/CFT deficiencies and ensuring its AML/CFT legislation and implementing regulations adhere to international standards. Ecuador does not publicly publish statistics on money laundering prosecutions and convictions nor on the volume of suspicious transaction reports (STRs) or currency transaction reports (CTRs) received by the financial intelligence unit.

Article 367 of the 2014 Integral Organic Penal Code (COIP) criminalizes terrorist financing – previous legislation did not list terrorist financing as a specific crime. Articles 69, 549, and 551 of the COIP establish procedures to identify and freeze terrorist assets and confiscate funds related to money laundering.

Despite improvements in Ecuador's AML/CFT regime, obstacles to successful prosecutions in money laundering cases remain. While Article 317 of the COIP states that money laundering is

an autonomous crime, it places the burden of proof on prosecutors to investigate the illicit origins of the money. In many cases, this unclear wording has led to confusion over the law's proper interpretation.

The failure of the COIP to specifically criminalize bulk cash smuggling means there is no significant deterrent for this serious issue. The Law of Prevention, Detection, and Eradication of Money Laundering and Financial Crimes stipulates that failure to declare cash/currency at a port of entry is punishable only by a 30 percent administrative fine – the law does not address the smuggling of other financial instruments. Authorities can pursue money laundering charges against bulk cash smugglers, but convictions are difficult to obtain in these cases as bulk cash smuggling is considered a "flagrant" crime and authorities are only given 30 days to investigate (in other money laundering cases they are given 90 days to investigate once an arrest is made). In some cases, the authorities are required to advise a suspect that he or she is under investigation, which often results in key evidence disappearing.

Ecuadorian authorities have noted that trade mechanisms are used for laundering activities. In October 2015, Ecuadorian authorities reported a growing trend in high-profile money laundering cases related to trade with Venezuela. Media reported in April that the Prosecutor's Office was investigating a potential $228 million trade-based money laundering case involving transactions between several Ecuadorian banks and Venezuelan firms. For example, according to prosecutors, one company in Ecuador exported calcium carbonate, which has many industrial uses, at a price of $1,000 a kilogram, when the actual cost of the shipment was 17 cents a kilogram. Another company exported handicraft equipment at a stated value of $250,000, whereas the actual cost was between $600 and $1,200.

Approximately 40 percent of Ecuador's population is non-banked. To help serve their needs, Ecuador is promoting a cellphone-based digital currency that allows users to store and transfer value and pay assorted bills, taxes, and credit card bills from their phones. The government introduced the digital currency in 2014, but interest from Ecuadorian citizens so far has been muted. The service is limited to Ecuadoran citizens and tied to their national ID numbers. However, questions remain as to whether the new service has enough protections to prevent criminals from using it to launder money. Worries prompted the government to announce transactions are limited to $2,000 per month and $300 per day for individual users (companies have higher limits). AML analytics should be engineered into the new system to help prevent "mobile smurfing" or the structuring of credits and transactions.

In order to more effectively secure money laundering convictions, Ecuador should reform its law to criminalize bulk cash smuggling, give prosecutors additional time to investigate cases, and allow for investigation without notifying a suspect that he or she is under investigation. Rooting out money laundering and related government and private sector corruption will require further commitment by the government. Ecuador should require its financial intelligence unit to provide STR/CTR statistics publicly. The number of annual money laundering prosecutions and convictions should also be made available so as to better gauge the effectiveness of Ecuador's AML/CFT regime. The government should make a dedicated effort to continue training judges, prosecutors, and investigators on the country's applicable AML/CFT legislation and regulations.

Egypt

Egypt is not considered a regional financial center or a major hub for money laundering. The Government of Egypt has shown increased willingness to tackle money laundering, but Egypt remains vulnerable by virtue of its large informal, cash-based economy. Despite having a large, well-developed, and well-respected formal financial sector, many smaller-scale financial transactions are undocumented or do not enter the banking system. There are estimates that as much as 90 percent of the population does not have bank accounts and that the informal economy accounts for approximately 40 percent of GDP. Consequently, extensive use of cash is common. The Central Bank and the Federation of Egyptian Banks aim to promote financial inclusion by incentivizing individuals and informal businesses to enter the formal financial sector. Countering corruption remains a long-term focus, and there have been cases involving public figures and entities, including a recent arrest of a Minister of Agriculture on corruption charges.

Sources of illegal proceeds reportedly include smuggling of antiquities and trafficking in narcotics and/or arms. However, some organizations have also turned to funding sources based on new technologies and social media. For example, Sinai Province, an affiliate of the Islamic State of Iraq and the Levant (ISIL) operating in the Sinai Peninsula, has solicited funds using Twitter to finance terrorist activities in Egypt, relying on anonymous prepaid value cards. Authorities also note increased interception of illicit cross-border fund transfers by customs agents in recent years.

The EU, Switzerland, UK, and Canada have all instituted targeted sanctions to freeze assets of former president Mubarak and several members of his regime, based on apparent misappropriation from the Egyptian state.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, foreign exchange and money transfer companies, the post office, insurance companies and brokers, securities firms, the central registry for securities, funds managers, financial and company formation agents, leasing and factoring companies, mortgage financing companies, real estate brokers, dealers in precious metals and stones, casinos and internet gaming entities, lawyers, and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 2,037 in 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, foreign exchange and money transfer companies, the post office, insurance companies and brokers, securities firms, the central registry for securities, funds managers, financial and company formation agents, leasing and factoring companies, mortgage financing companies, real estate brokers, dealers in precious metals and stones, casinos and internet gaming entities, lawyers, and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Presidential Decree Law no. 128 of 2014 modifies the Penal Code to include the collection or provision of funds to a terrorist individual as a criminal offense. There has been one terrorist financing conviction in Egypt. In 2014, 89 suspicious transaction reports (STRs) related to money laundering crimes were referred for public prosecution, down from 163 in 2013, and 157 in 2012.

In February, 2015, the Central Bank of Egypt limited the amount of U.S. dollars that can be deposited in banks to a maximum of $10,000 per day, up to a total of $50,000 per month. The move is designed to eliminate Egypt's parallel currency market by depriving individuals and institutions exchanging dollars outside official channels of a place to keep their proceeds.

The government is also increasing efforts to improve monitoring of remittances from abroad to ensure the remittance system is not used for money laundering or terrorist financing purposes. Remittances from Egyptian citizens abroad amount to some $20 billion per year, and authorities are working to more fully integrate these remittances into the formal banking system.

While Egyptian prosecutors and judges remain interested in learning about how to conduct money laundering and other financial investigations, there are institutional obstacles and disincentives to actually conducting such investigations. For example, the functions of investigation and prosecution of the predicate crimes for money laundering are institutionally separated from the prosecution of the money laundering activity itself. The underlying criminal activity is investigated and prosecuted by general and drug crime sections of the Public Prosecution Office (PPO), while money laundering prosecutions are handled primarily by the High State Security Prosecutions section (the same section that prosecutes national security cases). Moreover, although not required by Egypt's money laundering statute, it has been the

PPO's policy that prosecution for money laundering requires a prior conviction for the underlying criminal activity, which excludes the potential for prosecution of the people who perform the actual work of laundering money, since they are commonly not involved in, and therefore not guilty of, the unlawful activity from which the illegal proceeds are derived, even though they may know the proceeds were potentially derived from unlawful activity. Consequently, there have been relatively few money laundering prosecutions in Egypt; the prospective defendants have already been convicted and sentenced for the underlying criminal activity, and the money launderers themselves fall outside the PPO's prosecution policy. In addition, different circuits of Egypt's Court of Cassation, the country's highest criminal court, have reportedly taken differing positions on whether a conviction for the predicate offense is required for a money laundering conviction.

The Government of Egypt should continue to build its capacity to successfully investigate and prosecute money laundering offenses. In particular, the judicial system should continue to increase the number of judges trained in financial analysis related to money laundering activity. Egypt also should work to more effectively manage its asset forfeiture regime, including the identification, seizure, and forfeiture of assets.

El Salvador

El Salvador is part of the transit route for South American cocaine destined for the United States, and the corresponding cash payments returning to South America. The U.S. dollar is the official currency in El Salvador, and the country's dollarized economy and geographic location make it an ideal haven for transnational organized crime groups, including human smuggling and drug trafficking organizations. Money laundering is primarily related to proceeds from illegal narcotics and organized crime, including gangs. There is no indication money laundering is being used to fund terrorist activities. The Central America Four Agreement among El Salvador, Guatemala, Honduras, and Nicaragua allows for the free movement of their citizens across the respective borders, bypassing formal immigration and customs inspection. This agreement creates a vulnerability to each of the participating countries and the region for the cross-border movement of contraband and illicit proceeds of crime, particularly through bulk cash smuggling.

According to authorities, organized crime groups launder money through the use of front companies, parking lots, travel agencies, remittances, the import and export of goods, and cargo transportation. Illicit activity includes the use of smurfing or structuring operations, whereby small amounts of money are deposited or transferred in a pattern to avoid detection by government authorities.

As of December 2015, there are 17 free trade zones (FTZs) operating in El Salvador. The FTZs contain more than 200 companies operating in sectors such as textiles, clothing, distribution centers, call centers, business process outsourcing, agribusiness, agriculture, electronics, and metallurgy. Remittances from Salvadorans working in the United States account for about 17 percent of national income. Approximately half the work force toils in the informal economy. The large informal sector also creates vulnerabilities for El Salvador because it creates challenges for AML/CFT supervision.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, agricultural credit institutions, money exchanges, auto dealers, and securities dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 541: January 1 - September, 30, 2015
Number of CTRs received and time frame: 104,915: January 1 - September, 30, 2015
STR covered entities: Banks, agricultural credit institutions, money exchanges, auto dealers, and securities dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 32: January 1 – November 12, 2015
Convictions: 6: January 1 – November 12, 2015

RECORDS EXCHANGE MECHANISM:

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

El Salvador is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php/documents/mutual-evaluation-reports/el-salvador-1/71-el-salvador-3rd-round-mer

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The regulatory institutions charged with money laundering supervision are weak and lack both human resources and sufficient regulatory powers. The Superintendence of the Financial System (SFS) supervises only those money remitters, accountants, and auditors with a relationship with a bank or bank holding company. Independent entities are not subject to any supervision, nor are other designated non-financial businesses and professions (DNFBPs). A 2015 legal reform gives the SFS the power to supervise all remittances, including those not sent through a bank or a bank holding company, but the reform is not expected to be implemented until the end of the year or sometime in 2016.

Although the AML law covers insurance providers and financial leasing companies, these entities are omitted from the reporting and preventive regulations issued by the financial intelligence unit (FIU). Additionally, the AML law provides for criminal liability for legal persons; however, the only option is dissolution of the entity. In practice, this option is not used.

In 2014, implementation of the 2013 asset forfeiture law began when a specialized judge assumed control of the autonomous asset forfeiture court established by the legislation. According to the Attorney General's office, the combined estimated amount of assets in cash and vehicles ready for the forfeiture process is $800,000, with an additional 68 real estate properties. The United States also has several cases to process with El Salvador, including one money laundering case worth approximately $10 million worldwide, $100,000 of which is held in El Salvador. Asset forfeiture legislation allows the government to sell property seized in conjunction with criminal investigations and redirect up to 35 percent of the revenue to the Attorney General's Office to counter drug trafficking, money laundering, and organized crime. In 2015, 27 cases were presented to the autonomous asset forfeiture court, and ten cases were finalized.

In 2015, the Salvadoran government built upon the 2014 AML reform, which addressed both foreign and domestic politically exposed persons (PEPs), by expanding PEP definitions to include family members. The Legislative Assembly approved reforms to the Money Laundering Law to enhance the cross-border declaration system, including five-year prison penalties for not declaring assets of more than $10,000 to Customs. Legislation in 2015 also criminalizes bulk cash smuggling.

The obligation to report transactions of suspected terrorist financing is limited to operations of individuals named in the lists of the Prosecutor´s Office or international entities. Additionally, it is not clear if institutions are required to report transactions that may be related to terrorist financing but do not involve funds from an illicit source.

The Government of El Salvador should develop regulations, guidelines, and adequate supervisory programs for DNFBPs. The government also should improve the operational effectiveness of its financial intelligence unit, including with respect to protecting sensitive operational information and safeguarding information received from international partners. El Salvador should provide a clear prohibition against tipping off in its legislation and regulations, and clarify and enforce its provisions regarding criminal liability for legal persons. Additionally, the government should review, and amend if necessary, the requirements for reporting transactions suspected of involvement in terrorist financing to ensure all such transactions are subject to reporting.

Equatorial Guinea

Equatorial Guinea (EG) is not a regional financial center. There is no known connection to drug trafficking organizations, organized crime, or terrorists operating in EG. Implementation of EG's AML laws is not complete and enforcement is weak. Widespread corruption, involving the highest levels of the government, is a primary catalyst for money laundering and other financial crimes. Diversion of public funds and corruption are widespread in both commerce and government. Proceeds from the extractive industries, including oil, gas, and timber, or outright

theft of state funds are the most likely sources of laundered money. Cross-border currency transactions and the illegal international transfer of money by companies or corrupt individuals are the most significant methods used to launder funds. In 2015, an EG elected official was convicted in a foreign country for bulk cash smuggling. Although there is no significant market for smuggled goods, smuggling for personal use/consumption is endemic. There are no significant offshore sectors or free trade zones.

EG is a member of the Economic and Monetary Community of Central African States (CEMAC) and shares a regional Central Bank (BEAC) with other CEMAC members. EG is also a member of the Banking Commission of Central African States (COBAC) and the Central African Monetary Union (CEMU) within CEMAC.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Treasury, central bank, banks, banking intermediaries, microfinance institutions, insurance companies, investment services, money changers, casinos, notaries, real estate agents, money transfer companies, travel agencies, auditors, accountants, and high-value goods dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Treasury, central bank, banks, banking intermediaries, microfinance institutions, insurance companies, investment services, money changers, casinos, notaries, real estate agents, money transfer companies, travel agencies, auditors, accountants, and high-value goods dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0
Convictions: 0

RECORDS EXCHANGE MECHANISM:

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

Equatorial Guinea is a member of the Task Force against Money Laundering in Central Africa (GABAC), a FATF-style regional body. EG has not yet had a mutual evaluation.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Equatorial Guinea has taken steps in recent years to improve its AML/CFT regime. Despite these efforts, EG's officers charged with crime prevention, including the police, judicial police, and the National Agency of Financial Investigation (ANIF), EG's financial intelligence unit, need professional training in proper financial investigative techniques. The few suspicious transaction reports (STRs) that are forwarded to the FIU are paper copies. There has never been a reported successful money laundering prosecution.

Although the AML regulations require covered entities to implement compliance programs and report large and suspicious transactions, financial institutions fulfill these obligations only to a limited degree.

In 2004, EG enacted a law requiring high ranking public officials to avoid all conflicts of interest and report their interests as well as those of their spouse and minor children. However, despite numerous international scandals involving high ranking EG government officials and their family members spending millions of dollars on extravagant lifestyles, luxury goods, and real estate, procedures are not in place implementing the law and the law is not enforced.

In January 2015, a member of parliament was found guilty in a foreign court for bulk cash smuggling. Media reported bulk cash smuggling by high-level members of the government, including an attempt to send containers of cash to Sao Tome and Principe. There were no reports of any official investigations.

A foreign government continued to pursue seizure of real and personal property of Obiang Mangue, the president's eldest son and second vice president, as the result of a 2010 investigation into suspected concealment and laundering abroad of embezzled public funds. In an October 2014 settlement with a foreign government, Obiang Mangue was forced to sell a $30 million mansion, a Ferrari automobile, and various items of Michael Jackson memorabilia. The settlement required that an estimated $20 million of the proceeds be given to a charitable organization for the benefit of the country's citizens and the forfeiture of $10.3 million to the foreign government.

EG cooperates with international law enforcement, pursuant to CEMAC's agreement with INTERPOL. EG also works with the European Community in terms of money laundering and terrorism financing through the CEMAC financial agreement with the Treasury of France.

The Government of Equatorial Guinea should work with CEMAC and regional partners to establish a fully functioning AML/CFT regime in line with international standards and to strengthen the capacity of ANIF. Cross-border transportation of cash and monetary instruments reporting requirements should be initiated and enforced. EG should criminalize terrorism financing and become a party to the 1988 UN Drug Convention and the UN Convention against Corruption.

Eritrea

Eritrea is not a regional financial center. Historically, the Government of the State of Eritrea has relied on command economic policies and arrangements. Although reliable statistics are unavailable, exports, with the exception of the mining industry, are small and generate little hard currency. The development of the mining sector and successful mining ventures, operated in partnership with large international mining companies, have led to an increased inflow of capital as earnings accrue from mineral exports, notably of gold and copper. However, lower commodity prices are likely to drag down export and fiscal revenues. The government relies in part on taxation of Eritreans living overseas to sustain itself. Many in the Eritrean domestic population are similarly dependent on remittances from relatives abroad.

Eritrea is a source country for men, women, and children subjected to forced labor in the National Service and, to a lesser extent, sex trafficking. The level of cross-border trafficking of narcotics is not known, but Eritrea is not believed to be a significant market or transit route for narcotics. There are, however, reports that Eritrean government and military officials profit from contraband and human smuggling and extortion.

Due to its informal, cash-based economy; limited regulatory structure; underground remittances; prevalent use of money or value transfer services, such as hawala; proximity to regions where terrorist and criminal organizations operate; and increasing corruption, Eritrea is vulnerable to money laundering and related activities. The non-convertibility of the nakfa currency in international markets helps drive the use of underground remittance systems. All banks in Eritrea are government controlled.

Some sources continue to charge that elements of the Eritrean security apparatus provide training, supplies, and financing to destabilizing forces in the region. Evidence of the government's past support to insurgents in neighboring states resulted in the UNSC levying an arms embargo against Eritrea beginning in 2009. In December 2011, the UNSC toughened existing sanctions, also addressing concerns over the potential use of Eritrean mining revenues to support destabilizing activities. In 2015, the UN Somalia-Eritrea Monitoring Group (SEMG) reported it found no evidence of continued Eritrean support to al-Shabaab during the course of its present mandate.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: Not available

Are legal persons covered: ***criminally:*** Not available ***civilly:*** Not available

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks

REPORTING REQUIREMENTS:
Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:
With U.S.: ***MLAT:*** NO ***Other mechanism:*** Not available
With other governments/jurisdictions: Not available

Eritrea is not a member of a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The government professes to take action against money laundering and has introduced a new currency, as well as new currency and banking regulations, with the intent of fighting corruption and money laundering. Eritrea does not publish national accounts or trade statistics. The international community has long pressed for fiscal transparency, but Eritrean officials generally have not been willing to discuss AML/CFT initiatives with international experts.

Money laundering is punishable by imprisonment of five to ten years and a fine not exceeding 50,000 nakfa (approximately $3,330). Corruption is a significant problem in Eritrea and affects all sectors of government and society. The line separating the finances of the Eritrean government and the ruling party is blurred and wrapped in secrecy. The Eritrean banking, legal, and regulatory systems are underdeveloped and are not transparent. The Eritrean nakfa is one of the most non-convertible currencies in the world and basically worthless outside of Eritrea. With imports and exports severely restricted, Eritrea has little hard currency and, the government believes, is not vulnerable to money laundering.

Eritrean cooperation with the World Bank and IMF is limited. An IMF document from 2003 (the date of the IMF's most recent surveillance mission to the country), noted the government had put in place measures to criminalize money laundering and terrorism finance, confiscate terrorist funds, set reporting requirements for suspicions transactions, and establish a financial intelligence unit. On September 8, 2014, the government published Proclamation no. 175/2014, "The Anti-Money Laundering and Combating Financing of Terrorism Proclamation," that includes provisions establishing a financial intelligence unit and addressing customer due diligence, politically exposed persons (PEPs), record-keeping, and financial institution employee training and audit requirements. Reportedly, a new criminal code has been developed, but it is unclear whether it has actually been adopted and is in force.

Due to a lack of transparency from the Government of the State of Eritrea, it is impossible to determine the extent of law enforcement measures taken to combat money laundering and

terrorist financing. There is no publically available evidence the government has ever prosecuted a money laundering or terrorist financing case. The major deterrents to Eritrea's responding more effectively to the threat of money laundering are the underdeveloped financial system and a lack of political will on the part of the government, which does not perceive drug trafficking and money laundering as major problems in Eritrea.

Eritrea became a party to the UN Convention against Transnational Organized Crime on September 25, 2014.

The Government of the State of Eritrea should make public information and statistical data, including reporting, prosecution, and conviction data, to show the effectiveness of its AML/CFT regime. The government should become a member of a FATF-style regional body and re-engage with international financial institutions. Eritrea also should become a party to the UN Convention against Corruption and the International Convention for the Suppression of the Financing of Terrorism.

Estonia

Estonia has a highly developed and transparent banking sector, and its rule of law is recognized as established and mature. Transnational and organized crime groups are attracted to the country for its location between Eastern and Western Europe. Suspicious transaction reports (STRs) show illicit funds from internet crime flowing into Estonia. Online gaming and casinos are both legal in Estonia, although the industry is well-regulated by the Estonian Gambling Act. A review of court decisions related to money laundering show that the most common predicate offenses for money laundering are fraud, computer fraud, and tax-related offenses (both domestic and foreign).

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks and credit institutions; lottery and gaming institutions; real estate firms and pawnbrokers; auditors, accountants, and accounting and tax advisors; service providers for trust funds and business associations; notaries, attorneys, and bailiffs; trustees in bankruptcy and legal services providers; dealers of high-value goods, precious metals,

precious metals articles, or precious stones; and nongovernmental organizations and foundations if they receive a cash payment exceeding established thresholds

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 4792: January 1 – October 31, 2015
Number of CTRs received and time frame: 2073: January 1 – October 30, 2015
STR covered entities: Banks and credit institutions; lottery and gaming institutions; real estate firms and pawnbrokers; auditors, accountants, and accounting and tax advisors; service providers for trust funds and business associations; notaries, attorneys, and bailiffs; trustees in bankruptcy and legal services providers; and dealers of high-value goods, precious metals, precious metals articles, or precious stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 32: January 1 – September 30, 2015
Convictions: 30: January 1 – September 30, 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The national AML/CFT Risk Assessment Task Force (NRATF) focuses on legislation and directs Estonia's key AML/CFT agencies to concentrate on high priority and high risk areas. The NRATF has identified as priority areas digital services (internet based financial services, e-residency), which complicate application of KYC rules because there is no face-to-face contact; cash transactions; and cross-border payment mediation. Money flows from higher risk countries (so called "Eastern money") remains a priority as Estonia does not want to assume increased AML/CFT risks. Other activities include regulating creditors' markets. The responsibility to issue licenses to applicable creditors (including SMS loan providers and lessors) has shifted from the Estonian Financial Intelligence Unit (FIU) to the independent Financial Supervision Authority.

Estonia has adopted the universal banking model, which enables credit institutions to participate in a variety of activities, such as leasing, insurance, and securities. In recent years, the obligated entities considered to be most vulnerable to money laundering have been payment services providers (including alternative payment services) and traders in precious metals, including scrap gold. The FIU has identified a number of money laundering schemes whereby funds obtained from cybercrime committed in neighboring countries were transferred through the payment services market to Estonian "straw men," withdrawn in cash, and physically transported to neighboring countries.

Ethiopia

Due primarily to its underdeveloped financial system and pervasive government controls, Ethiopia is not considered to be a regional financial center. Although Ethiopia's location within the Horn of Africa makes it vulnerable to money laundering-related activities perpetrated by transnational criminal organizations, terrorists, and narcotics trafficking organizations, its limited integration in the global financial system, underdeveloped financial institutions, and strict currency controls make it highly unlikely such groups will use the financial sector to launder funds from abroad. Corruption, smuggling, tax fraud, and trafficking in narcotics, persons, arms, and animal products are the key proceeds-generating crimes. As the economy grows and becomes more open, Ethiopian law enforcement sources believe bank fraud, electronic/computer crime, and related money laundering activities could continue to rise. The financial services sector remains closed to foreign investment.

High tariffs encourage customs fraud and trade-based money laundering. Since strict foreign exchange controls limit the possession of foreign currency, most of the proceeds of contraband smuggling and other crimes are not laundered through the official banking system, composed of three public banks and sixteen private banks. Law enforcement sources indicate money and value transfer systems, particularly hawala, are widely used. The Ethiopian government attempts to monitor informal value transfer networks within the country and has closed a number of illegal hawala operations. The Financial Intelligence Center (FIC), Ethiopia's financial intelligence unit, is currently conducting an assessment of the informal money transfer system.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks, foreign exchange bureaus, financial leasing companies, customs and revenue agency, notaries, licensing organizations, auditors, accountants, real estate brokers/agents, precious metal dealers, brokers and investment advisors

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1191: July 8, 2014 - November 13, 2015
Number of CTRs received and time frame: 1,411,166: July 8, 2014 - November 13, 2015
STR covered entities: Banks, foreign exchange bureaus, financial leasing companies, customs and revenue agency, notaries, licensing organizations, auditors, real estate agents/brokers, precious metal dealers, brokers and investment advisors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: Not available
Convictions: Not available

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Ethiopia has taken important steps to improve its AML/CFT regime, including enacting additional AML/CFT legislation. Ethiopia is in the process of developing a directive to guide designated non-financial businesses and professions (DNFBPs) in their roles, responsibilities, and risks within the AML/CFT framework. Ethiopia continues to develop the FIC and has secured capacity-building training for both the FIC and its partner institutions. The FIC promotes a multilateral approach to AML/CFT and is overseen by a board of directors with representatives from the National Bank, Ministry of Justice, Federal Police, Federal Anti-Corruption Unit, Ministry of Finance and Economic Development, and the Prime Minister's Office. In 2015, the FIC developed a five-year action plan to address recognized deficiencies. In addition, the national AML/CFT risk assessment is ongoing and is expected to be finalized in 2016.

The FIC is developing its analytical, investigative, and referral capacity; however, with only eight analysts and few IT personnel, the FIC lacks the technical capacity to effectively sort through and store the approximate 24,000 currency transaction reports (CTRs) it receives weekly. Suspicious transaction reports (STRs) are still currently filed in hard copy. The FIC is planning to implement digital reporting procedures for STRs in the future and is in the midst of training and validation for this protocol. The FIC has conducted workshops for banks on how to identify suspicious transactions and has engaged with federal prosecutors to improve the prosecution of money laundering cases. In 2015, the FIC conducted awareness creation and sensitization workshops on AML/CFT issues for the law enforcement community and relevant institutions in four key regional towns and will conduct the same workshops in the remaining four regions in 2016.

Foreign currency controls are vigorously enforced and all financial institutions, by law, are fully owned by Ethiopians or Ethiopian legal entities. It is illegal (with a few minimal exceptions) to send money from Ethiopia to a foreign country, and non-resident foreigners are not allowed to have accounts in Ethiopian banks. Only those with a foreign currency account (which is only granted to Ethiopian diaspora and resident foreigners) can transfer money abroad using the bank's access to the SWIFT system. Thus, the only legal cross-border flow of funds through the formal sector relevant to overall risk are the inbound money transfers - predominantly from the Ethiopian diaspora to their relatives in Ethiopia. The restrictions encourage the use of hawala and underground value transfer systems.

Although Ministry of Justice officials have received training, the Ethiopian law enforcement community, from investigators to prosecutors to judges, remains deficient in its awareness of AML/CFT issues and how to address them. The government's poor record-keeping systems and lack of centralized law enforcement records hinder the federal police's ability to identify and investigate trends in money laundering and terrorism financing. Furthermore, inadequate police training and a lack of resources limit the federal police's financial investigative abilities, and the absence of a national risk assessment undermines the ability to focus on key risk areas.

The Government of Ethiopia should implement its five-year action plan to address the noted deficiencies. Additionally, there should not be an over-reliance on the filing of STRs to generate money laundering cases. Law enforcement and customs should be trained to initiate money laundering and value transfer investigations at the street, border, and port levels. Financial intelligence can then be used to buttress those findings.

Fiji

The Republic of Fiji is a small island state with a population of less than one million. It has significant natural resources and is among the most developed of the Pacific island nations. It is not a regional financial center but serves as a regional hub for transportation and shipping for other Pacific island nations. Currently, there are no operating casinos.

Fiji's geographical location makes it a potential staging point for criminal activities in Australia and New Zealand. Cross-border criminal gangs involving individuals from Asian countries are alleged to operate in Fiji.

To encourage investment and create economic opportunities in Fiji's rural Northern and Maritime Island regions, the government declared certain areas as tax free regions. Benefits include a multi-year corporate tax holiday and import duty exemption on raw materials, machinery, and equipment for initial setup. There is also a tax free region in the North East of Viti Levu targeting agriculture, dairy, and other new investments.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, foreign exchange dealers, money remittance service providers, finance companies, law firms, real estate agencies, accountants, insurance companies, and superannuation funds

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 383 in 2014
Number of CTRs received and time frame: 1,042,074 in 2014
STR covered entities: Banks, money remittance service providers, finance companies, regulatory authorities, law firms, real estate businesses, accounting firms, insurance companies, and superannuation funds

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 3 in 2014
Convictions: 1: January - November 2014

RECORDS EXCHANGE MECHANISM:

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

Fiji is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=49b3f6d3-e03f-4d4e-a2fa-faaab935098a

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2015, a national risk assessment was conducted by the National AML Council as part of Fiji's AML/CFT program.

The FIU does not have budgetary independence. The number of suspicious transaction reports (STRs) received in 2014 declined by 27 percent compared to 2013, while the number of cash transaction reports (CTRs) increased by 63 percent over the same period. The large increase in CTRs received in 2014 was due to the submission of backdated reports as part of the Fiji Intelligence Unit's (FIU) reporting compliance and data quality project. In 2014, 577 Border Currency Reports were filed by travelers entering or departing Fiji carrying currency or negotiable bearer instruments in amounts over the reporting threshold.

The Government of Fiji should continue to implement AML/CFT measures that adhere to international standards. Fiji also should become a party to the UN Convention against Transnational Organized Crime.

Finland

Finland is not a regional center for money laundering, financial crime, or illegal commerce. The major sources of illegal proceeds in Finland relate to financial crimes, and the majority of investigated suspicious financial activities have an international dimension. The number of organized criminal groups has grown slightly in the past few years, as has the number of their members (totaling approximately 1,000). Illicit funds are normally laundered through currency

exchanges and gaming establishments. According to the National Bureau of Investigation, the use of virtual currency, such as bitcoin, as well as phone transactions have become more common in money laundering cases. In November 2015, the Finnish Security Intelligence Service (SUPO) reported that the risk of terrorism in Finland had increased from "very low" to "low" since June 2014, when the last assessment was published. Finnish authorities vigorously investigate terrorism-related fundraising.

In September 2015, the Police University College published Finland's first national risk assessment of money laundering and terrorist financing. The report found that the key risk items of money laundering and terrorist financing in Finland are associated with real estate investments, transport of cash, front companies, online services, online shadow financing markets, and customer fund accounts.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks; investment firms, management companies, and custodians; the central securities depository and book entry registrars; payment institutions and money transmitters and remitters; insurance companies, local mutual insurance associations, and insurance intermediaries; authorized pension insurance companies; limited liability companies or cooperatives engaged in restricted credit institution activities; tax advisors; apartment rental and real estate agents; auditors, lawyers, notaries, and accountants; trust and company service providers; pawnshops and dealers in high-value goods; casinos and gaming entities

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 37,703 in 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks; investment and fund management companies and custodians; the central securities depository and book entry registrars; payment institutions and money transmitters and remitters; insurance companies, local mutual insurance associations, and insurance intermediaries; authorized pension insurance companies; limited liability companies or cooperatives engaged in restricted credit institution activities; tax advisors; apartment rental and real estate agents; auditors, lawyers, notaries, and accountants; trust and company service providers; pawnshops and dealers in high-value goods; casinos and gaming entities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: Not available
Convictions: 12 in 2014

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

Finland is a member of the FATF. Its most recent mutual evaluation can be found at: http://www.fatf-gafi.org/publications/mutualevaluations/documents/mutualevaluationoffinland.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Finland has a comprehensive AML/CFT regime. The national risk assessment will be used in the preparation of Finland's national strategy and efforts to reform Finland's AML legislation. The National Bureau of Investigation (NBI) Counsel reviewed the enhanced due diligence requirements for politically exposed persons (PEPs) and determined they apply equally for foreign and domestic individuals. The number of suspected money laundering cases fell in 2014 for the first time in the history of the financial intelligence unit (FIU).

On January 1, 2015, two amendments to Chapter 34A of the Finnish penal code, Finland's terrorism statute, took effect, expanding the scope of criminal offenses related to terrorist training and financing. The first amendment makes receiving terrorist training a crime, punishable by a fine or a maximum of three years in prison. This change is a significant expansion from existing law, which criminalized the provision of terrorist training but did not expressly prohibit receiving such training. The second amendment makes the act of knowingly collecting funds for a terrorist group, either directly or indirectly, a crime punishable by a fine or a maximum of three years in prison, expanding the scope of the existing terrorism financing provision of the law, which dates from 2002. During 2014, the FIU received 13 suspicious transaction reports (STRs) connected to terrorism. The FIU confiscated 11.5 million euros (approximately $12.45 million) of funds with criminal origins.

In June 2015, the government amended the *Law on Preventing Money Laundering* to specify NBI's responsibility for preventing, identifying, and resolving money laundering cases. This amendment further applies to financing terrorism or crimes through which perpetrators have received benefits or property through money laundering or terrorist financing. Another amendment notes that, in addition to the right to obtain and use information, the NBI also can share information without breaching confidentiality regulations.

France

Due to its sizeable economy, political stability, sophisticated financial system and commercial relations, especially with Francophone countries, France is a venue for money laundering. Public corruption, narcotics and human trafficking, smuggling, and other crimes associated with organized crime are sources of illicit proceeds.

France can designate portions of its customs territory as free trade zones and free warehouses in return for employment commitments. The French Customs Service administers these zones. France has an informal economic sector, and underground remittance and value transfer systems such as hawala are used by immigrant populations accustomed to such systems in their home countries. There is little information on the scale of such activity.

Casinos are regulated. The use of virtual money is growing in France through online gaming and social networks. Sport teams have become another significant source of money laundering.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, credit and money-issuing institutions, e-money institutions, investment firms, money exchangers, investment management companies, mutual insurers and benefit institutions, insurance intermediaries and dealers, notaries, receivers and trustees in bankruptcy, financial investment advisors, real estate brokers, chartered accountants, auditors, dealers in high-value goods, auctioneers and auction houses, bailiffs, lawyers, participants in stock exchange settlement and delivery, commercial registered office providers, gaming centers, companies involved in sports betting and horse racing tips, and casinos

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 38,419 in 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, credit and money-issuing institutions, e-money institutions, investment firms, money exchangers, investment management companies, mutual insurers and benefit institutions, insurance intermediaries and dealers, notaries, receivers and trustees in bankruptcy, financial investment advisors, real estate brokers, chartered accountants, auditors, dealers in high-value goods, auctioneers and auction houses, bailiffs, lawyers, participants in stock exchange settlement and delivery, commercial registered office providers, gaming centers, companies involved in sports betting and horse racing tips, and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 464 in 2014

Convictions: 424 in 2013

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

France is a member of the FATF. Its most recent mutual evaluation can be found at: http://www.fatf-gafi.org/countries/d-i/france/

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Two months after the January 2015 attacks in Paris against the *Charlie Hebdo* weekly newspaper and a kosher supermarket, the government announced a counter-terror plan that includes eight principal CFT measures divided into three pillars that promote additional AML/CFT countermeasures.

The first pillar focuses on "identification" and aims at reducing anonymity in the economy in order to facilitate the tracking of suspicious transactions. In a decree published in June 2015 (effective September 1, 2015), France lowered the limit on cash transactions to €1,000 (approximately $1,100) from €3,000 (approximately $3,300). For non-residents, the limit on cash payments will be lowered from €15,000 (approximately $16,500) to €10,000 (approximately $11,000). Acquiring, reloading, and using prepaid cards also will become subject to new reporting requirements. In the first quarter of 2016, an identity document (ID) will be required to buy, use, or reload a prepaid card when the transaction exceeds €250 (approximately $275). In France, identity cards are not currently verified for non-rechargeable cards of less than €250 (approximately $275) or for rechargeable cards of up to €2,500 (approximately $2,750).

The "surveillance" pillar is designed to increase the exercise of due diligence by the financial community. As part of this pillar "Nickel" accounts, low-cost financial accounts that can be opened at tobacco shops, will have to be registered in the centralized national bank account register as of January 1, 2016. There are approximately 80,000 Nickel accounts in France. Additionally, currently it is possible to exchange up to €8,000 (approximately $8,800) in currency anonymously, but as of January 1, 2016, ID will be required for foreign exchange transactions exceeding €1,000 (approximately $1,100). Furthermore, financial institutions will have to increase vigilance over "transactions of unusually high sums" by checking the origin of the funds, the recipient's identity, and the grounds for the transaction. In November 2015, the French banking regulator, the Prudential Control Authority (ACPR) and TracFin, the French financial intelligence unit (FIU), issued new joint guidelines about vigilance and suspicious transaction reporting (STR) obligations. A decree will be enacted on January 1, 2016, requiring banks to automatically notify TracFin of deposits and/or withdrawals of more than €10,000 (approximately $11,200) in a month. The current obligation to inform French Customs of the physical transfer of funds to and/or from another EU country by natural persons when the amount exceeds €10,000 (approximately $11,200) will be extended to apply to freight and express freight in the first quarter of 2016. A pending bill on "Freedom of Creation and Cultural Heritage" would combat illegal trade in cultural products, like antiquities.

The "action" pillar reinforces capacities created to freeze terrorist assets. This pillar expands the government's ability to freeze the assets of entities or individuals deemed to be engaged in or planning terrorist acts. On November 23, 2015, the Finance Minister said TracFin would be authorized to track suspects' financial activity in real time. He confirmed that asset freezes will apply to movable and immovable assets, and to social/welfare benefits. The financial market authority will see expanded capacities to sanction inside trading.

COSI, the Systematic Communication of Funds Transfer Information, is a system created to improve financial information available to TracFin from designated professionals and institutions. Effective in January 2016, COSI reporting will apply to transfers of more than €10,000 (approximately $11,200) in a calendar month. The COSI is different from traditional suspicious transaction reports (STRs) as it cannot be used by TracFin to initiate investigations. It does not exempt institutions from their obligations to submit STRs.

In February 2015, the ACPR updated its guidelines specific to the insurance sector. TracFin continues to examine ways new anonymous electronic payment instruments, gold, and employee meal tickets (restaurant vouchers provided by employers) are used as alternatives to cash. TracFin also continues its focus on tax and social benefits fraud.

The Government of France applies the EU directive by which politically exposed persons (PEPs) from EU states may benefit from simplified vigilance procedures, but only in a limited number of cases. France should review its procedures to ensure all PEPs undergo enhanced due diligence. France should examine AML reporting requirements of company registration agents, real estate agents, jewelers, casinos, and lawyers to ensure they are complying with their obligations under the law.

Gabon

Gabon is not a regional financial center. Gabon suffers from porous borders and smuggling, facilitated by organized criminal groups. Despite fiscal management reform efforts, systemic corruption persists. The embezzlement of state funds, including by politically exposed persons (PEPs), reportedly gives rise to money laundering. There is a large expatriate community in Gabon engaged in the oil and gas sector, the timber industry, construction, and general trade. Money or value transfer services, such as hawala, are often used by those expatriates, particularly the large Lebanese community, to avoid strict controls on the repatriation of corporate profits.

The Bank of Central African States (BEAC), based in Cameroon, is a regional central bank that serves six Central African countries and supervises Gabon's banking system. BEAC's Economic Intervention Service harmonizes the regulation of currency exchanges in the member states of the Central African Economic and Monetary Community.

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

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT

AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, exchange houses, stock brokerages, casinos, insurance companies, lawyers, and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, exchange houses, stock brokerages, casinos, insurance companies, lawyers and accountants, jewelry shops, car dealers, and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

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

Gabon is a member of the Task Force on Money Laundering in Central Africa (GABAC), a FATF-style regional body. Its most recent mutual evaluation report can be found at: http://spgabac.org/site/wp-content/uploads/2015/10/rapport_evaluation_mutuelle_GABON_vf.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The National Agency for Financial Investigation (ANIF), Gabon's financial intelligence unit, is hampered by deficiencies in the law, which merges suspicious transaction reporting (STRs) with currency transaction reporting (CTRs). All transactions over 5,000,000 CFA (approximately $8,200) are reported, regardless of whether such transactions are deemed suspicious by the reporting institution. Banks may report transactions to ANIF for sums under this threshold, but do so on a case-by-case basis. ANIF still lacks the staff necessary to carry out its essential functions, and existing ANIF staff members report they need more training to improve the agency's effectiveness. In November, 2015, the Gabonese government announced the appointment of a new ANIF Director General, who will reportedly take office at the end of January 2016. During this interim period ANIF is not releasing any information on 2015 activities.

The Gabonese judicial system has been slow to process money laundering cases because the process itself is cumbersome, despite ongoing reform efforts, and because judges are not trained

to hear such cases. Moreover, the judiciary remains generally inefficient and susceptible to undue influence.

ANIF conducts initial financial investigations and, if there is sufficient evidence, later refers the case to a magistrate for prosecution. ANIF reports that cases sent to the Attorney General in recent years were dropped for lack of evidence, dismissed on procedural grounds, or blocked administratively within the Gabonese government. Police inefficiency, corruption, and impunity remain serious problems, although the government is stepping up its efforts against corrupt officials. Collection of evidence is also difficult. ANIF is working to raise awareness of money laundering, terrorist financing, and financial crimes among the judicial magistrates. In 2014, there were nine ongoing prosecutorial investigations. With international assistance, ANIF developed a strategy to combat money laundering and embezzlement in a more transparent manner, which it presented to the President and Minister of Economy in May 2015. There is no publically available information to indicate whether ANIF implemented the strategy.

In August 2015, the Gabonese government created a special court to adjudicate financial and economic crimes. In early December, Gabon's Constitutional Court declared the special court unconstitutional.

The Government of Gabon should continue working with regional and international organizations to establish a fully functioning AML/CFT regime in line with international standards.

Gambia

The Gambia is not a regional financial center, although it is a regional re-export center. The Gambia derives most of its GDP from agriculture, tourism, remittances, and the re-export trade, with most transactions conducted in cash. Goods and capital are freely and legally traded in The Gambia, and, as is the case in other re-export centers, smuggling of goods occurs. Although The Gambia has limited capacity to monitor its porous borders, customs officials cooperate with counterparts in Senegal to combat smuggling along their common border. A lack of resources hinders law enforcement's ability to combat smuggling more effectively.

It is unclear to what extent money laundering is related to narcotics, but seizures of large amounts of cocaine and marijuana two years ago heightened concerns regarding links to international drug trafficking. The number of new banks entering the local market in the past few years - there are currently a total of 12 commercial banks operating in The Gambia - also raises possible money laundering concerns. These concerns are further heightened by the problems of persistently weak bank controls and supervision, the dominance of cash transactions, a poor know-your-customer compliance culture, and significant inflows of tourists.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks and microfinance entities; money remitters and exchanges; financial instrument and securities brokers and dealers; real estate agents; bullion dealers; casinos and lottery outlets; insurance companies and intermediaries; payroll services; guarantors and safe custody services; and trust and company service providers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 21 in 2015
Number of CTRs received and time frame: Not available
STR covered entities: Banks and microfinance entities; money remitters and exchanges; financial instrument and securities brokers and dealers; real estate agents; bullion dealers; casinos and lottery outlets; insurance companies and intermediaries; payroll services; guarantors and safe custody services; and trust and company service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Gambia has criminalized all predicate offenses to money laundering and terrorism financing in accordance with international standards. The Gambia Financial Intelligence Unit (GFIU), established within the Central Bank in January 2014, has now become fully operational as an independent agency and is housed in a separate building. The Government of The Gambia has increased its budget allocation to the FIU, which has now increased its staff complement from seven to 14 as of November 2015. The FIU works closely with other law enforcement agencies, such as the Gambia Police Force and the National Intelligence Agency (NIA).

In 2014, GFIU froze several bank accounts holding a total of 17 million dalasi (approximately $430,000) of suspicious transactions. Several arrests were made and at least one case, involving a Gambian and two foreigners, was taken before the courts in 2015. Six other cases are being actively investigated.

On July 8, 2015, The Gambia formally became a party to the UN International Convention for the Suppression of the Financing of Terrorism and the UN Convention against Corruption. Both conventions were ratified by the Gambian National Assembly a year earlier, but the UN was not properly notified.

The Gambia should provide adequate resources and capacity to its law enforcement, supervisory, and customs personnel so they are able to effectively fulfill their responsibilities. The Gambia should adopt effective laws and procedures to implement UNSCRs 1267 and 1373. Gambian authorities should investigate the country's re-export sector to determine whether it is being used to launder criminal proceeds.

Georgia

Much of the illegal income in Georgia derives from fraud, falsification of documents, and misappropriation of funds. According to the Chief Prosecutor's Office of Georgia, the bulk of criminal proceeds laundered in Georgia are derived from domestic criminal activity. There is a domestic market for illegal narcotics and narcotics also transit Georgia. Authorities are starting to realize that the narcotics trafficking problem is bigger than they thought. Efforts to detect money laundering related to narcotics trafficking are in their most nascent stages. The Russian-occupied territories of South Ossetia and Abkhazia fall outside the control of Government of Georgia authorities and are not subject to monitoring.

According to the Investigation Service of the Ministry of Finance, there is a small black market for smuggled goods in Georgia. There is little evidence to suggest it is significantly funded from narcotics proceeds, or that the funds generated by smuggling are laundered through the formal financial system. Smuggled goods are sold in black or gray markets to avoid tax and customs duties. The extent of black market trading in the occupied territories of Abkhazia and South Ossetia is unknown. The rapid growth of the gaming industry in Georgia and the corresponding lack of AML regulatory supervision are concerning.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, currency exchange bureaus, credit unions, the central depository, and microfinance organizations; money remitters; securities brokers and registrars; insurance companies and non-state pension scheme founders; organizers of lotteries and other commercial games; dealers of antiquities, precious metals, precious stones, and products thereof; the Ministry of Finance Revenue Service; entities engaged in the extension of grants and charity assistance; notaries; the National Agency of the Public Registry; accountants and auditors; leasing companies; lawyers; and electronic money providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 787: January 1 - September 1, 2015
Number of CTRs received and time frame: 113,572: January 1 - September 1, 2015
STR covered entities: Banks, currency exchange bureaus, credit unions, the central depository, and microfinance organizations; money remitters; securities brokers and registrars; insurance companies and non-state pension scheme founders; organizers of lotteries and other commercial games; dealers of antiquities, precious metals, precious stones, and products thereof; the Ministry of Finance Revenue Service; entities engaged in the extension of grants and charity assistance; notaries; the National Agency of the Public Registry; accountants and auditors; leasing companies; lawyers; and electronic money providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 11: January 1 - October 31, 2015
Convictions: 5: January 1 - October 31, 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Georgia's AML/CFT Law was amended on December 24, 2014. The new law designates electronic money providers as reporting entities and requires reporting entities to understand the ownership and control structure of clients and the purpose and intended nature of the business relationship. The law regulates application of enhanced customer due diligence (CDD) measures through a risk-based approach and allows application of simplified CDD measures only when the money laundering/terrorism financing (ML/TF) risk is low. The amendments introduce provisions on the tipping-off prohibition, legitimate disclosure of confidential information, and the use of third parties/intermediaries that are consistent with international standards.

The legislative amendment package adopted by the Parliament of Georgia in July 2015 is aimed at further strengthening the legal and institutional framework against ML/TF. The AML/CFT

Law was amended to extend the AML/CFT requirements for cross-border transportation of cash and securities to the export/import of physical currency and bearer negotiable instruments through cargo containers and mail. Additionally, amendments to the Tax Code of Georgia enhance the effectiveness of sanctions for the violation of the rules regarding cross-border transportation of physical currency, checks, and other bearer negotiable instruments. Amendments to the Law of Georgia on Organizing Lotteries, Gambling, and Other Commercial Games prohibit individuals convicted of economic and other grave criminal offenses from acting as founders or managers of gaming establishments. In July 2015, the Financial Monitoring Service, Georgia's financial intelligence unit, received the power to temporarily suspend suspicious transactions.

On April 21, 2015, the National Bank of Georgia (NBG) issued a new procedural manual for onsite inspection of banks. The new manual requires the NBG inspectors to consider ML/TF risks in commercial banks and to conduct targeted inspections; review the information obtained through the Money Laundering Matrix before undertaking onsite inspections; examine whether subsidiaries and branches of commercial banks registered abroad identify and verify their clients in accordance with the Georgian AML/CFT legislation; examine compliance with the identification and verification requirements for legal arrangements and new client profiles; and obtain information about the purpose and intended nature of the business relationship.

All money laundering prosecutions in 2015 occurred subsequent to a conviction for a predicate offense that had been charged in a separate criminal action, usually for fraud, falsification of documents, or misappropriation of funds. Investigations into narcotics, extortion, weapons of mass destruction, human trafficking, prostitution, and smuggling rarely include financial components. Despite a domestic market for illegal drugs and international drug trafficking through Georgia, narcotics' trafficking is rarely investigated as a predicate offense for money laundering. Lack of coordination and information sharing among various law enforcement and criminal justice agencies are acknowledged to be factors hindering effective money laundering investigations and prosecutions. The Government of Georgia has not adopted a task force approach to money laundering.

In 2015, the number of money laundering prosecutions that resulted in convictions increased. Prosecutors and judges, with the assistance U.S. partners, developed a common definition and criteria for prosecuting money laundering cases which, according to the prosecution service of Georgia, enhanced its ability to successfully prosecute such cases. The broad definition of money laundering used by the prosecutors during previous years did not satisfy the greater judicial scrutiny exercised by judges.

Georgian prosecutors and law enforcement authorities should put more emphasis on pursuing the link between organized crime and money laundering. Georgia also should develop a task force approach, which will facilitate greater exchange of information and cooperation among the relevant bodies.

Germany

While not an offshore financial center, Germany is one of the largest financial centers in Europe. Germany is a member of the Eurozone, thus making it attractive to organized criminals and tax

evaders. Many indicators suggest Germany is susceptible to money laundering and terrorist financing because of its large economy, advanced financial institutions, and strong international linkages. Although not a major drug producing country, Germany continues to be a consumer and a major transit hub for narcotics. Germany allows the use of shell companies, trusts, holdings, and foundations that can help obscure the source of assets and cash.

Terrorists have carried out terrorist acts in Germany and in other nations after being based in Germany. Germany is estimated to have a large informal financial sector. Informal value transfer systems, such as hawala, are reportedly used by immigrant populations accustomed to such systems in their home countries and among refugees paying for their travel to Europe/Germany. There is little official data on the scale of this activity.

Trends in money laundering include a decrease in cases involving financial agents, i.e., persons who are solicited to make their private accounts available for money laundering transactions. Digital and cybercrime continue to challenge law enforcement. There are increasing cases of tax evasion, transnational collusive agreements and manipulations, and corruption and money laundering involving global financial institutions and corporations. Bulk cash smuggling by organized crime elements is prevalent in Germany, especially illicit drug proceeds arriving in Germany from the Netherlands. The use of cash transactions is high. Free zones exist in Bremerhaven, Cuxhaven, and Hamburg. Unfenced inland ports are located in Deggendorf and Duisburg.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, financial services, payment, and e-money institutions and their agents; financial enterprises; insurance companies and intermediaries; investment companies; lawyers, legal advisers, auditors, chartered accountants, tax advisers, and tax agents; trust and company service providers; real estate agents; casinos; and persons trading in goods

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 24,054 in 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, financial services, payment, and e-money institutions and their agents; financial enterprises; insurance companies and intermediaries; investment companies;

lawyers, legal advisers, auditors, chartered accountants, tax advisers, and tax agents; trust and company service providers; real estate agents; casinos; and persons trading in goods

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 992 in 2013
Convictions: 882 in 2013

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

Germany is a member of the FATF. Its most recent mutual evaluation can be found at: http://www.fatf-gafi.org/countries/d-i/germany/documents/mutualevaluationofgermany.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On June 20, 2015, amendments to the German Criminal Code entered into force to implement UNSCR 2178. The changes supplement prior legislation from 2009 outlawing certain "preparatory terrorist actions" such as attending training camps abroad, categorizing travel and attempted travel as such preparatory actions. They specifically criminalize all forms of terrorism finance, including financing of terrorist travel.

Tipping off is a criminal offense only if it is committed with the intent to support money laundering or obstruct justice, and applies only to previously-filed suspicious transaction reports (STRs). Otherwise, it is an administrative offense that carries a fine of up to €100,000 (approximately $109,500) under the AML Act. Legal persons are only covered by the Administrative Offenses Act and are not criminally liable under the criminal code. While Germany has no automatic currency transaction report (CTR) requirement, large currency transactions frequently trigger STRs.

Germany has no federal statistics on the amount of assets forfeited in criminal money laundering cases. Assets can be forfeited as part of a criminal trial or through administrative procedures such as claiming back taxes. In practice, asset forfeiture is limited in utility as the state holds the burden of proof to prove a tie to a specific and credible illegal act. Germany has time restrictions on how long it can restrain forfeitable assets for foreign proceedings. Such assets generally may be held for one year, but extensions are possible.

In 2015, German bank Commerzbank agreed to pay a $1.45 billion fine for failing to comply with U.S. sanctions laws and AML regulations. According to the investigation, between April 2006 - January 2010 Commerzbank employees purposely tried to mislead regulators about the identity of Iranian and Sudanese entities related to more than $253 billion in dollar clearing transactions. In addition, bank employees sought to alter the bank's transaction monitoring system so it would create fewer 'red flag' alerts about potential misconduct.

The government should consider strengthening the provisions on tipping off and the regulations on domestic politically exposed persons (PEPs).

Ghana

Ghana is an important regional financial center, including for illicit financial activity. Most of the money laundering in Ghana involves narcotics trafficking, various forms of fraud, and public corruption. The advancement of technology has complicated regional AML/CFT efforts as computer systems have become a conduit for financial crimes. The best-known forms of financial crime in Ghana are romance scams and advance-fee-fraud or "419" schemes. Both of these types of scams involve fraudsters and potential victims exchanging information via the internet, but the romance scams often take longer to develop. The "419" scams are often random emails sent by the fraudster stating that the potential victim has won or will receive an unexpected sum of money. In Ghana, criminals combine these types of internet scams with ritualistic religious beliefs, which they believe increase their ability to attract potential victims. This blend of fraud and religious beliefs is called "sakawa." Most of the victims are unsuspecting foreigners, including many U.S. citizens. Money laundering, tax evasion, terrorist financing, and cash smuggling are other types of financial crime that are carried out independently or in conjunction with other crimes.

The large amount of informal financial activity in Ghana and the predominance of a cash economy allow criminals to conceal their financial dealings, including money laundering, by linking their business with Ghana's informal economy. Money laundering in Ghana is often related to automobile imports, insurance, banking, narcotics, and public corruption. Stolen Ghanaian credit card and ATM account numbers, and check cloning continue to increase.

Trade-based money laundering is sometimes used to repatriate "profit" or to evade customs duties and other taxes. Misinvoicing is also used in illicit capital flows and value added tax (VAT) fraud. Some traders import counterfeit goods or smuggle goods to evade taxes. In most cases, smugglers transport goods into the country in small quantities, and Ghanaian authorities have no indication these smugglers have links to criminals seeking to launder the proceeds of narcotics trafficking or corruption. The Gulf of Guinea has also become a hotbed for drug activity, including smuggling using both small and large vessels. The Ghana Navy and Air Force are logistically constrained in their ability to patrol the country's territorial waters.

Regulations governing domestic and offshore banks are largely similar. Currently, no banks in Ghana provide offshore banking services. Ghana has designated four free trade zone (FTZ) areas, but the Tema Export Processing Zone is the only active FTZ. Ghana also licenses factories outside the FTZ areas as free zone companies; most produce garments and processed foods. They must export at least 70 percent of their output. The Ghana Free Zone Board and the immigration and customs authorities monitor these companies. There are identification requirements for companies, individuals, and their vehicles in the free zone; however, monitoring and due diligence procedures are lax.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, insurance and securities firms, casinos, auctioneers, notaries, lawyers, non-governmental organizations (NGOs), accountants, religious bodies, real estate developers, operators of games of chance, trust and company service providers and nominees, funds remitters and exchanges, dealers in motor vehicles, dealers in precious minerals and stones, savings and loan companies, investment firms, brokerage firms, finance houses, leasing companies, capital market operators, oil and gas dealers, real estate companies and agents, freight forwarders, timber operators, and mining companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 221: January 1 – August 31, 2015
Number of CTRs received and time frame: 1,712,604: January 1 – August 31, 2015
STR covered entities: Banks, discount houses, money remitters, finance companies, and money brokers; factors, project financiers and consultants, plant and equipment leasing firms; debt, investment, pension, and fund managers; private ledger services; export finance firms; lawyers, notaries, and accountants; religious bodies and NGOs; securities firms; insurance and real estate companies; auctioneers, dealers in cars and precious metals and stones; casinos; and trust and company service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: 3 in 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2015, Ghana continued to develop an AML/CFT national risk assessment. There are reports that, in comparison to previous years, lower-value money laundering cases are being successfully investigated and prosecuted, and a growing number of agencies are participating in the process. Most money laundering investigations are initiated using bank-reported data of suspicious transactions involving funds wired into Ghanaian accounts from foreign countries, and are not typically built off of existing criminal investigations. The number of suspicious transaction reports (STRs) filed by Ghanaian banks is small in comparison to the size of the banking sector.

Section 66 of the Economic and Organized Crime Act, 2010 provides for the sharing of assets with 'institutions of relevance' that were parties to the action that resulted in the seizure of property. The Ghanaian government interprets this section to include international partners.

The Government of Ghana should devote more resources to improving the government's technological security architecture and combating its cyber criminals. Ghana should continue to increase the amount of AML/CFT prosecutions in the country and intensify its focus on the broad array of financial crimes, not just email/romance fraud schemes. The government also should amplify collaboration among all AML/CFT stakeholders and ensure banks have the necessary awareness of reporting requirements to enable them to capture and report all suspicious transactions. Finally, Ghana should strengthen supervision in its securities and insurance sectors and establish an effective regime to monitor designated non-financial businesses and professions.

Gibraltar

Gibraltar, an overseas territory of the UK, is part of the EU. A November 2006 referendum resulted in constitutional reforms transferring powers exercised by the UK government to Gibraltar. Gibraltar has an international financial center, which is small internationally but large in comparison to its domestic economy. The financial services sector has strong ties to London, the Crown Dependencies, and other financial centers. The economy of Gibraltar also generates revenue from tourism, the service industry, and cruises.

Bordering Spain and near the north coast of Africa, Gibraltar is adjacent to known drug trafficking and human smuggling routes, but the territory is heavily policed on land and at sea due to the risk of these activities occurring within its borders or territorial waters. Gibraltar is exposed to money launderers located in drug producing centers in Morocco and drug consumption and distribution networks in Spain. With the establishment in southern Spain of organized criminal activities from Eastern Europe, there is potential for launderers to use Gibraltar as a base for money laundering. These risks are mitigated by the small coastline and effective policing. Border controls between Gibraltar and Spain also help deter potential money launderers wishing to use Gibraltar for their activities. Tobacco smuggling over the Gibraltar frontier has been a problem.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, mutual savings companies, insurance companies, financial consultants, investment businesses, postal services, exchange bureaus, attorneys, accountants, financial regulatory agencies, unions, casinos, lotteries, charities, car dealerships, yacht brokers, company formation agents, political parties, real estate agents, notaries, and dealers in gold bullion and high-value goods

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 521: January 1 – November 9, 2015

Number of CTRs received and time frame: Not applicable

STR covered entities: Any legal person, whether or not they conduct financial services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0: January 1 – December 2, 2015

Convictions: 0: January 1 – December 2, 2015

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Through a 2015 resolution of the Council of Europe, Gibraltar formally participates in the mutual evaluation procedures of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body, in November 2015. It has not yet had a mutual evaluation.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

As a part of the EU, Gibraltar is required to transpose all EU legislation. Gibraltar has a comprehensive range of AML/CFT laws. Tax evasion is considered a predicate offense for money laundering. The Proceeds of Crime Act of 2015, which received assent in August 2015 with an effective date of January 28, 2016, consolidates existing legislation on money laundering in Gibraltar and creates a single regime dealing with the recovery of money from drug offenses in the same manner as the recovery of money from other criminal conduct. It also introduces a new procedure enabling the seizure and confiscation of assets arising from any criminal conduct, even where no criminal proceedings are brought against anyone. The Act consolidates and updates procedures for tipping off; customer due diligence, including for the gaming industry; risk assessment; record-keeping; and guidance for dealing with politically exposed persons (PEPs).

In 2014, EU inspectors called on Spanish and UK authorities to clamp down on tobacco smuggling and money laundering over the Gibraltar frontier, citing allegations that illegal activity, including organized crime, is on the rise. According to reports, Gibraltar, with a population of less than 30,000, imported 117 million packets of cigarettes in 2013. Cigarettes in Gibraltar cost approximately half what they do in Spain.

Gibraltar, as a UK overseas territory, cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for Gibraltar's international affairs and may arrange for the ratification of any convention to be extended to Gibraltar. The UN Convention against Transnational Organized Crime was extended to Gibraltar in 2007. The 1988 UN Drug Convention was extended to Gibraltar in 2014. The UN Convention against Corruption and the International Convention for the Suppression of the Financing of Terrorism have not yet been extended to Gibraltar, although the legislation for such extension is in place.

The Financial Services Commission (FSC), a unified regulatory and supervisory authority for financial services, notes the increasing sophistication of money launderers. The FSC should continue to review regulatory and supervisory practices to keep pace with new developments. Gibraltar should continue to fully implement its new Proceeds of Crime Act of 2015.

Greece

Greece is a regional financial center for the Balkans, as well as a bridge between Europe and the Middle East. Official corruption, the presence of organized crime, and a large informal economy make the country vulnerable to money laundering and terrorist financing. Greek law enforcement proceedings show that Greece is vulnerable to narcotics trafficking, trafficking in persons, illegal migration, prostitution, smuggling of cigarettes and other contraband, serious fraud or theft, illicit gaming activities, and large scale tax evasion.

Evidence suggests financial crimes – especially tax related – have increased in recent years. Criminal organizations, some with links to terrorist groups, are trying to use the Greek banking system to launder illicit proceeds. Criminally-derived proceeds are most commonly invested in real estate, the lottery, and the stock market. Criminal organizations from southeastern Europe, the Balkans, Georgia, and Russia are responsible for a large percentage of the crime that generates illicit funds. The imposition of capital controls in June 2015 has limited, but not halted, the widespread use of cash, which facilitates a gray economy as well as tax evasion, although the government is trying to crack down on both trends. The government is working to establish additional legal authorities to combat tax evasion. Due to the large informal economy, it is difficult to determine the value of goods smuggled into the country, including whether any of the smuggled goods are funded by narcotic or other illicit proceeds.

Greece has three free trade zones (FTZs), located in the Heraklion, Piraeus, and Thessaloniki port areas. Goods of foreign origin may be brought into the FTZs without payment of customs duties or other taxes and remain free of all duties and taxes if subsequently transshipped or re-exported. Similarly, documents pertaining to the receipt, storage, or transfer of goods within the FTZs are free from stamp taxes. The FTZs also may be used for repacking, sorting, and re-labeling operations. Assembly and manufacture of goods are carried out on a small scale in the Thessaloniki Free Zone. These FTZs may pose vulnerabilities for trade-based and other money laundering operations.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks; credit companies, electronic money institutions, financial leasing and factoring companies; money exchanges and postal companies acting as intermediaries for funds transfers; stock brokers, investment services firms (including portfolio investment and venture capital), and collective and mutual funds; life insurance companies and insurance intermediaries; chartered accountants, auditors, and audit firms; tax consultants, tax experts, and related firms; real estate agents and companies; casinos and gambling enterprises (including internet casinos); auctioneers, dealers in high-value goods and pawnbrokers; notaries, lawyers, and trust and company service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 5,198: January 1 – November 11, 2015

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks; credit companies, electronic money institutions, financial leasing and factoring companies; money exchanges and postal companies acting as intermediaries for funds transfers; stock brokers, investment services firms (including portfolio investment and venture capital), and collective and mutual funds; life insurance companies and insurance intermediaries; chartered accountants, auditors, and audit firms; tax consultants, tax experts, and related firms; real estate agents and companies; casinos and gambling enterprises (including internet casinos); auctioneers, dealers in high-value goods and pawnbrokers; notaries, lawyers, and trust and company service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 328: January 1 – November 11, 2015

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Greece is a member of the FATF. Its most recent mutual evaluation can be found at: http://www.fatf-gafi.org/countries/d-i/greece/

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Austerity measures in the budget have affected all government agencies, including the financial intelligence unit (FIU). However, the FIU has limited, yet sufficient financial resources to ensure it is able to fulfill its responsibilities and that its powers are in line with international standards. The agency is currently in the process of upgrading its IT software and hardware. Once Greece transposes into law the EU's new AML directive, the government will be required to take several implementation steps on politically exposed persons (PEPs), the registry of beneficial owners, and the preparation of a National Risk Assessment. It is unclear whether the Ministry of Justice has enough resources available to deal with money laundering or terrorism financing cases.

Greece has obtained opinions from legal experts who deem it is not possible to implement corporate criminal liability in Greece because it is contrary to fundamental principles of the Greek civil law legal system. Greece has determined this opinion is sufficient and will not take any further action. However, many civil law countries have introduced corporate criminal liability.

Capital controls have not affected the quality of suspicious transactions reports (STRs) banks submit to the FIU. However, capital controls have increased procedural requirements for bank compliance officers. Greece has not adopted a system for reporting large currency transactions. Greece requires transactions above €1,500 (approximately $1,650) be executed with credit cards, checks, or cashier's checks, and all business-to-business transactions in excess of €1,500 (approximately $1,650) be carried out through checks or bank account transfers. All credit and financial institutions, including payment institutions, also must report on a monthly basis all transfers of funds abroad executed by credit card, check, or wire transfer. Transfers in excess of €100,000 (approximately $110,040) are subject to examination.

Greece should explicitly abolish company-issued bearer shares. It also should continue to deter the smuggling of currency across its borders. The government should ensure companies operating within its FTZs are subject to the same level of enforcement of AML/CFT controls as other sectors. Greece should make legal persons subject to criminal sanctions for money laundering. The government should ensure domestic PEPs are also subject to enhanced due diligence, ensure designated non-financial businesses and professions are adequately supervised and subject to the same reporting requirements as financial institutions, and work to bring charitable and nonprofit organizations under the AML/CFT regime. While the AML/CFT law contains provisions allowing for civil asset forfeiture and the Greek authorities make use of the relevant legislation, Greece should take steps to ensure a more effective confiscation regime. Greece also should develop procedures for the sharing of seized assets with third party jurisdictions that assist in the conduct of investigations.

Grenada

Grenada's geographic location in the Caribbean places it in close proximity to drug shipment routes from South America to the United States and Europe, but it is not a regional financial center. As a transfer point, money laundering in Grenada is principally related to smuggling and narcotics trafficking by local organized crime rings. Illegal proceeds are typically laundered through a variety of businesses, as well as through the purchase of real estate, boats, jewelry, and cars.

Although offshore banking and trust companies and international business companies are permitted, there are no offshore banks or trust companies in Grenada. Additionally, no casinos or internet gaming sites are in operation. The International Companies Act regulates the establishment and management of international companies in Grenada and requires registered agents to maintain records of the names and addresses of company directors and beneficial owners of all shares. Bearer shares are not permitted. There are no free trade zones in Grenada.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Commercial, investment, and merchant banks and building societies; trusts and trust companies; insurance companies; registered agents; exchange bureaus, money and funds remitters, and postal courier services; credit unions; lending, factoring, and forfeiting firms; check cashing services; financial leasing; venture risk capital; issuers and administrators of means of payment; guarantors; investment and funds traders, advisors, and underwriters; bullion dealers; financial intermediaries; custody services; asset management services; company formation and management services; collective investment schemes and mutual funds; real estate agents; casinos, internet gaming, pool betting, and lottery agents; lawyers, accountants, and notaries

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 102 in 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Commercial, investment, and merchant banks and building societies; trusts and trust companies; insurance companies; registered agents; exchange bureaus, money and funds remitters, and postal courier services; credit unions; lending, factoring, and forfeiting firms; check cashing services; financial leasing; venture risk capital; issuers and administrators of means of payment; guarantors; investment and funds traders, advisors, and underwriters; bullion dealers; financial intermediaries; custody services; asset management services; company formation and management services; collective investment schemes and mutual funds; real estate agents; casinos, internet gaming, pool betting, and lottery agents; lawyers, accountants, and notaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 5 in 2015

Convictions: 5 in 2015

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

Grenada is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid= 345&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2014, the office of the Attorney General, the Royal Grenada Police Force, Chambers of the Director of Public Prosecution, Customs and Excise, Inland Revenue Department, Grenada Airports Authority, Grenada Postal Corporation and the Financial Intelligence Unit joined to form a Technical Working Group focusing on cooperation and coordination in AML/CFT efforts.

Grenada passed the Proceeds of Crime Amendment in April 2014, which effectively codifies non-conviction-based asset confiscation. Grenada should begin filing cases under this amendment.

Grenada became a party to the UN Convention against Corruption on April 1, 2015.

Guatemala

Guatemala is not considered a regional financial center. It continues to be a transshipment route for South American cocaine and heroin destined for the United States, and for cash returning to South America. Smuggling of synthetic drug precursors is also a problem. Reports suggest the narcotics trade is increasingly linked to arms trafficking.

Historically weak law enforcement agencies and judiciary, coupled with endemic corruption and increasing organized crime activity, contribute to a favorable climate for significant money laundering in Guatemala. However, beginning in April 2015 numerous corruption cases at the highest levels have shed a new light on money laundering, launched new criminal investigations, and forced a sitting president, vice president, and other leading lawmakers to resign and await criminal trials from prison. The scandal known as “La Linea” involved trade-based money laundering and customs fraud; importers paid millions of dollars in bribes to avoid huge customs tax payments.

With the “La Linea” corruption scandal acting as a catalyst, the UN-backed anti-impunity body, the International Commission against Impunity in Guatemala (CICIG), and the Public Ministry turned their attention toward pursuing more regional politicians who have long enjoyed impunity, despite multiple accusations of malfeasance. In a 2015 report, the CICIG asserts that Guatemala’s political parties derive half of their financing from corruption or from criminal groups. Politicians create corrupt networks sourcing illicit funds from kickbacks, bogus public works contracts, and occasional alliances with local drug traffickers. Over the last few decades,

organized crime groups – particularly those involved with narcotics trafficking – have infiltrated politics through money and violence. Meanwhile, wealthy elites and businesses have privately financed candidates and political parties to gain access to public resources and pursue special interests. Money collectors the CICIG calls "recaudadores" are responsible for handling dirty money within these networks, in order to influence both local and national politics.

According to law enforcement agencies, narcotics trafficking, corruption, and extortion are the primary sources of money laundered in Guatemala; however, the laundering of proceeds from other illicit activities, such as human trafficking, firearms, contraband, kidnapping, tax evasion, and vehicle theft, is substantial. Money laundering occurs in the real estate sector, ranching, and concert business. Law enforcement agencies report money laundering occurs via groups of air travelers heading to countries, such as Panama, with slightly less than the amount of the Guatemalan reporting requirement ($10,000), and through a large number of small deposits in banks along the Guatemalan border with Mexico. In addition, lax oversight of private international flights originating in Guatemala provides an additional avenue to transport bulk cash shipments directly to South America.

Guatemala's geographic location makes it an ideal haven for transnational organized crime groups, including human and drug trafficking organizations. The Central America Four Border Control Agreement among El Salvador, Guatemala, Honduras, and Nicaragua allows for free movement of the citizens of these countries across their respective borders without passing through immigration or customs inspection. As such, the agreement represents a vulnerability to each country for the cross-border movement of contraband, trafficked persons, and illicit proceeds of crime. As a result of this agreement, Guatemalan customs officials are not requiring travelers crossing their land border to report cash in amounts greater than $10,000, as required by law.

There is a category of "offshore" banks in Guatemala in which the customers' money (usually Guatemalans with average deposits of $100,000) is legally considered to be deposited in the foreign country where the bank's head office is based. In 2014, there were six "offshore" entities, with head offices in Panama, the Bahamas, Barbados, and Puerto Rico. These "offshore" banks are subject to the same AML/CFT regulations as any local bank. Guatemala has 17 active free trade zones (FTZs). FTZs are mainly used to import duty-free goods utilized in the manufacturing of products for exportation, and there are no known cases or allegations that indicate the FTZs are hubs of money laundering or drug trafficking activity. A significant number of remittances are transferred through money service businesses and may be linked to the trafficking of persons.

Casinos are currently unregulated in Guatemala and a number of casinos, games of chance, and video lotteries operate, both onshore and offshore. Unregulated gaming activity presents a significant money laundering risk.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks and offshore banks; credit unions; finance, factoring, and leasing companies; bonded warehouses; credit card companies, cooperatives, issuers, or payment agents; stock brokers; insurance companies; Institute of Insured Mortgages; money remitters and exchanges; pawn brokers; public accountants and auditors; raffles and games of chance; nonprofit entities; dealers in precious metals and stones, motor vehicles, and art and antiquities; real estate agents, lawyers, notaries, and other independent legal professionals; and churches that receive funds from the Government of Guatemala

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,013: January 1 - October 31, 2015
Number of CTRs received and time frame: 8,194,138: January 1 - September 30, 2015
STR covered entities: Banks and offshore banks; credit unions; bonded warehouses; finance, factoring, and leasing companies; credit card companies, cooperatives, issuers, or payment agents; stock brokers; insurance companies, brokers, and independent agents; Institute of Insured Mortgages; money remitters and exchanges; pawn brokers; public accountants and auditors; raffles and games of chance; nonprofit entities; dealers in precious metals and stones, motor vehicles, and art and antiquities; real estate agents; armoring services and rental of armored vehicles; providers of fiscal domicile and other corporate services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 41: January 1 – November 13, 2015
Convictions: 41: January 1 – November 13, 2015

RECORDS EXCHANGE MECHANISM:

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

Guatemala is a member of both the Caribbean Financial Action Task Force (CFATF) and the Financial Action Task Force of Latin America (GAFILAT), FATF-style regional bodies. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=344&Itemid=418&lang=en.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

As a result of the "La Linea" corruption scandal, banks are increasingly facing pressure and fines for failing to complete suspicious transaction reports, in some cases allegedly directly linked to money laundering activities and customs fraud. However, fines for irregular bank activities are small. Additionally, the Special Verification Agency (IVE), which is the Guatemalan financial

intelligence unit, and banks themselves are taking a more careful look at bank transfers. The IVE is also looking into money wiring services for suspicious activities.

Recent multiple arrests for corruption and more aggressive law enforcement appear to be bringing down the levels of illicit cash moving through the international airport in Guatemala City. The recent appointment of a full-time prosecutor assigned to the airport has helped in these efforts. Additionally, there is a special police unit that works at the airport 24/7. There is no indication of terrorist financing activities.

A 2010 regulation establishes limits for cash deposits in foreign currency. According to law enforcement authorities, banks' purchases of foreign currency declined 6.8 percent in 2014 and 6.9 percent during the first nine months of 2015 in relation to the same period in the previous year. Structuring of transactions to avoid cash reporting requirements is not against the law in Guatemala.

Guatemala's AML law does not cover all designated non-financial businesses and professions (DNFBPs) included in international standards, in particular, lawyers. Notaries are covered under the CFT law, but no implementing procedures have been adopted for them. Under the CFT law, STR filing is optional for notaries. Reportedly, covered entities expressed fear that there may be repercussions if they file reports. Tipping off is not criminalized.

Although staffing of the IVE has increased over the last several years, as has the number of filed Suspicious Transaction Reports (STRs), there are still relatively few convictions for money laundering, most of which are for illegal transport of cash. The limited capacity and number of both law enforcement officials and Public Ministry, i.e., the Attorney General's Office (AGO), staff may hamper these authorities from enforcing the law and successfully prosecuting more cases. Furthermore, the AGO has too many cases and no case management system, leading to a lack of prioritization and years-long backlog of cases and seized assets. Currently, $15.1 million of seized cash sits in a vault at the Public Ministry, related to cases dating back to 2008.

The Government of Guatemala should put into force a gaming law to regulate the industry and reduce money laundering. A draft gaming law has been under consideration by Congress for the last few years. Guatemala should amend its AML/CFT legislation to criminalize structuring of transactions and tipping off, cover all applicable DNFBPs, and protect filers of STRs from liability. The Government of Guatemala should continue its efforts to shed light on entrenched corruption and investigate and prosecute organized criminal groups and others that attempt to exert control over politicians and political parties via tainted funds.

Guernsey

The Bailiwick of Guernsey (the Bailiwick) encompasses a number of the Channel Islands (Guernsey, Alderney, Sark, and Herm). As a Crown Dependency of the UK, it relies on the UK for its defense and international relations. While Alderney and Sark have their own separate parliaments and civil law systems, Guernsey's parliament legislates in matters of criminal justice for all of the islands in the Bailiwick. Guernsey is a financial center, and as such, there is a risk that proceeds of crime will be invested in or pass through the Bailiwick. In terms of volume, most criminal proceeds arise from foreign predicate offenses; domestic criminal activity, such as

drug trafficking, yields the highest overall number of money laundering cases. The principal area of concern or vulnerability remains the risk of abuse of the financial sector to launder the proceeds of overseas criminal activity, primarily financial crimes.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, lending firms, financial instrument issuers and managers, and money service businesses; insurance companies and intermediaries; investment firms and funds; safekeeping and portfolio management services; trust and company service providers; lawyers, accountants, notaries, and estate agents; dealers of precious metals and stones; and e-gaming services

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 693 in 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: All businesses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 3 in 2015
Convictions: 3 in 2015

RECORDS EXCHANGE MECHANISM:

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

Through a resolution of the Council of Europe, Guernsey formally participates in the mutual evaluation procedures of the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Guernsey_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Guernsey's comprehensive AML/CFT legal framework provides a basis for an effective AML/CFT regime, and remaining shortcomings are technical in nature. While no weaknesses

have been identified in the legal framework, concerns remain with respect to the implementation of the money laundering provisions. Given the size of the Bailiwick's financial sector and its status as an international financial center, the modest number of cases involving money laundering and the small number of money laundering convictions raise questions concerning the effective application of money laundering provisions.

The Bailiwick has been actively involved in the provision of formal mutual legal assistance for many years. The legal framework provides an ability to freeze and confiscate assets in appropriate circumstances. A formal asset sharing agreement between Guernsey and the U.S. Department of Justice was signed in February 2015.

Guernsey is a Crown Dependency and cannot sign or ratify international conventions in its own right unless entrusted to do so. Rather, the UK is responsible for the Bailiwick's international affairs and, at Guernsey's request, may arrange for the ratification of any convention to be extended to the Bailiwick. The UK's ratification of the 1988 UN Drug Convention was extended to include the Bailiwick in 2002; its ratification of the UN Convention against Corruption was extended to include Guernsey in 2009; its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to Guernsey in 2008; and its ratification of the UN Convention against Transnational Organized Crime was extended to include Guernsey in 2014.

Guinea

The lack of record-keeping, weak law enforcement, corruption, and the informal, cash-based economy in Guinea provide a fertile environment for money laundering and its predicate offenses. The situation is made more complex by the Economic Community of West African States' principle of free movement of persons and goods. The country's openness to the sea and the existence of a large seaport provide a major economic opportunity but also constitute risks that should be addressed by the authorities. With the 2015 presidential elections completed and the Ebola epidemic in Guinea winding down, the government is turning its attention to economic expansion and rule of law.

The number of unauthorized currency dealers that resist government measures against unlicensed operators continues to grow. Guinea has an extensive black market for smuggled goods, which includes illegal drugs trafficked from Guinea-Bissau and Sierra Leone. The Port of Conakry is also used as a way-point between drug suppliers in South America and consumers in Europe. The Guinean customs office, for example, reported its participation in the interdiction of 71 kilos of cocaine headed for Spain in 2015. Local officials believe the sale of counterfeit U.S. currency in Guinea involves money laundering. It is estimated that 80 percent of the pharmaceutical drugs sold in the region are counterfeit, although the government has recently undertaken efforts to address this out of concern for public safety.

Reportedly, certain segments of the large Lebanese expatriate community launder the proceeds of outside criminal activity by purchasing or constructing buildings in Guinea for immediate sale. Other money laundering methods used in Guinea include the purchasing of diamonds or gold for resale. Stolen cars from the United States are often destined for West African markets, including Guinea. Due to limited law enforcement capacity, Guinean authorities struggle to

determine the nexus between illicit funds and criminal organizations, and possible links to terrorism financing.

Guinea is plagued by misappropriation of public funds; however, there are no investigations that have connected corrupt Guinean officials with laundering activities. Most illicit funds are transferred via a widespread and well established network of money transfer agents operating out of local markets.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: The Public Treasury, Central Bank, banks, currency exchanges and money remitters, microfinance institutions, insurance companies, the post office, real estate and travel agencies, auditors, service companies, cash couriers, non-governmental organizations (NGOs), lawyers, independent legal advisors, accountants, brokers, dealers, casinos, dealers in precious metals and stones, and notaries

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 5: May – December, 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: The Public Treasury, Central Bank, banks, currency exchanges and money remitters, microfinance institutions, insurance companies, the post office, real estate and travel agencies, auditors, service companies, cash couriers, NGOs, lawyers, independent legal advisors, accountants, brokers, dealers, casinos, dealers in precious metals and stones, and notaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although Guinea has criminalized money laundering, the Guinean government does not consider money laundering and drug trafficking to be high-priority issues. A law criminalizing terrorism financing was passed by the National Assembly in May 2014 and went into effect in 2015. It was the first law passed by the National Assembly, Guinea's first democratically-elected legislature. The counter-terrorism financing law was passed unanimously. In 2015, the Ministry of Finance sponsored publication of an AML/CFT action plan.

Many types of entities are covered under the AML law, but its reporting and customer due diligence requirements are neither fully implemented nor properly enforced; and many covered entities are not subject to comprehensive supervision or regulation. The only financial reporting that occurs is between local banks and the Central Bank of Guinea.

Guinea lacks the resources necessary for the proper surveillance of its porous borders. Although some controls exist for cross-border currency tracking, they relate only to customs fraud. Customs officials have no authority to enforce AML/CFT controls, and there is no central electronic database to record reported cross-border currency movements.

The CENTIF, Guinea's financial intelligence unit, was established in 2013. The CENTIF committee members include representatives of the Ministry of Economy and Finance, police, Ministry of Justice, Ministry of Security and Civil Protection, Customs, and the Central Bank. Backed by a $2.8 million budget allocation, the CENTIF's action plan for 2015-2017 is focused on building capacity and developing a national strategy. In addition to purchasing vehicles and equipment, the action plan calls for the training of CENTIF personnel, their counterparts, and "at risk occupations." The majority of the action plan's budget is not earmarked and the actual destination of the remaining funds is yet to be determined. As of November 2015, CENTIF has an operating budget of approximately $135,500.

Guinea's autonomous Anti-Corruption Agency (ANLC) reports directly to the president and is currently the only state agency focused solely on fighting corruption. However, it has been largely ineffective in its role with only two cases prosecuted, with no convictions, in 2014. The ANLC previously received anonymous tips from a hotline concerning possible corruption cases. However, the hotline has not functioned since February 2014 and during the past two years there have been no prosecutions as a result of these tips. In addition, no successor has yet been named following the 2014 death of the last director. The ANLC building requires renovation to adequately accommodate ANLC staff, and the ANLC reportedly lacks a discrete budget.

In August 2014, Senegalese Customs officials seized the equivalent of $20 million in Guinean francs at the international airport in Dakar when it was being transferred from a flight from Conakry to a flight going to Dubai. Guinea's Central Bank claimed the transfer was authorized and routine. However, the seizure was widely covered by the media and a full explanation concerning the currency transfer has not been given. Corruption within the judiciary, funding shortages, and ineffective law enforcement make it difficult for Guinea to cooperate fully with

foreign governments to combat financial crime. Guinea has been cooperative with U.S. law enforcement efforts.

The Government of Guinea should take action to deter and prosecute corruption. Guinea has laws to criminalize money laundering and terrorism financing but it must now devote the necessary resources to implement and enforce these laws. Although Guinea has a tipping off provision, it only applies to the subject of an STR; it should be expanded to apply to disclosure to any third person. The government has made strides to staff and train the CENTIF, but it remains to be seen if the new office will have the capacity and political capital to enforce its mandate.

Guinea-Bissau

Guinea-Bissau entered its second year of constitutional democratic governance in 2015. After months of simmering political tensions between the president and prime minister, the president dismissed the prime minister in August. The country remained without a government until October, when the president approved a slate of ministers (the majority from the previous government) submitted by the new prime minister. The current Government of Guinea-Bissau has once again committed itself to continue a program of security, judicial, and financial reform and has sought and received assistance from international partners.

Despite these initial efforts on the part of the Bissau-Guinean government, the conditions that led to the labeling of Guinea-Bissau as a “narco-state” persist. The offshore location, lack of government presence, and inability to monitor shipping traffic of the 88 islands that make up the Bijagos Archipelago, combined with a military that is complicit in narcotics trafficking and is largely able to sidestep the authority of the civilian government with impunity, continue to make the country a favorite transshipment center for narcotics. Drug proceeds, often in U.S. dollars, circulate in Guinea-Bissau, albeit outside the formal financial system. Drug barons from Latin America and their collaborators from the region and elsewhere have taken advantage of Guinea-Bissau’s extreme poverty, unemployment, history of political instability, lack of effective customs and law enforcement, and general insecurity to transship drugs destined for consumer markets, mainly in Europe. The value of the illicit narcotics trade in Guinea-Bissau, one of the poorest countries in the world, is much greater than its legitimate national income. Using threats and bribes, drug traffickers have been able to infiltrate state structures and operate with impunity.

The formal financial sector is undeveloped, poorly supervised, and dwarfed by the size of the unregulated economy. The cohesion and effectiveness of the state itself remain very poor, despite the beginning of the new government’s efforts to initiate reforms. Corruption is a major concern and the judiciary has reportedly demonstrated a lack of integrity on a number of occasions. Many government offices, including the justice ministry, lack the basic resources, such as electricity, they require to function. The government generally lacks effective financial management systems.

On May 18, 2012, the UNSC adopted resolution 2048 imposing a travel ban on five Bissau-Guinean military officers in response to their seizure of power from the civilian government in April 2012. On May 31, 2012, the EU followed with a travel ban and freezes on the assets of the military junta members. On April 8, 2010, the United States Department of the Treasury

designated two Guinea-Bissau-based individuals, former Bissau-Guinean Navy Chief of Staff José Américo Bubo Na Tchuto and Air Force Chief of Staff Ibraima Papa Camara, as drug kingpins, thereby prohibiting U.S. persons from conducting financial or commercial transactions with those individuals and freezing any assets they may have under U.S. jurisdiction. The U.S. Drug Enforcement Administration arrested Na Tchuto in 2013. Combined with a police history of seizing only modest quantities of drugs in recent years, the arrest of Na Tchuto and the outstanding arrest warrant issued from United States District Court, Southern District of New York against General Antonio Indjai, then Chief of The Guinea-Bissau Armed Forces, underscore the extent of complicity with drug trafficking at the highest levels of government. The September 2014 dismissal of Indjai by President Vaz was a positive indicator of increasing civilian authority over the military that, as noted above, has engaged in high-level drug trafficking activity with impunity. Camara continues as Air Force Chief of Staff and as a key advisor to President Vaz as member of the Council of State.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, microfinance institutions, exchange houses, securities broker/dealers and firms, insurance companies, casinos, charities, nongovernmental organizations (NGOs), lawyers, accountants, and notaries

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks; microfinance institutions, exchange houses, securities firms, insurance companies, casinos, brokerages, charities, NGOs, lawyers, accountants, notaries, and broker/dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0
Convictions: 0

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Guinea-Bissau is not in full compliance with international standards and accords against money laundering and terrorism financing because of inadequate resources, weak border controls, under-resourced and understaffed police, competing national priorities, and historically low political will. The formal financial sector in Guinea-Bissau is undeveloped and poorly supervised; and the financial intelligence unit (FIU) is only partially functional, owing in part to the lack of resources, analytical staff, and technical equipment, among many other issues.

Guinea-Bissau has yet to criminalize most of the designated predicate offenses and lacks adequate legal provisions for the conduct of customer due diligence procedures. Article 26 of National Assembly Resolution No. 4 of 2004 stipulates that if a bank suspects money laundering it must obtain a declaration of all properties and assets from the subject and notify the Attorney General, who must then appoint a judge to investigate. The bank's solicitation of an asset list from its client could amount to informing the subject of an investigation. In addition, banks are reluctant to file STRs for fear of alerting the subject because of allegedly indiscrete authorities. There is no record of investigations, prosecutions, or convictions for the offense of money laundering. Although the law establishes asset forfeiture authorities and provides for the sharing of confiscated assets, a lack of coordination mechanisms to seize assets and facilitate requests for cooperation in freezing and confiscation from other countries may hamper cooperation. Guinea-Bissau has established an inter-ministerial committee to review administrative freezing decisions. Guinea-Bissau has a legal framework for freezing terrorist assets pursuant to UNSCRs 1267 and 1373, but there appear to be unnecessary delays in the notification and freezing process that should be eliminated.

Guinea-Bissau should domesticate and implement the Anti-Money Laundering Uniform Law, a legislative requirement for members of the West African Economic and Monetary Union (WAEMU) which was adopted in July 2015. Further, Guinea-Bissau should continue to improve the coordination of efforts at the national, sub-regional, regional, and international levels; reform the country's institutions; and conduct further internal investigations to gain an accurate understanding of the scale of the money laundering/terrorist financing threat. Guinea-Bissau should continue to work with its bilateral and regional partners to establish and implement an effective AML/CFT regime, including by criminalizing outstanding predicate offenses to money laundering, criminalizing the provision of funds to an individual terrorist for any purpose, examining the feasibility and usefulness of a currency transaction disclosure system, implementing its regulations on the cross-border movement of cash and bearer negotiable instruments, and developing a national system for the compilation of comprehensive statistics. Guinea-Bissau also should ensure the sectors covered under the AML law have implementing regulations and competent supervisory authorities. It should implement fully its terrorism financing law, recruit technical staff for its FIU, and ensure the FIU's operational independence. It should work to improve the training and capacity of its police, prosecutors, and judiciary to combat crimes. Guinea-Bissau also should undertake efforts to eradicate systemic corruption.

Guyana

Historically weak law enforcement and judiciary systems, coupled with endemic corruption and organized crime activity, contribute to a favorable climate for significant money laundering in Guyana. Although narcotics trafficking and corruption are alleged to be the primary sources of laundered funds, the laundering of proceeds from other illicit activities, such as human trafficking, contraband, kidnapping, gold smuggling, tax evasion, and vehicle theft, is substantial.

Guyana is neither an important regional or offshore financial center, nor does it maintain any free trade zones. Guyana's geographic location makes it an ideal haven for transnational organized crime groups, including human and drug trafficking organizations. It continues to be a transshipment route for South American cocaine and heroin destined for the United States and for cash returning to South America. Smuggling of the precursors to methamphetamine is also a problem. In addition, there are reports indicating the narcotics trade may be linked to arms trafficking involving Europe and the Western Hemisphere.

There is a culture of using informal networks to move money between Guyana and the diaspora. For example, it is common to use cash couriers or informal familial networks to move large sums of money. Unregulated exchange houses pose a risk as they also are used both for the exchange of currency and to transfer funds to and from the diaspora. Finally, casinos are legal in Guyana and may pose a risk for money laundering. Guyana has only one casino.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, lending institutions, and microfinance entities; financial leasing entities; money transfer and exchange services; pawn brokers; guarantors and underwriters; traders of foreign exchange, futures, options, and securities; financial advisers; money brokers; credit unions; portfolio managers and administrators; gaming centers and lotteries; insurance entities; venture risk capital; trusts or company service providers; legal professionals; real estate agents; dealers in precious metals and stones; and registered charities

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available
STR covered entities: Banks, lending institutions, and microfinance entities; financial leasing entities; money transfer and exchange services; pawn brokers; guarantors and underwriters; traders of foreign exchange, futures, options, and securities; financial advisers; money brokers; credit unions; portfolio managers and administrators; gaming centers and lotteries; insurance entities; venture risk capital; trusts or company service providers; legal professionals; real estate agents; dealers in precious metals and stones; and registered charities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 0
Convictions: 0

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

Guyana is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php/member-countries/d-m/guyana

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2014, after the CFATF issued a public statement declaring Guyana a money laundering and terrorist financing risk to the international financial system, the government created an action plan to address noted deficiencies and, in mid-2015, passed amendments to update its AML/CFT legislation to include a definition of beneficial ownership, broaden the definitions of terrorist financing and property subject to confiscation, and establish procedures for the freezing of assets under UNSCR 1267 and 1373 and the handling of delisting requests. There have been no prosecutions under this legislation.

Historically, the Government of Guyana was highly centralized and hierarchical, with significant decisions requiring presidential or cabinet approval. Although policymakers have stated their intention to decentralize decision-making, the working-level bureaucracy generally does not exercise individual discretion. This situation slows money laundering investigations. Although existing AML/CFT legislation gives the financial intelligence unit (FIU) authority to investigate alleged money laundering and terrorism financing, the FIU does not normally carry out investigations, but rather functions as a clearing house for intelligence, passing information to other law enforcement bodies to conduct investigations. Per 2009 AML/CFT legislation, tipping off is criminalized.

The Special Organized Crime Unit (SOCU), established in June 2014, investigates suspected money laundering crimes and prosecutes persons suspected of terrorism and financial offenses. While the unit has launched a number of investigations into financial crimes, none have yet yielded prosecutions under the AML legislation.

According to the National Resources Minister, about 15,000 ounces of gold are smuggled weekly from Guyana. Gold, one of the largest foreign currency earners for the country, earned

approximately $500 million in 2015. There are indications that smuggled gold, generally originating from small and medium size mining operations, is primarily going to Brazil, Europe, the United States, and Middle Eastern countries. Gold has also been used as a favored commodity in various trade-based money laundering techniques. U.S. law enforcement agencies are helping Guyanese authorities to investigate gold smuggling operations.

The Government of Guyana should designate the relevant authority responsible for asset forfeiture to implement fully Guyana's existing asset forfeiture laws. Guyana should increase its efforts to implement its AML/CFT action plan and legislation and raise the awareness and understanding of AML/CFT laws and practices within the judicial system and in agencies with the authority to investigate financial crimes. Suspicious activity reporting, wire transfers, and customer due diligence regulations should be strengthened; an adequate supervisory framework for reporting entities should be implemented; and additional resources should be extended to the FIU and SOCU.

Haiti

Haitian criminal gangs are engaged in international drug trafficking and other criminal and fraudulent activity, but do not appear to be involved in terrorist financing. While Haiti itself is not a major financial center, regional narcotics and money laundering enterprises utilize Haitian couriers, primarily via maritime routes. Much of the drug trafficking in Haiti, as well as the related money laundering, is connected to the United States. Further, most of the identified money laundering schemes involve significant amounts of U.S. currency held in financial institutions outside of Haiti or non-financial entities in Haiti, such as restaurants and other small businesses. A great majority of property confiscations to date have involved significant drug traffickers convicted in the United States. Illicit proceeds are also generated from corruption, embezzlement of government funds, smuggling, counterfeiting, kidnappings for ransom, illegal emigration and associated activities, and tax fraud.

Foreign currencies comprised 59.77 percent of Haiti's bank deposits in August 2015, according to the Haitian Central Bank, a 2.98 percent increase from a year earlier. The weakness of the Haitian judicial system and prosecutorial mechanism continue to leave the country vulnerable to corruption and money laundering, despite improving financial intelligence and enforcement capacity.

Haiti has two operational free trade zones in Ouanaminthe and Carrefour. There are at least 62 casinos in Haiti, the majority unlicensed. Online gaming is illegal.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks, casinos, securities dealers, insurance companies, notaries and attorneys, dealers in jewelry and precious metals, art dealers, real estate agents, automobile dealers, and money remittance institutions

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

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

Haiti is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php/member-countries/d-m/haiti

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Haiti continues to take steps, such as training staff and coordinating with the nation's banks, to implement a new AML/CFT regime based on legislation passed in 2013. Implementation of the law is in its early stages. Similarly, in May 2014, the Executive signed a long-delayed anti-corruption bill. After years of delay, the bill's passage constitutes a positive step to try to address public corruption. Implementation issues remain. Frequent changes in leadership, fear of reprisal at the working level, rumored intervention from the Executive, and a lack of judicial follow-through (prosecutions) make implementation particularly difficult.

The country's financial intelligence unit (FIU), the UCREF, has continued to build its internal capabilities and to do effective casework. The UCREF has fifteen open cases but has not forwarded any cases to the judiciary in 2015. Continued issues in the judicial sector mean the UCREF's progress is not yet reflected in conviction rates. Once a case is received an investigating judge has two months from the arrest date to compile evidence, but there is no limit to the timeframe to schedule court dates, communicate with investigating agencies and prosecutors, and track financial data.

The government remains hampered by ineffective and outdated criminal codes and criminal procedural codes, and by the inability or unwillingness of judges and courts to address cases referred for prosecution. Draft criminal and criminal procedural codes that would address these problems were recently completed by a presidential commission. The codes will be reviewed based on input from judicial authorities throughout Port-au-Prince. The codes must receive the commission's approval before they go to Parliament for approval.

Haiti should adopt the draft criminal and criminal procedural codes to address noted deficiencies. The government should continue to devote resources to building an effective AML/CFT regime, to include continued support to units charged with investigating financial crimes and the development of an information technology system. The 2013 AML/CFT law, despite strengthening the regulatory framework to combat financial crimes, undermines the independence and effectiveness of Haiti's FIU. Haiti also should take steps to establish a program to identify and report the cross-border movement of currency and financial instruments. Casinos and other forms of gaming should be regulated and monitored. The Government of Haiti should take steps to combat pervasive corruption at all levels of Haitian government and commerce.

Holy See (Vatican City)

The Holy See is an atypical government, being simultaneously the supreme government body of the Catholic Church and a sovereign entity under international law. It operates from Vatican City State, a 0.44 square kilometer (0.17 square mile) territory created to provide a territorial basis for the Holy See. The Institute for Works of Religion (IOR) performs functions similar to those of a bank, so the IOR is commonly referred to as the "Vatican Bank." However, unlike a normal bank, the IOR does not loan money, its accounts do not collect interest, and the IOR does not make a profit for shareholders or owners. Rather, the IOR acts as a clearinghouse for Vatican accounts, moving funds from Catholic Church sources to Catholic Church destinations. Approximately 15,000 customers have accounts in the IOR; most of the clients are religious orders, Vatican employees, and clergy, including bishops.

There is virtually no market for illicit or smuggled goods in Vatican City, and there are no indications that trade or drug-based money laundering occurs in the jurisdiction. There are no indications of any ties to terrorism financing activity. The population of Vatican City, around 800, consists almost entirely of clergy (Holy See officials), the Swiss Guard, and members of religious orders.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: All institutions, entities, or persons dependent on the Holy See, including departments of the Roman Curia and the IOR that perform financial activities on a

professional basis, as well as nongovernmental organizations (NGOs), religious orders, convents, monasteries, charities, men and women religious, and diplomats assigned to the Holy See

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 329 in 2015
Number of CTRs received and time frame: Not available
STR covered entities: All institutions, entities, or persons dependent on the Holy See, including departments of the Roman Curia and the IOR that perform financial activities on a professional basis, as well as NGOs, religious orders, convents, monasteries, charities, men and women religious, and diplomats assigned to the Holy See

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Vatican continues to make progress on improving its AML/CFT procedures. Key reforms governing three Vatican oversight bodies instituted by Pope Francis in 2014 came into effect on March 1, 2015. The system's structure consigns supreme authority to the Pope, under whose leadership is the head of the Council for the Economy, which instructs the Secretariat for the Economy, which in turn monitors activities of the dicasteries (Vatican departments) and other Vatican agencies while funding pre-approved programs. The Office for the General Auditor, an independent and autonomous office, established March 1, 2015, is now responsible for investigating signs of corruption or abnormal activity. The General Auditor reports suspicious activity to the Financial Information Authority (AIF), the Holy See's financial intelligence unit.

The Holy See continued to modernize its financial legal framework in 2015. The 2013 laws clarifying the prudential supervisory authority of the AIF, went into effect in January 2015. AIF's 2014 report, released in 2015, highlights its increasing cooperation with foreign counterparts, noting that expansion of the AIF's cooperation with other national and international financial oversight organs has improved its ability to carry out its mandate.

The Vatican adopted international accounting standards in 2014, and those standards will be used to prepare the final statements for 2015. The Vatican released a summary of its 2014 financial statements in 2015, reporting more than €1 billion (approximately $1.09 billion) in previously off-the-books assets and showing improved returns on investments over 2013.

The Vatican issues and periodically updates a national terrorist list, based on UNSCRs.

Even though the systems for reporting suspicious and illegal accounts and transactions are in place and are flagging cases, a continued lack of indictments for money laundering or related serious proceeds-generating offenses evidence a continued need for improvement.

The Vatican continues to make progress on its AML/CFT regime. Continued fine-tuning of implementation of its laws could help maintain the momentum of reform. The Holy See should become a party to the UNCAC.

Honduras

Honduras is not an important regional or offshore financial center. Money laundering in Honduras continues to stem primarily from significant narcotics trafficking throughout the region. Human smuggling of illegal migrants into the United States, extortion, kidnapping, and public corruption also generate significant amounts of laundered proceeds.

Honduras' geographic location makes it an ideal haven for transnational organized crime groups, including human and drug trafficking organizations. The Central America Four Agreement among El Salvador, Guatemala, Honduras, and Nicaragua allows for free movement of citizens of these countries across their respective borders without visas; however, citizens can be subject to immigration or customs inspections. The agreement represents a vulnerability of each country for the cross-border movement of contraband and proceeds of crime.

Money laundering in Honduras derives both from domestic and foreign criminal activity. The majority of proceeds are suspected to be controlled by local drug trafficking organizations and organized crime syndicates. A significant amount of laundered proceeds pass directly through the formal banking system. Money laundering also occurs to an increasing extent in the non-financial sector. Law enforcement has detected large-scale money laundering activities in the automobile and real estate sectors. Money laundering activities have also been identified in remittance companies, currency exchange houses, the construction sector, and many other kinds of businesses. Additionally, trade-based money laundering is a growing problem. The country's lack of resources and capacity to effectively and efficiently investigate and analyze complex financial transactions, when combined with wide-scale corruption within the law enforcement and judicial sectors, contribute to a favorable climate for significant money laundering. There is smuggling of bulk cash, liquor, firearms, gasoline, clothes, illegally caught lobster, and cigarettes.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, lending companies, and financial service companies; check cashers; issuers or processors of financial instruments, traveler's checks, or money orders; money transfer businesses and remitters; stock exchange, exchange houses, exchange posts and stock brokers; general deposit warehouses; public and private pension managers; insurance companies; casinos, bingos, lotteries, and gaming establishments; real estate dealers; stamp collectors; art and antique dealers; jewelers and dealers in precious metals; car dealers; aircraft and boat sellers; armored car companies that provide transport for money, stocks, or other financial instruments; lawyers, notaries, and accountants; concerts; hotels; and professional sports clubs, except those that are part of FIFA

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 888: January 1 – November 13, 2015
Number of CTRs received and time frame: 82,631: January 1 – November 13, 2015
STR covered entities: Banks; insurance companies; money exchange or remittance services; cooperative institutions and financial societies; credit card issuers; securities firms; private or public pension funds; car dealers; dealers in precious metals, jewels, art, and antiquities; lotteries, bingos, and casinos; real estate dealers; stamp collectors; art and antique dealers; jewelers and dealers in precious metals; car dealers; aircraft and boat sellers; armored car companies that provide transport for money, stocks, or other financial instruments; lawyers, notaries, and accountants; concerts; hotels; and professional sports clubs, except those that are part of FIFA

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 5: January 1 – November 13, 2015
Convictions: 0: January 1 – November 13, 2015

RECORDS EXCHANGE MECHANISM:

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

Honduras is a member of the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation is available at: http://www.gafilat.org/UserFiles//Biblioteca/Evaluaciones/Honduras_3era_Ronda_2009.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

There are ongoing concerns about lack of interagency coordination, lack of trust between agencies, and lack of sufficient basic training to efficiently detect and prevent money laundering activities and successfully regulate the financial sector. Moreover, the financial intelligence unit (FIU) has failed to present or provide law enforcement with emerging trends and money laundering typologies. A prime example of this failure is the disparity between assets seized/forfeited versus money laundering convictions. This creates a perception of impunity in

Honduran society. Another area of vulnerability is the legality of bearer shares, which present a significant money laundering challenge.

At the ministerial level, the Interinstitutional Commission for the Prevention of Money Laundering and Financing of Terrorism (CIPLAFT) took the lead, from approximately 2010 to 2014, in coordinating public offices that play a role in the investigation and prosecution of financial crimes and asset forfeiture cases. CIPLAFT was removed from the National Banking and Insurance Commission (CNBS) in spring 2015 and placed under the National Security and Defense Council. Since the transition, it seems to have abandoned its previously active role. Efforts are now underway to strengthen CIPLAFT.

In 2015, the Honduran Congress enacted amendments to the money laundering law. The law now covers an expanded list of predicate crimes. It also sets out a clear system of sanctions for noncompliance for both the financial and non-financial sectors. The new law brings designated non-financial businesses and professions (DNFBPs) into the supervisory framework, and gives CIPLAFT the responsibility to lead efforts to prevent and detect money laundering and coordinate the fight against organized crime. Unfortunately, changes made by the Congressional style committee after the amendments were passed by the Congress caused some ambiguity as to the coverage of certain crimes, such as fraud on public entities, and removed nongovernmental organizations from the list of regulated entities.

The Department of Treasury's Office of Foreign Asset Control's designation of three members of the influential Rosenthal family and their associated businesses as Specially Designated Nationals under the Kingpin Act on October 7, 2015, spurred the Honduran government to take action. The Honduran government opened investigations into money laundering against the designated persons and, on October 11, began conducting asset seizure operations. To date, Honduras has seized the business Alimentos Continental, multiple properties and residences, private planes, and watercraft. Additionally, Honduras seized the shares of Banco Continental and began a forced liquidation process. On November 25, 2015, Honduran authorities ordered house arrest for Jaime Rosenthal on charges of tax evasion and falsification of public documents.

The CNBS, where the FIU is located, is responsible for AML/CFT compliance for financial institutions and DNFBPs. Lack of qualified personnel and training in the banking regulatory unit has caused a failure to consistently conduct systematic analysis of available financial data, making it difficult for the CNBS to effectively complete compliance investigations and respond to Honduran prosecutors' information requests. The FIU does not have operational and budgetary independence and lacks adequate resources.

During 2015, Honduras made additional revisions to its STR form. The form now includes a DNFBP field, which incorporates, but is not limited to, attorneys, real estate agents, jewelry stores, accountants, notaries, and car dealerships as regulated entities. This action followed numerous complaints that financial institutions were not properly identifying customers or individuals conducting financial transactions. With the recent amendments to the Money Laundering Law enacted on April 30, 2015, professions most likely to be involved in money laundering activities in Honduras are now obligated to report cash transactions over $10,000. In practice, many are still not reporting or being regulated. The revised STR was presented to the Honduran Banking Association for additional review and the FIU expects to commence use of

the new form in January 2016, when the FIU plans to begin to implement its digital filing system.

Historically, lack of cooperation, communication, and coordination at all levels within the Government of Honduras has obstructed a higher success rate in investigations and prosecutions of money laundering cases. Additional problems are caused by public corruption and judges who do not understand the money laundering law. In addition, Honduran law enforcement case files and evidence storage practices are not generally as secure as they should be, and electronic documents are sent by unsecured emails. These lax practices allow information to leak and ultimately can affect the integrity of investigations.

The Government of Honduras should develop an integrated national strategy against criminality and impunity to support the AML/CFT regime improvements. The CNBS should complete implementation procedures and guidelines for the proper monitoring of money laundering risks and areas vulnerable to financial crimes and should prohibit or immobilize bearer shares. Although Honduras is making some progress, the government should aggressively implement its supervisory regime for DNFBPs. While mechanisms are in place to freeze terrorist assets, systematic inefficiencies and lack of capacity hinder timely action.

Hong Kong

Hong Kong, a Special Administrative Region (SAR) of the People's Republic of China, is a major international financial and trading center. As of December 31, 2014, Hong Kong's stock market was the world's seventh largest, with $3.9 trillion in market capitalization. Already the world's eighth largest banking center in terms of external transactions and the fifth largest foreign exchange trading center, Hong Kong has continued its expansion as the primary offshore renminbi (RMB) financing center, accumulating the equivalent of over $158 billion in RMB-denominated deposits at authorized institutions as of September 2015. Hong Kong does not differentiate between offshore and onshore entities for licensing and supervisory purposes.

Hong Kong's low tax rates and simplified tax regime, coupled with its sophisticated banking system, shell company formation agents, free port status, and the absence of currency and exchange controls present vulnerabilities for money laundering, including trade-based money laundering and underground finance. Casinos are illegal in Hong Kong. Horse races, a local lottery, and soccer betting are the only legal gaming activities, all under the direction of the Hong Kong Jockey Club (HKJC), a non-profit organization. The HKJC's compliance team collaborates closely with law enforcement to disrupt illegal gambling outlets. Government of Hong Kong officials indicate the primary sources of laundered funds—derived from local and overseas criminal activity—are fraud and financial crimes, illegal gambling, loan sharking, smuggling, and vice. They attribute a relatively low percentage of laundered funds to drug trafficking organizations.

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

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT

AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, securities and insurance entities, money service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 30,028: January 1 – September 30, 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: All persons, irrespective of entity or amount of transaction involved

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 194: January 1 - September 30, 2015
Convictions: 99: January 1 - September 30, 2015

RECORDS EXCHANGE MECHANISM:

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

Hong Kong is a member of the FATF and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.fatf-gafi.org/publications/mutualevaluations/documents/mutualevaluationofhongkongchina.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Over the last two years, financial regulators, most notably the Hong Kong Monetary Authority, conducted extensive outreach, including at the highest corporate levels, to stress the importance of robust AML controls and highlight potential criminal sanctions implications for failure to fulfill legal obligations under the Anti-Money Laundering and Counter-Terrorist Financing (AML/CFT, Financial Institutions) Ordinance.

In 2015, there was a U.S. indictment demonstrating how South America's drug cartels use banks in Hong Kong and mainland China to launder the proceeds of their multibillion-dollar global narcotics trade. The laundering enterprise, led by Colombian nationals and based in Guangzhou, China, laundered more than $5 billion through bank accounts in China, with some money flowing through Hong Kong, on behalf of drug trafficking organizations to fund purchases of counterfeit goods in China, which were then shipped to Colombia and elsewhere for resale.

The United States and Hong Kong SAR are parties to the Agreement Between the Government of the United States of America and the Government of Hong Kong on Mutual Legal Assistance in Criminal Affairs, which entered into force in 2000. As a SAR of China, Hong Kong cannot

sign or ratify international conventions in its own right. China is responsible for Hong Kong's international affairs and may arrange for its ratification of any convention to be extended to Hong Kong. The 1988 Drug Convention was extended to Hong Kong in 1997. The UN Convention against Corruption, the International Convention for the Suppression of the Financing of Terrorism, and the UN Convention against Transnational Organized Crime were extended to Hong Kong in 2006.

Hong Kong should establish threshold reporting requirements for currency transactions and put in place structuring provisions to counter efforts to evade reporting. As a major trading hub, Hong Kong should closely examine trade-based money laundering. The government should establish a cross-border currency reporting requirement. Hong Kong should also implement a mechanism whereby the government can return funds to identified victims once it confiscates criminally-derived proceeds.

Hungary

Hungary is not considered a major financial center; however, its EU membership and location make it a link between the former Soviet Union and Western Europe. The country's primarily cash-based economy and well-developed financial services industry make it attractive to foreign criminal organizations. Law enforcement has observed an increase in organized crime groups using Hungary and the region as a base of operation for cyber-related fraud, including social engineering fraud, and for laundering criminal proceeds through shell companies and the banking system. Hungarian officials believe cash transactions, offshore companies, and front companies are the largest money laundering and terrorism financing risks. The use of cash and false information regarding the identity of the accountholder hinders transparency, making it difficult to track funds derived from criminal activity.

Hungary has been identified as a transit country for illegal drugs coming from Turkey and Asia and moving to other European destinations. Particular vulnerabilities may exist on the Hungarian-Ukrainian border related to tobacco smuggling, which the National Tax and Customs Authority and the Police strive to prevent, and trafficking in persons.

Authorities believe money laundering cases mostly stem from financial and economic crimes, such as tax-related crimes, cyber-fraud, embezzlement, misappropriation of funds, and social security fraud. Illicit proceeds also result from narcotics trafficking, prostitution, trafficking in persons, and organized crime activities. Other prevalent economic and financial crimes include real estate fraud, forgery, and the copying/theft of bankcards. There is a black market for smuggled goods, primarily related to customs, excise, and value-added tax evasion. No international terrorist groups are known to operate in Hungary.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks; financial service providers; investment service providers; employer pension service providers; insurance service providers; intermediary and voluntary mutual insurance fund service providers; commodity exchange service providers; sellers and issuers of international postal money orders; real estate agents and brokers; auditors; accountants; certified and noncertified tax consultants and advisors; casinos, card rooms, online gaming operators; precious metal and high-value goods traders; traders accepting cash payments of more than 3,600,000 forints (approximately $12,900); lawyers; notaries; and trustees

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 4,640: January – June, 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks; financial service providers; investment service providers; employer pension service providers; insurance service providers; intermediary and voluntary mutual insurance fund service providers; commodity exchange service providers; sellers and issuers of international postal money orders; real estate agents and brokers; auditors; accountants; certified and noncertified tax consultants and advisors; casinos, card rooms, online gaming operators; precious metal and high-value goods traders; traders accepting cash payments of more than 3,600,000 forints (approximately $12,900); lawyers; notaries; and trustees

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 6: January – October, 2015
Convictions: 5: January – June, 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In recent years, the Government of Hungary has adopted significant legal and institutional changes to address AML/CFT issues, including a series of amendments to its criminal code and AML/CFT law.

In 2013, the Hungarian parliament passed an amendment allowing Hungarian citizens to open a special type of long-term savings account, the stability and savings account (SSA), to transfer foreign funds into the country without notifying tax authorities. If SSA deposits are left for five years, there is no income tax obligation, but if the funds are removed before five years, the amount withdrawn is taxed at a maximum of 20 percent. According to the Ministry of Economy, the banks record accountholders' personal identification data but do not share the information with the tax office unless the tax office specifically requests it for an investigation. According to the Hungarian Financial Intelligence Unit, an SSA is subject to enhanced due diligence. As of the second quarter of 2015, customers hold about 40 billion HUF (approximately $138 million) in 638 separate SSA accounts. Hungarian officials have stated these accounts comply with AML legislation as they are subject to suspicious transaction reporting (STRs). However, verification of the legitimacy of the funds cannot be verified.

In 2015, Hungary's tax and customs authority investigated an international money laundering and cigarette smuggling operation. Authorities believe Vietnamese and Egyptian nationals based in Budapest direct the transfer of euros acquired in crimes committed in Europe first to Hungary and then to Slovakia. The money is further directed to bank accounts of various business enterprises in China via transfers from the bank accounts of Slovak firms.

Iceland

Iceland is not considered a regional financial center. Criminal proceeds tend to derive from domestic organizations with some linkages to foreign groups. Money laundering in Iceland is related primarily to tax evasion, narcotics trafficking, fraud and other economic crimes, and underground casinos. Over the years, very few cases have been registered as pure money laundering cases, mainly due to the unavailability of statistical data. Financial crimes concerning market manipulation have been prosecuted, but the scale of money laundering involved in such activities is not clear. The Economic Crime Unit, which transferred from the National Commissioner of the Icelandic Police (NCIP) and merged with the Office of the Special Prosecutor (OSP) in 2012, continues to investigate criminal actions in connection with the 2008 collapse of Iceland's financial system.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks; currency exchanges; attorneys; trust, safekeeping, and company service providers; life insurance companies and pension funds; insurance brokers and intermediaries; securities brokers; and dealers of vessels or high-value items

REPORTING REQUIREMENTS:
Number of STRs received and time frame: 316: January 1 - November 11, 2015
Number of CTRs received and time frame: Not available
STR covered entities: Banks; currency exchanges; attorneys; trust, safekeeping, and company service providers; life insurance companies and pension funds; insurance brokers and intermediaries; securities brokers; and dealers of vessels or high-value items

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: Not available
Convictions: Not available

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

Iceland is a member of the FATF. Its most recent mutual evaluation can be found at: http://www.fatf-gafi.org/documents/documents/mutualevaluationoficeland.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Iceland has improved its AML/CFT regime through the implementation and enforcement of existing laws. Iceland does have a legal framework that allows authorities to freeze terrorist assets in a timely manner; however, all orders to freeze assets must have prior judicial approval. The country does not have asset sharing capabilities.

The NCIP's Financial Intelligence Unit (FIU), which oversees AML/CFT matters, merged with the Office of the Special Prosecutor (OSP) in 2015 under law 47/2015. It will again undergo changes when the OSP, which was initially founded to investigate the banking crisis in 2008, shuts down on December 31, 2015, in accordance with new legislation. The projects of the OSP will be transferred to a newly established Office of the District Prosecutor, which will open on January 1, 2016. The person in charge of the OSP will also be in charge of the new office. The District Prosecutor's office will take over responsibility for the investigations and prosecution of economic crimes currently under the OSP, as well as excess cases from the Directorate of Tax Investigations and the FIU. The 2016 budget bill has allocated 774 million ISK (approximately $6 million) to set up the District Prosecutor's office.

The FIU participates in the interagency committee on measures against money laundering. The FIU reports that until July 15, 2015, the FIU was not actively functioning, primarily due to the shortage of staff, expertise, and lack of funding. In addition, a lack of special infrastructure prevented it from registering and analyzing suspicious transaction reports (STRs). Additional staff members have been hired and a decision was made to register all money laundering allegations or tips into a special intelligence database that is connected to an analytical software program. The FIU continues to work with commercial banks, life insurance companies, and

securities brokers to educate staff on AML matters. According to the FIU, even though considerable progress has been made in this area and most reporting parties now understand their obligations, non-financial institutions appear to lag in meeting the reporting requirements. The FIU has not conducted specific typology analyses on STRs.

The investigative police and prosecutors lack sufficient expertise in money laundering. In 2015, the Icelandic Police Academy implemented a course intended to improve enforcement of AML laws. The course will be taught for detective inspectors and prosecutors of money laundering and its predicate offenses.

Under Icelandic law, real estate agents and auditors are not subject to supervision by a public authority. The Government of Iceland should appoint supervisory authorities to effectively monitor these service providers, and they should be required to file STRs. The FIU should continue educating reporting entities regarding measures against money laundering. The government should continue to enhance policies and procedures and implement a domestic mechanism to allow designation of terrorists at a national level, as well as to give effect to designations and asset freeze requests from other countries.

India

India is a regional economic power and financial center with both formal and informal financial systems. India's extensive informal economy and remittance systems, persistent corruption, onerous tax administration, and currency controls contribute to its vulnerability to economic crimes that include fraud, cybercrime, identity theft, money laundering, and terrorism financing. India's porous borders and geographic location between heroin-producing countries in the Golden Triangle of Southeast Asia and Golden Crescent of Central Asia make it a frequent transit point for narcotics trafficking. Proceeds from Indian-based heroin traffickers are widely known to re-enter the country via bank accounts, the hawala system, and money transfer companies.

The high degree of corruption in Indian society generates and conceals illicit proceeds. The most common money laundering methods include opening multiple bank accounts to hide funds, intermingling criminal proceeds with assets of legal origin, purchasing bank checks with cash, and routing funds through complex legal structures. Transnational criminal organizations use offshore corporations and trade-based money laundering (TBML) to disguise the criminal origin of funds, and companies use TBML to evade capital controls. Illicit funds are also sometimes laundered through real estate, educational programs, charities, and election campaigns. Laundered funds are derived from narcotics trafficking, trafficking in persons, and illegal trade, as well as tax avoidance and economic crimes. Counterfeit Indian currency is also a problem, as criminal networks exchange high-quality counterfeit currency for genuine notes.

India remains a target of foreign and domestic terrorist groups. Several indigenous terrorist organizations coexist in various parts of the country; some are linked to external terrorist groups with global ambitions. Terrorist groups often use hawala and currency smuggling to move funds from external sources to finance their activities in India. Indian authorities report they have seized drugs for sale in India purchased by India-based extremist elements from producers and/or trafficking groups in neighboring countries.

India has licensed seven offshore banking units (OBUs) to operate in Special Economic Zones (SEZs), which were established to promote export-oriented commercial businesses. As of March 2015, there were 202 SEZs in operation, and 413 SEZs which have received formal approval but have yet to start operations. Customs officers control access to the SEZs. OBUs essentially function as foreign branches of Indian banks, but with defined physical boundaries and functional limits. OBUs are prohibited from engaging in cash transactions, can only lend to the SEZ wholesale commercial sector, and are subject to the same AML/CFT regulations as the domestic sector.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, merchant banks, and depositories; insurance companies; housing and non-bank finance companies; casinos; payment system operators, authorized money changers, and remitters; chit fund companies; charitable trusts that include temples, churches, and non-profit organizations; financial intermediaries; stock brokers, sub-brokers, and share transfer agents; trustees, underwriters, portfolio managers, and custodians; investment advisors; foreign institutional investors; credit rating agencies; venture capital funds and collective schemes, including mutual funds; and the post office

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 76,149: July 2014 - April 2015
Number of CTRs received and time frame: 5,612,751: April 2014 - March 2015
STR covered entities: Banks, merchant banks, and depositories; insurance companies; housing and non-bank finance companies; casinos; payment system operators, authorized money changers, and remitters; chit fund companies; charitable trusts that include temples, churches, and non-profit organizations; financial intermediaries; stock brokers, sub-brokers, and share transfer agents; trustees, underwriters, portfolio managers, and custodians; investment advisors; foreign institutional investors; credit rating agencies; venture capital funds and collective schemes, including mutual funds; and the post office

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 174: July 2014 - May 2015
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

India is a member of the FATF, as well as two FATF-style regional bodies, the Asia/Pacific Group on Money Laundering (APG) and the Eurasian Group on Combating Money Laundering and Terrorist Financing (EAG). Its most recent mutual evaluation can be found at: http://www.fatf-gafi.org/countries/d-i/india/

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although India has taken steps to implement an effective AML/CFT regime, deficiencies remain. While 2012 amendments to the Prevention of Money Laundering Act (PMLA) widen the definition of money laundering, the government has not changed its enforcement model. Observers and law enforcement professionals express concern about effective implementation and enforcement of the current laws, especially with regard to criminal prosecutions. Between July 2014 and April 2015, legal action against properties worth $769 million were confirmed at the initial level of appellate review. As of November 2014, the government had not won any court cases involving money laundering or confiscations. Law enforcement agencies typically open substantive criminal investigations reactively and seldom initiate proactive analysis and long-term investigations. Reportedly, a predicate offense is usually needed in order for a money laundering investigation to be truly successful, particularly in terms of sentencing. Money laundering investigations without a predicate offense are rarely successfully prosecuted in the Indian judicial system and even if they are, the resulting punishment is often minimal. Furthermore, while India has taken action against certain hawala activities, these successes generally stem from prosecuting primarily non-financial businesses that conduct hawala transactions on the side. A positive development is a significant increase in the reporting of suspicious transactions relating specifically to terrorist financing, especially with respect to transactions not involving sanctioned individuals and entities.

In October 2015, India began implementing its controversial Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act in an attempt to fulfill the government's electoral promise to repatriate to India previously undisclosed and non-taxed financial assets. Some tax analysts and members of the business community call the new law draconian, given its potential for 10-year jail terms, hefty financial penalties, and lack of immunity from prosecution. India's tax department has attempted to allay taxpayer fears of harassment and corruption by assigning enforcement responsibilities to senior officers and publicly clarifying the Act's guidelines before any action is taken.

According to Global Financial Integrity, over the last decade India is one of the top four countries worldwide regarding the level of illicit financial outflows primarily based on TBML and abusive trade mis-invoicing.

Levels of training and expertise in financial investigations involving transnational crime or terrorist-affiliated groups vary widely at the federal, state, and local levels, and depend on the particular jurisdiction's financial capabilities and perceived necessities. U.S. investigators have had limited success in coordinating the seizure of illicit proceeds with their Indian counterparts. While intelligence and investigative information supplied by U.S. law enforcement authorities

have led to numerous money seizures, a lack of follow-through on investigative leads has prevented a more comprehensive offensive against violators and related groups. In 2015, the U.S. Drug Enforcement Administration worked a joint money laundering investigation with Indian counterparts that resulted in a series of arrests of Indian nationals involved in the laundering of narcotic proceeds derived from international drug trafficking organizations. These individuals had substantial money laundering ties to the United States and are currently pending trial in the Indian judicial system.

Although India is showing increasing capacity with regard to extradition, U.S. requests for extradition continue to be hampered by long delays which make the process of obtaining a fugitive from India slow. As with extradition, India is demonstrating gradually increasing ability to act on mutual legal assistance requests but continues to struggle with institutional challenges which limit their ability to provide assistance.

India should consider the regulation of traditional money or value transfer services and further facilitating the development and expansion of new payment products and services, including mobile banking. Such an increase in lawful, accessible services would allow broader financial inclusion of legitimate individuals and entities and reduce overall AML/CFT vulnerabilities by shrinking the informal network, particularly in the rural sector.

India should address noted shortcomings in the criminalization of both money laundering and terrorism financing, as well as its domestic framework for confiscation and provisional measures. The government should ensure all relevant designated non-financial businesses and professions comply with AML/CFT regulations. India's current safe harbor provision is too limited and only protects principal officers/compliance officers of institutions who file STRs in good faith. India should extend its safe harbor provision to also cover staff or employees of institutions. The Government of India should seek to use data and analytics to systematically detect trade anomalies that could be indicative of customs fraud, TBML, and perhaps counter-valuation in hawala networks.

Indonesia

Indonesia has a growing formal financial sector with approximately 120 commercial banks. While not a major regional financial center, the country remains vulnerable to money laundering and terrorist financing due to gaps in financial system legislation and regulation, a cash-based economy, weak rule of law, and ineffective law enforcement institutions. Additionally, indigenous terrorist groups, which obtain financial support from both domestic and foreign sources, are present in the country. These include Jemaah Islamiyah (JI), and a loose network of JI spin-off groups, including Jemaah Anshorut Tauhid and others, such as the Eastern Indonesia Mujahedin.

Most money laundering in Indonesia is connected to drug trafficking and other criminal activity such as corruption, tax crimes, illegal logging, wildlife trafficking, theft, bank fraud, credit card fraud, maritime piracy, sale of counterfeit goods, illegal gambling, and prostitution.

Indonesia has a long history of smuggling of illicit goods and bulk cash, made easier by thousands of miles of unpatrolled coastlines, sporadic and lax law enforcement, and poor

customs infrastructure. Proceeds from illicit activities are easily moved offshore and repatriated as needed for commercial and personal use. While Indonesia has made progress in combating official corruption via its Corruption Eradication Commission, endemic corruption remains a significant concern and poses a challenge for AML/CFT regime implementation.

Indonesia first appeared on the FATF Public Statement in February 2012. The FATF removed Indonesia from this statement in February 2015, based on Indonesia's passage of key legislation criminalizing the finance of terrorism, and its implementation of terrorist asset freezing pursuant to UNSCRs 1267 and 1373.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks; finance companies; insurance companies and brokers; pension fund financial institutions; securities companies; investment managers; providers of money remittance; and foreign currency traders

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 52,228: October 1, 2014 - September 30, 2015

Number of CTRs received and time frame: 1,899,334: October 1, 2014 - September 30, 2015

STR covered entities: Banks and finance companies; insurance companies and brokers; pension fund financial institutions; securities companies, investment managers, custodians, and trustees; postal services as providers of fund transfer services; money remitters and foreign currency changers (money traders); providers of payment cards, e-money, and e-wallet services; cooperatives doing business as savings and loans institutions; pawnshops; commodities futures traders; property companies and real estate agents; car dealers; dealers of precious stones, jewelry, precious metals, art, and antiques; and auction houses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 138: October 1, 2014 - September 30, 2015

Convictions: 65: October 1, 2014 - September 30, 2015

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Indonesia is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.apgml.org/documents/search-results.aspx?keywords=Indonesia

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In comparison to 2014, in 2015 there was a sizeable increase in the number of suspicious transaction reports (STRs) filed, as well as prosecutions and convictions. In the last year, Indonesia has prosecuted 13 terrorist finance cases and achieved nine convictions.

Indonesia's financial intelligence unit (FIU), known as the PPATK, works closely with the Indonesian central bank to oversee and implement Indonesia's AML regime. Indonesia is in the process of finalizing its National Risk Assessment identifying key money laundering and terrorism finance risks in the country. Indonesia should focus on vulnerabilities in the non-profit sector, particularly monitoring of charitable giving. PPATK has also noted its intent to focus on informal money transfer systems and networks, such as hawala networks and remittances, and to continue its work on other AML/CFT risks it has identified, such as those related to land registry, capital markets, insurance, car dealerships, and beneficial ownership.

In 2015, Indonesia adopted an inter-ministerial joint regulation to further implement asset freezing as required under UNSCRs 1267 and 1373. While Indonesia continues to issue orders to freeze the assets of all UNSCR 1267/1989 sanctioned individuals and entities, it is working to implement an electronic delivery and signature system so that all needed parties can sign off on new UNSCR 1267 list changes within the three working days cited in the joint regulation, and ensure its freezing process is "without delay." In February 2015 the Government of Indonesia authorized the freezing of terrorist-linked bank accounts. PPATK, Bank Indonesia (the central bank), and OJK (the financial services agency) should better define roles and responsibilities in order to better address compliance and asset freezing.

Indonesia should strengthen its cross-border currency reporting requirements by enacting laws to counter money laundering schemes whereby individuals divide large amounts of currency or monetary instruments, with each person or package carrying an amount under the declaration threshold to circumvent reporting requirements. Corruption, particularly within the police ranks, impedes effective investigations and prosecutions. Indonesia should continue to develop investigative resources and intelligence to better combat international organizations engaging in money laundering and terrorism finance while it struggles to identify and seize proceeds of crime domestically or outside its borders.

Iran

Iran is not a financial hub, but the imminent lifting of sanctions, including financial sector sanctions, pursuant to the Joint Comprehensive Plan of Action (JCPOA), could expand Iran's regional financial significance, as investors and companies explore opportunities for new deals in Iran. Iran has a large underground economy, spurred by restrictive taxation, widespread smuggling, sanctions evasion, currency exchange controls, capital flight, and a large Iranian

expatriate community. Iran is also a major transit route for opiates smuggled from Afghanistan through Pakistan to the Persian Gulf, Turkey, Russia, and Europe. At least 40 percent of opiates leaving Afghanistan enter or transit Iran for domestic consumption or for consumers in Russia and Europe. Iran's Minister of Interior estimated in February 2015 that the combined value of narcotics trafficking and sales in Iran is worth $6 billion annually. Narcotics traffickers use illicit proceeds to purchase goods in the domestic Iranian market, often for exportation to and sale in Dubai. Iran's merchant community makes active use of money and value transfer systems, including hawala and moneylenders. Counter-valuation in hawala transactions is often accomplished via trade, thus trade-based transactions are a prevalent form of money laundering. Many hawaladars and traditional *bazaari* have ties to the regional hawala hub in Dubai. Around 400,000 Iranians reside in Dubai, with an estimated 50,000 Iranian-owned companies based there. According to media reporting, Iranians have invested billions of dollars in capital in the United Arab Emirates, particularly in Dubai real estate. Money launderers also use Iran's real estate market to hide illicit funds. There is pervasive corruption within Iran's ruling and religious elite, government ministries, and government-controlled business enterprises.

On November 21, 2011, the U.S. Government identified Iran as a state of primary money laundering concern pursuant to Section 311 of the USA PATRIOT Act. The FATF has repeatedly warned of Iran's failure to address the risks of terrorist financing, urging jurisdictions around the world to impose countermeasures to protect their financial sectors from illicit finance emanating from Iran.

In 1984, the Department of State designated Iran as a State Sponsor of Terrorism. Iran continues to provide material support, including resources and guidance, to multiple terrorist organizations and other groups that undermine the stability of the Middle East and Central Asia, such as the Houthi group Ansarallah in Yemen, the Asad regime in Syria, and multiple Shia militia groups in Iraq. Hamas, Lebanese Hizballah, and the Palestinian Islamic Jihad (PIJ) maintain representative offices in Tehran, in part to help coordinate Iranian financing and training.

Following the lifting of sanctions pursuant to JCPOA, Iranian financial institutions are expected to have access to financial messaging services. In recent years, international sanctions had curtailed Iran's ability to send and receive international wires. While nuclear sanctions will be lifted following JCPOA implementation, the United States will continue to enforce sanctions targeting Iran's support for terrorism, destabilizing regional activities, and ballistic missile activities.

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

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: Not available

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** Not available ***Domestic:*** Not available

KYC covered entities: All legal entities, including the central bank, banks, financial and credit institutions, insurance companies, state regulator and reinsurance provider, the Central Insurance, interest-free funds, charity foundations and institutions, municipalities, notaries, lawyers, auditors, accountants, official experts of the Ministry of Justice, and legal inspectors

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not applicable

STR covered entities: All legal entities, including the central bank, banks, financial and credit institutions, insurance companies, state regulator and reinsurance provider, the Central Insurance, interest-free funds, charity foundations and institutions, municipalities, notaries, lawyers, auditors, accountants, official experts of the Ministry of Justice, and legal inspectors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: Not available

Iran is not a member of a FATF-style regional body. In 2014, it applied for observer status in the Eurasian Group (EAG).

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

For nearly two decades the United States has undertaken targeted financial actions against key Iranian financial institutions, entities, and individuals that include legislation and more than a dozen Executive Orders (E.O.s). Noteworthy actions taken against Iran under E.O.s include designating one state-owned Iranian bank (Bank Saderat and its foreign operations), which were designated for funneling money to terrorist organizations (E.O. 13224); the Qods Force, a branch of Iran's Islamic Revolutionary Guard Corps (IRGC), designated for providing material support to the Taliban, Lebanese Hizballah, and PIJ (E.O. 13224); and the Martyrs Foundation (also known as Bonyad Shahid), an Iranian parastatal organization that channels financial support from Iran to several terrorist organizations in the Levant, including Hizballah, Hamas, and the PIJ, designated along with Lebanon- and U.S.-based affiliates (E.O. 13224).

In October 2007, the FATF issued its first public statement expressing concern over Iran's lack of a comprehensive AML/CFT framework. Since 2009, the FATF has urged all jurisdictions to apply effective countermeasures to protect their financial sectors from the money laundering/terrorist financing risks emanating from Iran and also stated that jurisdictions should protect against correspondent relationships being used to bypass or evade countermeasures or risk mitigation practices. Most recently, in October 2015, the FATF reiterated its call for countermeasures, urging all members and jurisdictions to advise their financial institutions to

give special attention to business relationships and transactions with Iran, including Iranian companies and financial institutions. The FATF, in its October 2015 Public Statement, said it remains concerned about Iran's failure to address the risk of terrorist financing, and the threat this poses to the integrity of the international financial system. The FATF continues to urge Iran to immediately and meaningfully address its AML/CFT deficiencies, in particular by criminalizing terrorist financing and effectively implementing suspicious transaction reporting requirements.

Iraq

Iraq's economy is primarily cash-based, and its financial sector is severely underdeveloped. Iraq has about 2,000 financial institutions, most of which are currency exchanges and hawaladars. There is approximately one commercial bank branch for every 50,000 people, and ATMs are even less common. U.S. dollars are widely accepted. Due to weak supervision and regulation of banks and other financial institutions, there is little data available on the nature and extent of money laundering in the country. Hawala networks, both licensed and unlicensed, are widely used for legitimate as well as illicit purposes. Iraqi law enforcement and bank supervisors do carry out financial investigations and levy regulatory fines, but have poor capabilities to detect and halt illicit financial transactions.

Since June 2014, when Iraq's ongoing conflict with the Islamic State of Iraq and the Levant (ISIL) escalated, it has been more difficult for the Government of Iraq to monitor AML/CFT in areas outside of the central government's control. The Central Bank of Iraq (CBI) has taken a number of steps to cut off financial connectivity to ISIL, including by issuing a national directive to prohibit financial transactions with banks and financial companies located in ISIL-controlled areas and publishing a list of companies prohibited from accessing the U.S. currency auction and have revoked the licenses of others. However, the CBI lacks adequate personnel and technical capacity to fully monitor financial entities operating in Iraq and routinely encounters difficulty engaging other parts of the Government of Iraq during its investigations. To overcome these challenges, the CBI has requested technical assistance from international donors.

Smuggling is endemic, often involving consumer goods, including cigarettes, counterfeit prescription drugs, antiquities, and petroleum products. ISIL has been able to take advantage of insufficient law enforcement capacity to smuggle and illicitly trade crude oil and refined fuels. Bulk cash smuggling is likely common, in part because Iraqi law only allows for the seizure of funds at points of entry, such as border crossings and airports. Trafficking in persons, intellectual property rights violations, and currency counterfeiting also have been reported. Narcotics trafficking occurs on a small scale but it, along with increasing kidnappings for ransom, continues to be a growing concern to Iraqi authorities. Extortion is rampant in ISIL-controlled areas. Corruption is pervasive at the local, provincial, regional, and national government levels and is widely regarded as a cost of doing business in Iraq.

Iraq has four free trade zones (FTZs): the Basra/Khor al-Zubair seaport; Ninewa/Falafel area; Sulaymaniyah; and al-Qaim, located in western Al Anbar province. Under the Free Trade Zone Authority Law goods imported or exported from the FTZs are generally exempt from all taxes and duties, unless the goods are to be imported for use in Iraq. Additionally, capital, profits, and investment income from projects in the FTZs are exempt from taxes and fees throughout the life

of the project, including the foundation and construction phases. Trade-based money laundering is a significant problem in Iraq and the surrounding region and is linked to underground financial systems such as hawala.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks; managers and distributors of shares of investment funds; life insurance companies; securities dealers; money transmitters, hawaladars, and issuers or managers of credit cards and traveler's checks; foreign currency exchange houses; asset managers, transfer agents, and investment advisers; and dealers in precious metals and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 18 in 2015
Number of CTRs received and time frame: 11,863 in 2015
STR covered entities: Banks; managers and distributors of shares of investment funds; life insurance companies; securities dealers; money transmitters, hawaladars, and issuers or managers of credit cards and traveler's checks; foreign currency exchange houses; asset managers, transfer agents, and investment advisers; and dealers in precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

Iraq is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation report can be found at: http://www.menafatf.org/images/UploadFiles/Final_Iraq_MER_En_31_12.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Iraq's ability to detect and prevent money laundering and other financial crimes is limited by endemic corruption, capacity constraints in public institutions, weak financial controls in the

banking sector, and weak links to the international law enforcement community and regional financial intelligence units.

In January 2014, the Government of Iraq started to implement the first phase of a 2010 tariff law that will eventually replace the across-the-board 5 percent tariff rate enacted more than a decade ago, with a much broader scale of some lower, and mostly higher tariff rates. Implementation thus far has been inconsistent and variable. In August 2015, the Prime Minister's Office halted the implementation of phase two after popular protests in Al Basrah Province.

In October 2015, Iraq passed a new AML/CFT law. The new law, while an improvement on the 2004 law, will require extensive implementing regulations to ensure it is compliant with international standards. The CBI is working with international donors to draft the necessary regulations. The new law makes a number of improvements to Iraq's AML/CFT regime. It establishes an AML/CFT Council that will be chaired by the CBI Governor and will include representatives from a number of Iraqi executive bodies. Broadly, its duties will focus on proposing new laws and developing needed AML/CFT regulations; monitoring and reporting on AML/CFT developments in Iraq; and facilitating the exchange of information across regulatory bodies.

A new AML/CFT Office will act as Iraq's financial intelligence unit (FIU), replacing the current Money Laundering Reporting Office (MLRO) at the CBI. The AML/CFT Office will analyze and compile information related to illicit financial flows and will be empowered to suspend transactions for up to one week to help ensure timely action against suspicious activity. Currently, in practice, very few suspicious transaction reports (STRs) are filed. Due to a weak institutional culture and the lack of robust penalties for noncompliance, banks often are unmotivated to file reports and sometimes conduct internal investigations in lieu of filing reports.

A CBI deputy governor will chair a new committee empowered to freeze the funds and assets of individuals designated by UN sanctions. The new law also allows for the seizure of illicit funds. It permits the judiciary to seize ML/FT-related assets at the request of the public prosecutor, the CBI Governor, or the AML/CFT Office. Furthermore, the law sets penalty standards and dictates the scope of punishment for violating AML/CFT provisions. Money laundering will be punishable by up to 15 years in prison and a fine of up to five times the amount of the illicit transaction; terrorism finance will be punishable by up to life in prison.

The 2015 law strengthens supervisory authorities. A number of ministries including the Ministry of Trade and the CBI will be granted powers to develop inspection procedures and standards and to issue guidelines to assist financial institutions with complying with the new regulations. It also increases the obligations of financial institutions. Banks and financial companies will be required to report regularly to the AML/CFT Office and to establish compliance programs to reduce the potential for illicit financial flows. Financial institutions must also follow customer due diligence (CDD) and KYC procedures for opening new accounts. The implementation of the new AML/CFT law should help to increase the regulation and supervision of the financial sector, but the capacity of the regulatory authorities is limited, and enforcement is subject to political constraints. The CBI lacks adequate personnel and technical capacity to fully monitor financial entities operating in Iraq and routinely encounters difficulty engaging other parts of the government during its investigations. Informal money and value transfer systems such as hawala operate outside the scope of CBI control. In practice, despite CDD requirements, most banks

open accounts based on the referral of existing customers and/or verification of a person's employment. Actual application of CDD and other preventive measure requirements varies widely.

Senior-level support and increased capacity for all parties are necessary to ensure AML/CFT cases can be successfully investigated and prosecuted. Investigators are frustrated when judges do not pursue their cases; similarly, judges claim the cases they receive are of poor quality and not prosecutable. Iraq reportedly has one judge assigned to process all money laundering cases, and that judge does not exclusively focus on money laundering. The new law will likely help empower prosecutions.

Greater overall coordination between the Government of Iraq and the Kurdistan Regional Government is needed to regulate financial transactions, crack down on smuggling networks, and cooperate on AML/CFT efforts. Kurdistan officials report they are abiding by Iraq's AML law, and there are initial efforts underway by the Central Bank of Iraq to increase supervision of the exchange house sector in Kirkuk. Moreover, Kurdish customs requirements are less stringent than Iraq's, which risks enabling the smuggling of illicit and counterfeit goods into Iraq. The Government of Iraq should put in place the necessary regulations to fully implement and enforce its new AML/CFT law. Iraqi authorities should encourage increased reporting by financial institutions through more in-depth onsite supervision as well as an increase in the penalties levied for noncompliance.

Ireland

Ireland continues to be a significant European financial hub, with a number of international banks and fund administration firms located in Dublin's International Financial Services Center. These institutions are monitored and regulated by the Central Bank of Ireland (CBI). The primary sources of funds laundered in Ireland are cigarette smuggling, drug trafficking, diversion of subsidized fuel, domestic tax violations, prostitution, and welfare fraud. Irish authorities estimate up to 80 percent of suspicious transaction reports (STRs) that can be linked to predicate crimes involve funds derived from domestic tax violations and social welfare fraud. While money laundering occurs via financial institutions, illicit funds also are laundered through schemes involving remittance companies, lawyers, accountants, used car dealerships, the purchase of high-value goods for cash, transferring funds from overseas through Irish credit institutions, filtering funds via complex company structures, and by basing foreign or domestic real property sales in Ireland.

A number of cash seizures have occurred at Dublin International Airport. Customs authorities have intercepted cash being smuggled out of Ireland, likely proceeds from drug trafficking. According to Irish authorities, currency intercepted on outbound passengers also may be intended for the purchase of drugs and/or cigarettes for smuggling back to Ireland.

For additional information focusing on terrorist financing, please refer to the department of state's country reports on terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT

AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, building societies, the Post Office, stock brokers, credit unions, money exchangers, life insurance companies, insurance brokers, trust and company service providers, private gaming clubs, and lawyers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 18,302 in 2014
Number of CTRs received and time frame: Not available
STR covered entities: Banks, building societies, the Post Office, stock brokers, credit unions, money exchangers, life insurance companies, insurance brokers, trust and company service providers, private gaming clubs, and lawyers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 10 in 2014
Convictions: 13 in 2014

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS

The Government of Ireland continues to strengthen its AML/CFT framework. The Department of Justice and Equality (DJE) established an AML/CFT Policy Coordination Unit in September 2015 to coordinate the DJE AML/CFT policy. DJE has responsibility for a number of non-financial sectors that are recognized as being at risk of money laundering and terrorist financing, to include charities or nonprofit entities, trust or company service providers, dealers in high-value goods, and property service providers.

A CBI report in November 2015 on 'Anti-Money Laundering, Countering the Financing of Terrorism and Financial Sanctions Compliance in the Irish Funds Sector' identifies additional steps firms in the sector should take to effectively manage money laundering/terrorist financing risk. Irish-domiciled funds have a net asset value of almost €1.8 trillion (approximately $1.97 trillion), making the industry a significant part of the financial services sector. Among the matters identified by the CBI is insufficient evidence that the requirements of the Criminal Justice Act of 2010 are being implemented and that adequate risk assessments are being

performed in a "timely manner." Weaknesses in the submission of suspicious transaction reports (STRs) and associated record keeping are identified, along with deficiencies in monitoring non-resident politically exposed persons (PEPs), including the failure to identify, verify, and document the sources of funds and wealth.

There are no known impediments to asset sharing in Irish legislation. Arrangements can be made on a case-by-case basis.

Irish authorities should continue to work on money laundering enforcement. There are few money laundering prosecutions and convictions in comparison to the size of the Irish economy, number and type of predicate offenses, and the volume of financial intelligence reports filed.

Isle of Man

Isle of Man (IOM) is a British crown dependency, and while it has its own parliament, government, and laws, the UK remains responsible for its defense and international representation. Offshore banking, manufacturing, and tourism are key sectors of the economy, and the government has actively encouraged the diversification of its economy, offering incentives to high-technology companies and financial institutions that locate on the island. Consequently, it now hosts a wide range of sectors including aviation and maritime services, clean-tech and bio-tech, creative industries, e-business and e-gaming, high-tech manufacturing and tourism.

Its large and sophisticated financial center is potentially vulnerable to money laundering. Most of the illicit funds in the IOM are from fraud schemes and narcotics trafficking in other jurisdictions, including the UK. Predicate offenses to charge money laundering are minimal within the jurisdiction; however, there is concern over value-added tax crimes and the growing risk of cybercrime in its various forms, including identity theft and internet abuse.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks; building societies; credit issuers; financial leasing companies; money exchanges and remitters; issuers of checks, traveler's checks, money orders, electronic money, or payment cards; guarantors; securities and commodities futures brokers;

portfolio, and asset managers; estate agents; auditors, accountants, tax advisors, lawyers, and notaries; insurance companies and intermediaries; payroll agents; casinos and bookmakers; high-value goods dealers and auctioneers; safe custody facilities for cash or liquid securities

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,321 in 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: All businesses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 4 in 2014
Convictions: 3 in 2014

RECORDS EXCHANGE MECHANISM:

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

Compliance with international standards was evaluated by the International Monetary Fund's Financial Sector Assessment Program. The report can be found at: http://www.imf.org/external/pubs/ft/scr/2009/cr09275.pdf

The Isle of Man now formally participates in the mutual evaluation procedures of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. MONEYVAL has not yet evaluated the IOM.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2015, the IOM carried out its first AML/CFT national risk assessment with the assistance of an international donor. Isle of Man legislation provides powers to constables, including customs officers, to investigate whether a person has benefited from any criminal conduct and to obtain information about that person's financial affairs. There are statutory powers to restrain and recover criminal assets in response to domestic and external requests.

In 2015, the Government of the Isle of Man amended the Proceeds of Crime Act 2008 so it covers bitcoin companies, such as exchanges, operating from the island. The Terrorism and Other Crime (Financial Restrictions) Act 2015 came into effect on January 1, 2015; this Act consolidates, updates, and strengthens previous IOM legislation. The Anti-Money Laundering and Countering the Financing of Terrorism Code 2015, which updates and replaces the 2013 Code, came into effect on April 1, 2015. The Designated Businesses (Registration and Oversight) Act 2015 came into effect on October 26, 2015; the Act provides for designated non-financial businesses and professions to be registered with the IOM's financial services regulator and for there to be appropriate oversight of these bodies for AML/CFT purposes. The IOM's financial services regulator is now the Isle of Man Financial Services Authority following the merger of the Financial Supervision Commission and the Insurance and Pensions Authority on November 1, 2015.

There is limited evidence from suspicious transaction reports (STRs) of suspicion that money from domestic public corruption is being passed through accounts on the IOM. Five of the 1,321 STRs filed in 2014 related to bribery and corruption. The financial intelligence unit believes there are few indications that trade-based money laundering occurs in the IOM.

Recognizing that the nature of tax cooperation has evolved and automatic exchange of information is becoming the global standard, the IOM is making commitments to international co-operation for tax purposes. It has had a Tax Information Exchange Agreement with the United States since 2004 and has a strong working relationship with the Internal Revenue Service. The IOM has a similar intergovernmental agreement with the UK.

IOM is a Crown Dependency and cannot sign or ratify international conventions in its own right unless entrusted to do so. Rather, the UK is responsible for IOM's international affairs and, at IOM's request, may arrange for the ratification of any convention to be extended to the Isle of Man. The UK's ratification of the 1988 UN Drug Convention was extended to include IOM in 1993; its ratification of the UN Convention against Corruption was extended to include IOM in 2009; its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to IOM in 2008; and its ratification of the UN Convention against Transnational Organized Crime was extended to the IOM in 2012. In 2003, the United States and the UK agreed to extend to the IOM the U.S. - UK Treaty on Mutual Legal Assistance in Criminal Matters.

Israel

Israel is not regarded as a regional financial center. It primarily conducts financial activity with the markets of the United States and Europe, and, to an increasing extent, with Asia. Criminal groups in Israel, either home-grown or with ties to the former Soviet Union, United States, or EU, often utilize a maze of offshore shell companies and bearer shares to obscure ownership. Israel's illicit drug trade is regionally focused, with Israel being more a market destination for narcotics than a transit country. The majority of money laundered originates from criminal activities abroad, including "carousel fraud," which takes advantage of international value-added tax loopholes. Proceeds from domestic criminal activity also continue to contribute to money laundering activity. Electronic goods; liquor; cigarettes; cell phones; and pharmaceuticals, especially Viagra and Cialis, have all been seized in recent smuggling operations. Officials continue to be concerned about money laundering in the diamond industry, illegal online gaming rings, retail businesses suspected as money laundering enterprises, and public corruption. The government adopted the recommendations of the committee established by the Director General of the Prime Minister's Office to explore the possibility of reducing the overall supply of Israeli currency in circulation, as part of an effort to combat both counterfeiting and money laundering activity.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banking corporations, credit card companies, trust companies, stock exchange members, portfolio managers, the Postal Bank, money service businesses (MSBs), dealers in precious stones, lawyers and accountants, and trading floors (foreign exchange dealers)

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 48,116: January 1 – October 25, 2015
Number of CTRs received and time frame: 1,271,180: January 1 – October 25, 2015
STR covered entities: Banking corporations, credit card companies, trust companies, members of the stock exchange, portfolio managers, insurers and insurance agents, provident funds and the companies who manage them, providers of currency services, MSBs, the Postal Bank, dealers in precious stones, and trading floors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 121: January 1 – October 31, 2015
Convictions: 27: January 1 - October 31, 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

MSBs became required to implement customer due diligence (CDD) requirements as of March 30, 2015. As of September 15, 2015, dealers in precious stones became subject to CDD and as of September 15, 2016 will become subject to suspicious transaction reporting (STR) requirements. Lawyers and accountants became subject to CDD requirements as of September 2, 2015. Additionally, on November 4, 2015, the AML/CFT regime was applied to trading floors. While there is no legislative requirement for enhanced due diligence for domestic politically exposed persons (PEPs), banking corporations and the Postal Bank apply such procedures.

On July 27, 2015, the Knesset (parliament) approved in its first reading a bill for the reduction of the use of cash. On August 26, 2015, a governmental draft bill for the supervision of "financial

service businesses" was published, establishing a new regulator that will supervise the different financial services provided by MSBs, including non-bank loans.

On October 10, 2015, the Knesset approved in its first reading a bill which lists serious tax crimes as predicate offenses for money laundering. This also will enable dissemination of information from the Israel Money Laundering Prohibition Authority (IMPA), under the Ministry of Justice, to the Israel Tax Authority.

On October 20, 2015, the Minister of Justice authorized for publication a draft bill to amend the Prohibition on Money Laundering Law that includes changes to money laundering offenses regarding property and instrumentalities involved in money laundering and related penalties. The bill also extends the definition of beneficial owners to cover legal persons and to clarify the definition of a controlling person.

Israel's "right of return" citizenship laws mean that criminal figures find it easy to obtain an Israeli passport without meeting long residence requirements. It is not uncommon for criminal figures suspected of money laundering to hold passports in a home country, a third country for business, and Israel.

The Financial Intelligence Unit, under the IMPA, cooperates closely with the two bodies responsible for enforcement: the Israel Tax Authority's Anti-Drug and Money Laundering Unit, and the Israel National Police. Israel cooperates on legal assistance and on extradition requests.

Italy

Italy's economy is the eighth-largest in the world and the third-largest in the Eurozone. Its financial and industrial sectors are diversified. The proceeds of domestic organized crime groups, especially the Camorra, the 'Ndrangheta, and the Cosa Nostra, compose the main source of laundered funds. Numerous reports by Italian non-governmental organizations identify domestic organized crime as Italy's largest enterprise.

In 2015, the Bank of Italy (BOI) said that suspicious bank transactions increased 10 percent to a record high as the pervasive problems of organized crime, corruption, and tax evasion were exacerbated by a three-year economic slump. The financial downturn has given cash-rich mafia groups the opportunity to tighten their grip on the economy. As banks reduce lending, the criminal networks simultaneously boost their investments into various economic sectors.

Drug trafficking is a primary source of income for Italy's organized crime groups, which benefit from Italy's geographic position and links to foreign criminal organizations in Eastern Europe, China, South America, and Africa. Other major sources of laundered money are proceeds from tax evasion and value-added tax fraud, smuggling and sale of counterfeit goods, extortion, corruption, illegal gambling, and loan sharking. Based on limited evidence, the major sources of money for financing terrorism seem to be narcotics trafficking, petty crime, document counterfeiting, and smuggling and sale of legal and contraband goods. According to the most recent official estimate (2014), the total size of Italy's black market is estimated to be 12.4 percent of GDP (approximately €210 billion or $229 billion). The actual share may be larger. A sizeable portion of this black market is for smuggled goods, with smuggled tobacco a major

component. However, the largest use of the black market is for tax evasion by otherwise legitimate commerce. Money laundering and terrorism financing in Italy occur in both the formal and the informal financial systems, as well as offshore.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks; the post office; electronic money transfer institutions; agents in financial instruments and services; investment firms; asset management companies; insurance companies and intermediaries; agencies providing tax collection services; stock brokers; financial intermediaries; lawyers; notaries; accountants; auditors; loan brokers and collection agents; commercial advisors; trusts and company service providers; real estate brokers; entities that transport cash, securities, or valuables; entities that offer games and betting with cash prizes; and casinos

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 71,758 in 2014
Number of CTRs received and time frame: 147,242,000: January 1 – June 30, 2014
STR covered entities: Banks; the post office; electronic money transfer institutions; agents in financial instruments and services; investment firms; asset management companies; insurance companies and intermediaries; agencies providing tax collection services; educational institutions of all levels; companies and state administrations in autonomous regions, provinces, municipalities, mountain communities and their associations; companies and institutions of the national public health system; the metropolitan city administrations; stock brokers; financial intermediaries; lawyers; notaries; accountants; auditors; loan brokers and collection agents; commercial advisors; trusts and company service providers; real estate brokers; entities that transport cash, securities, or valuables; auctioneers and dealers of precious metals, stones, antiques, and art; entities that offer games and betting with cash prizes; and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Italy is a member of the FATF. Its most recent mutual evaluation can be found at: http://www.fatf-gafi.org/countries/d-i/italy/documents/mutualevaluationofitaly.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Italy continues to combat the sources of money laundering and terrorism financing. The current government has undertaken a number of reforms to curb tax evasion and strengthen anti-corruption measures, and the government's fight against organized crime is ongoing.

The Ministry of Economy and Finance is host to the Financial Security Directorate which establishes policy regarding financial transactions and AML efforts. The directorate published Italy's National Terrorist Financing Risk Assessment in July 2014.

Law no. 186, criminalizing self-money laundering, was added to the Italian Penal Code and became effective on January 1, 2015. This new law defines self-money laundering as an operation aimed to conceal the illegal origin of the money, carried out by the same person who committed or participated in the predicate offense, and applies to "any person who having committed or participated in committing an intentional crime, employs, replaces, moves, within economic, financial, business or speculative assets, the money or others profits deriving from the commission of such crimes(s), in a way such to concretely hinder the identification of the criminal origin."

The BOI continues to issue guidance on customer due diligence (CDD) measures, in order to support banks and financial intermediaries in the definition of their CDD policies in accordance with the risk-based approach. As of January 2014, regulations require the application of enhanced CDD measures for domestic politically exposed persons (PEPs), however, the obligation to identify domestic PEPs only applies to the financial sector.

The UIF, the financial intelligence unit, has worked to increase the number of suspicious transaction reports (STRs) filed by designated non-financial businesses and professions (DNFBPs), especially the public administration sector. These entities' reports continue to make up only a small portion of submitted STRs, filing only around 1,000 in 2014. Italy has seen some progress in DNFBP participation, particularly from professionals, especially notaries. This is likely a direct result of action by the National Council of Notaries which, in cooperation with the UIF, published a set of STR guidelines for its members in 2015. Italy plans to continue to implement measures that will significantly increase the number of STRs from DNFBPs, particularly in the field of public administration.

In September 2014 the National Anticorruption Authority (ANAC) published a Memorandum of Understanding signed with the Guardia di Finanza (financial police) to increase transparency in public administration reporting. ANAC will send written requests to the Guardia di Finanza indicating the transactions that merit specific attention. The MOU also provides for additional review by the Society for Information and Communication Technology (SOGEI) under the Ministry of Economy and Finance. SOGEI reports to ANAC and Guardia di Finanza with its evaluations. All three parties agree to publish the results of this initiative through press releases

or placement on their own, publically accessible, websites. On September 25, 2015 the Ministry of Interior released a decree clarifying the reporting responsibilities of the public administration sector to block money laundering and terrorist financing activities. It lays out the specific indicators of suspicious activity and the methods for filing a STR.

After a multi-year investigation, in 2015 Italian prosecutors announced they are seeking prosecution of hundreds of Chinese migrants, as well as the Bank of China's Milan branch, in connection with a €4.5 billion (approximately $4.9 billion) money laundering investigation. The massive amount of money was transferred from Italy to China via smuggling, bank transfers, and money remitting services. The money was reportedly earned through the counterfeiting of goods, prostitution, tax evasion, and labor exploitation. A judge is scheduled to rule on the indictment in March 2016.

In 2015, the Italian Polizia di Stato (national police), a civilian police force responsible for investigating crimes under the jurisdiction of the Ministry of Interior, including narcotics trafficking and money laundering, and the Guardia di Finanza (financial police), the primary Italian law enforcement agency responsible for combating financial crime and smuggling, cooperated on a number of occasions with various U.S. authorities in investigations of money laundering, bankruptcy-related crimes, and terrorism financing. Italy has one terrorism case involving five individuals convicted for terrorism, where one of the individual was also convicted for terrorist financing.

Jamaica

Money laundering in Jamaica is primarily related to proceeds from illegal narcotics, financial scams, and extortion and is largely controlled by organized criminal groups. There are dozens of violent Jamaican gangs on the island nation. Jamaica continues to experience a large number of financial crimes related to cybercrime and advance fee fraud (lottery scams), which also target U.S. citizens. It is suspected that political and public corruption both generate and facilitate illicit funds.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, credit unions, and merchant banks; exchange bureaus; wire transfer and remittance companies; mortgage companies; insurance companies; securities brokers, dealers, and other intermediaries; and investment advisors

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 156,251 in 2015
Number of CTRs received and time frame: 156,572: January 1 – October 31, 2015
STR covered entities: Banks, credit unions, and merchant banks; exchange bureaus; wire transfer and remittance companies; mortgage companies; insurance companies; securities brokers, dealers, and other intermediaries; investment advisors; real estate dealers; casino and gaming machine operators; accountants; and lawyers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 22 in 2015
Convictions: 4 in 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2013, Parliament amended Jamaica's Proceeds of Crime Act to render illegal all cash transactions exceeding 1 million Jamaican dollars (approximately $8,200). In 2014, Jamaica passed the Banking Services Act, which allows for greater information sharing among the Bank of Jamaica, the Financial Services Commission, and foreign counterparts.

Jamaica's Financial Investigations Division, the country's financial intelligence unit, has used the Proceeds of Crime Act to seize nearly $20 million in properties and other assets believed to be derived from criminal activities since its 2007 implementation. Jamaica's financial institutions, primarily money remitters and cambios, file an inordinately high volume of STRs annually, the vast majority of which are deemed defensive filings. There have been 75 prosecutions and only six convictions related to financial crimes in the last five years, partially due to an increased focus on violent crime in the country. The Jamaican courts and prosecutors have been unable to keep pace with an increase of all charged crimes, including financial crimes. Inefficient methods of acceptable practice amongst the investigators, prosecutors, defense bar, and judiciary, combined with a culture of unaccountability, only further strains an already overburdened system. Lengthy delays in processing judicial orders also hinder the effectiveness of the Jamaican court system.

The Government of Jamaica should make a concerted effort to identify and deter political and public corruption. Jamaica also should take steps to provide sufficient resources to the prosecutors and courts and should review and amend, if necessary, its case processing procedures to enhance its ability to prosecute financial crimes efficiently.

Japan

Japan is a regional financial center but not an offshore financial center. The country continues to face substantial risk of money laundering by organized crime, including Japanese organized crime groups (the Yakuza), Mexican drug trafficking organizations, and other domestic and international criminal elements. In the past several years, there has been an increase in financial crimes by citizens of West African countries, such as Nigeria and Ghana, who reside in Japan. The major sources of laundered funds include drug trafficking, fraud, loan sharking (illegal money lending), remittance frauds, the black market economy, prostitution, and illicit gambling. Bulk cash smuggling also is of concern. There is not a significant black market for smuggled goods, and the use of alternative remittance systems is believed to be limited.

Japan has one free trade zone, the Okinawa Special Free Trade Zone, established in Naha to promote industry and trade in Okinawa. The zone is regulated by the Department of Okinawa Affairs in the Cabinet Office. Japan also has two free ports, Nagasaki and Niigata. Customs authorities allow the bonding of warehousing and processing facilities adjacent to these ports on a case-by-case basis.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks; credit, agricultural, and fishery cooperatives; insurance companies; securities firms; real estate agents and professionals; precious metals and stones dealers; antique dealers; postal service providers; lawyers; judicial scriveners; certified administrative procedures specialists; accountants; certified public tax accountants; and trust companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 377,513 in 2014
Number of CTRs received and time frame: 1,001 in 2014
STR covered entities: Banks; credit, agricultural, and fishery cooperatives; insurance companies; securities firms; trust companies; real estate agents and professionals; precious metals and stones dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On November 20, 2014, the Government of Japan enacted three pieces of AML/CFT legislation to address recognized deficiencies in its compliance regime. The legislation – two bills that amend Japan's Terrorism Financing Act and its Law on the Prevention of the Transfer of Criminal Proceeds, and one that establishes a new Law to Freeze Terrorist Assets – criminalize the provision of direct or indirect financing, including the provision of any goods and real estate, to terrorists; enable the freezing of terrorist assets without delay, including non-financial holdings; and require financial and non-financial sectors to implement processes and procedures to perform enhanced customer due diligence. The amendment to the Terrorism Financing Act entered into force in December 2014. Japan promulgated Cabinet orders and Ministerial ordinances pertaining to the remaining legislation during 2015; the Law to Freeze Terrorist Assets came into effect on October 5, 2015 and the amendment to the Law on the Prevention of the Transfer of Criminal Proceeds will become effective on October 1, 2016. The passage of this legislation greatly improved Japan's AML/CFT regime, which had previously been notably deficient.

Japan's numbers of investigations, prosecutions, and convictions for money laundering are not available; in relation to the number of drug and other predicate offenses, they are typically low. These numbers are some of the most telling measures of effectiveness of a country's AML/CFT regime. The NPA provides limited cooperation to other domestic agencies, and most foreign governments, on nearly all criminal, terrorism, or counter-intelligence related matters. The number of currency transaction reports (CTRs) filed is very low in comparison to the number of suspicious transaction reports (STRs).

Japan should develop a robust program to investigate and prosecute money laundering offenses, and require enhanced cooperation by the NPA with its counterparts in Japan and foreign jurisdictions. The government should release the number of money laundering convictions. Japan also should provide more training and investigatory resources for AML/CFT law enforcement authorities. As Japan is a major trading power, the government should take steps to identify and combat trade-based money laundering. Japan should ratify the UN Convention against Transnational Organized Crime and the UN Convention against Corruption.

Jersey

Jersey, the largest of the Channel Islands, is an international financial center offering a sophisticated array of offshore services. Jersey is a self-governing British Crown Dependency with its own parliament, government, legal system, and jurisprudence. The UK is responsible for Jersey's defense and international representation, while the island has autonomy in relation to its domestic affairs, including taxation and the regulation of its financial services sector.

The financial services industry is a key sector, with banking, investment services, and trust and company services accounting for approximately half of Jersey's total economic activity. As a substantial proportion of customer relationships are with nonresidents, adherence to know-your-customer rules is an area of focus for efforts to limit illicit money from foreign criminal activity. Jersey authorities continue to indicate concern regarding the incidence of domestic drug-related crimes. The customs and law enforcement authorities devote considerable resources to countering these crimes. A large proportion of suspicious activity reporting is tax-related. In January 2015, Jersey published a typologies report outlining laundering methods and techniques of concern including tax evasion, corruption, laundering the proceeds of corruption with the involvement of politically exposed persons (PEPs), the use of money service businesses, and the use of pre-paid cards. Island authorities have undertaken successful measures, as recent high profile cases have shown, to protect the financial services industry against the laundering of the proceeds of foreign political corruption. Jersey requires beneficial ownership information to be obtained and held by its regulated trust and company service providers and by its company registrar in a central registry, which can be accessed by law enforcement and tax authorities.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks; life insurance companies; collective investment schemes and operators; trust and company service providers; money exchanges and foreign exchange dealers; financial leasing companies; issuers of credit and debit cards, traveler's checks, money orders, and electronic money; securities brokers, dealers, advisers, and managers; safekeeping, trust, fund, and portfolio managers; collective investment schemes and operators; insurance companies and brokers; casinos; real estate agents; dealers in precious metals and stones and other high-value goods; notaries, accountants, lawyers, and legal professionals

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,979: January 1 - November 13, 2015

Number of CTRs received and time frame: Not applicable
STR covered entities: Banks; life insurance companies; collective investment schemes and operators; trust and company service providers; money exchanges and foreign exchange dealers; financial leasing companies; issuers of credit and debit cards, traveler's checks, money orders, and electronic money; securities brokers, dealers, advisers, and managers; safekeeping, trust, fund, and portfolio managers; collective investment schemes and operators; insurance companies and brokers; casinos; real estate agents; dealers in precious metals and stones and other high-value goods; notaries, accountants, lawyers, and legal professionals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 3 in 2015
Convictions: 1 in 2015

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

Through a resolution of the Council of Europe, Jersey formally participates in the mutual evaluation procedures of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. In lieu of a mutual evaluation, a report was prepared by the IMF's Financial Sector Assessment Program. The report can be found at: http://www.imf.org/external/pubs/ft/scr/2009/cr09280.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Jersey is a customary law jurisdiction. Accordingly, the jurisdiction does not have a criminal/penal code.

According to the Proceeds of Crime (Jersey) Law 1999 and the Terrorism (Jersey) Law 2002, (both as amended in 2014), it is necessary to have a conviction in order to obtain a confiscation order for the proceeds of crime, but it is not necessary that a person be convicted of the predicate offense upon which the criminal charge of money laundering is brought. Predicate offenses are all crimes with a punishment of imprisonment of one year or more.

Jersey does not enter into bilateral mutual legal assistance treaties. The Investigation of Fraud (Jersey) Law 1991 provides powers for the Attorney General (AG) to investigate a suspected offense of serious or complex fraud, wherever it is committed. The Criminal Justice (International Co-operation) Law 2001 provides a mechanism for jurisdictions to request assistance from the AG to obtain evidence for use in an overseas court in criminal proceedings. The Government of Jersey reports the AG frequently assists other jurisdictions in this regard. In 2015, the guidelines, which stipulated a minimum threshold requirement of £2 million (approximately $2.8 million) in relation to mutual legal assistance, were abolished in order to encourage foreign jurisdictions to make assistance requests. An asset sharing agreement between the United States and Jersey regarding the sharing of confiscated or forfeited assets or their equivalent funds came into force in April 2015.

A number of changes in policy, law, and implementation of regulations have come into force in 2015. The definitions of "property" in the Proceeds of Crime Law and Terrorism Law have been extended to adhere to international standards; provisions of the Terrorist Asset-Freezing (Jersey) Law 2011 now automatically extend to natural or legal persons, groups, or entities pursuant to UNSCRs 1267 and 1988; and the definition of funds subject to freezing now explicitly covers assets "jointly" or "indirectly" owned, held, or controlled by designated persons. The effect of these changes is to give immediate legal effect in Jersey to UN designations.

The Proceeds of Crime (Financial Intelligence) (Jersey) Regulations 2015 formally establishes in the Proceeds of Crime Law the Joint Financial Crimes Unit of the States of Jersey Police (JFCU) as Jersey's financial intelligence unit. The JFCU has existed for some time but this legislation formalizes its existence and powers in legislation. The JFCU now also has the power to gather additional information from financial institutions and designated non-financial businesses and professions (DNFBPs) in circumstances where the JFCU has reasonable knowledge or belief that they hold information relevant to the analysis of intelligence it holds. Jersey's authorities are consulting on a change to customer due diligence (CDD) requirements that would strengthen due diligence obligations for foundations.

The Money Laundering (Jersey) Order 2008 has been amended to further clarify the application of identification measures to trusts and to require policies and procedures to be maintained for determining whether a business relationship or transaction is with persons connected to an organization subject to sanctions or persons who are themselves subject to sanctions.

Jersey's authorities announced plans to regulate and supervise the activity of virtual currency exchanges beginning in 2016. The proposals will cover those persons who exchange fiat currency into a virtual currency (and vice versa) by way of business.

In 2015, the Jersey Financial Services Commission substantially revised AML/CFT handbooks for financial institutions and DNFBPs, the accounting and legal sectors, real estate agents, and high-value dealers. In particular, guidance provided on identification of beneficial owners and controllers is addressed. Also in 2015 the Commission was given authority to impose financial penalties on regulated businesses of up to £4 million (approximately $4.3 million) for significant and material breaches of the Codes of Practice, including contraventions of the AML/CFT Handbook for financial institutions and DNFBPs.

Jersey, not being a sovereign state, cannot sign or ratify international agreements in its own right unless entrusted to do so by Letters of Entrustment provided by the UK government, as is the case with tax information exchange agreements. Rather, the UK is responsible for Jersey's international affairs and, at Jersey's request, may arrange for the UK's ratification of any international instrument to be extended to Jersey. Jersey is seeking to obtain an Entrustment from the UK Government to enter into any MLAT that may be necessary. The UK's ratification of the 1988 UN Drug Convention was extended to include Jersey in 1998; its ratification of the UN Convention against Corruption was extended to include Jersey in 2009; and its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to Jersey in 2008. The UK extended its ratification of the UN Convention against Transnational Organized Crime to include Jersey on December 17, 2014. On January 28, 2015, the United States and the Bailiwick of Jersey entered into an Agreement Regarding the Sharing of

Confiscated or Forfeited Assets or Their Equivalent Funds, which went into effect on April 24, 2015.

There is no requirement to automatically apply enhanced CDD measures to a domestic politically exposed person (PEP). Instead, a covered entity must take the status of an individual who has been entrusted with a prominent public function in Jersey (or who is an immediate family member or close associate of such an individual) into account in its risk assessment of such individuals. Jersey should ensure identified domestic PEPs are subject to enhanced due diligence requirements in accordance with international recommendations.

Jordan

The Hashemite Kingdom of Jordan is not a regional or offshore financial center, it has a well-developed financial sector with significant banking relationships in the Middle East. Incidents of reported money laundering are rare, but anecdotal reports indicate Jordan's real estate sector has been used to launder illicit funds.

Jordan's long and remote desert borders with Iraq, Israel, Saudi Arabia, Syria, and the West Bank make it susceptible to the smuggling of bulk cash, gold, fuel, narcotics, cigarettes, counterfeit goods, and other contraband. Smuggling endeavors tend to be small scale, and there is no discernible connection between black market goods and large scale crime, such as terrorism. Black market cigarettes are widely available, and there is little government effort to curb sales. Jordan Customs sometimes interdicts drivers smuggling cheaper gasoline from Saudi Arabia in false tanks. Border security is becoming more stringent, however, which may have an impact on smuggling. In 2015, ongoing concerns about spillover violence from areas held by the Islamic State of Iraq and the Levant (ISIL) in Iraq and Syria prompted the closure of Jordan's land border crossings with Iraq and Syria.

There are six public free trade zones (FTZs) in Jordan: the Zarqa Free Zone, the Sahab Free Zone, the Queen Alia International Airport Free Zone, the Al-Karak Free Zone, the Al-Karama Free Zone, and the Aqaba Special Economic Zone (ASEZ). With the exception of Aqaba, these FTZs list their activities as trade. There are approximately 70 designated private FTZs, a number of which are related to the aviation or chemical and mining industries. FTZ activities vary from industrial, agricultural, pharmaceutical, or vocational to multi-purpose. With the exception of ASEZ, the Ministry of Finance monitors all FTZs, which are regulated by the Jordan Free Zones Corporation Law. The ASEZ Authority, a ministerial level authority, controls the port city of Aqaba.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, exchange companies, and money transfer companies; securities brokers and investment and asset managers; credit and financial leasing companies; insurance companies, brokers, and intermediaries; financial management companies, postal services, and real estate and development entities; and traders of precious metals and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 282: January 1, 2015 – November 10, 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, exchange companies, and money transfer companies; securities brokers and investment and asset managers; credit and financial leasing companies; insurance companies, brokers, and intermediaries; financial management companies, postal services, and real estate and development entities; and traders of precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Anti-Money Laundering Unit (AMLU), Jordan's financial intelligence unit, continues to develop its capacity to address money laundering and terrorism financing. Prosecution of money laundering cases takes place in public courts. Although the number of suspicious transaction reports (STRs) increased by 48 percent in 2015 compared with 2014 because of additional caution taken by the banking sector and money exchange companies, no cases were prosecuted for money laundering in 2015. Successful prosecutions and convictions are one of the best indicators of the effectiveness of a country's AML/CFT regime.

Jordan should establish the necessary mechanisms to enable the seizure and forfeiture of assets. Jordanian law enforcement and customs authorities should raise their capacity to identify trade-based and other money laundering methodologies instead of relying on STRs to initiate money laundering investigations. The AMLU could then play a role in providing financial intelligence to buttress those investigations.

Kazakhstan

While not a regional financial center, the Republic of Kazakhstan has the most developed economy and financial system in Central Asia and has an ambitious plan for creating a regional financial offshore zone in its capital, Astana. Governmental corruption, an organized crime presence, and a large shadow economy make the country vulnerable to money laundering and terrorist financing. A significant part of Kazakhstan's mineral wealth is held in offshore accounts with little public scrutiny or accounting oversight. The major sources of laundered proceeds are graft by public officials, tax evasion, and fraudulent financial activity, particularly transactions using shell companies.

There are some reports of increasing activity by Kazakhstani extremists inside the country and abroad, as well as terrorist groups with extended international links involved in illicit turnover of arms and explosives of unknown origin and active recruitment among the population. The funding source is unclear, as is the destination of the proceeds. In addition, smuggling of contraband goods and fraudulent invoicing of imports and exports by Kazakhstani businessmen remain common practices.

Casinos and slot machine parlors are located only in selected territories. The Ministry of Culture and Sport is responsible for the regulation of the gaming sector and also issues licenses to gaming businesses. Kazakhstani law prohibits online casinos and gaming. Law enforcement agencies find it challenging to combat online gaming. The vulnerabilities of these businesses to money laundering and the scope of government oversight are not known.

Outbound cross-border remittances increased significantly over the past decade and are expected to continue to increase. Informal remittance channels, such as hawala systems, and the cross-border physical transportation of cash are used by migrant workers who do not have, or do not want to use, the identification documentation required by financial institutions, as well as by individuals and businesses that wish to avoid payment of taxes and duties. It is not known whether the formal and informal remittance systems are used to launder money.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks and organizations that conduct banking transactions; stock exchanges and professional participants in the securities market; insurance and re-insurance

companies and brokers; pension funds; central depositories; exchange offices and postal and other persons that perform fund transfers; lawyers and independent legal advisors; commodity stock exchanges; auditors and accountants and their organizations; organizers of gaming businesses; microfinance organizations; and non-bank electronic money system operators

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 672,706: January 1 – November 10, 2015
Number of CTRs received and time frame: 1,056,865: January 1 – November 10, 2015
STR covered entities: Banks and organizations that conduct banking transactions; stock exchanges and professional participants in the securities market; insurance and re-insurance companies and brokers; pension funds; central depositories; exchange offices and postal and other operators that perform fund transfers; lawyers and independent legal advisors; commodity stock exchanges; auditors and accountants and their organizations; organizers of gaming businesses; microfinance organizations; and non-bank electronic money system operators

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 15: January 1 - October 31, 2015
Convictions: 3: January 1 - October 31, 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Current AML/CFT law does not cover financial management firms, travel agencies, or dealers of art, antiques, and other high-value consumer goods. These entities are not required to maintain customer information or report suspicious activity.

All reporting entities subject to the AML/CFT law are inspected by their respective regulatory agencies, rather than by the financial intelligence unit (FIU). Most of those agencies, however, lack the resources and expertise to inspect reporting entities for AML/CFT compliance. The National Bank adopted the AML/CFT Inspection Manual covering its reporting entities.

The Law on the Further Improvement of State Management, passed on November 7, 2014, markedly improved the government's ability to detect, investigate, and prosecute money laundering crimes related to serious criminal offenses, including drug trafficking and trafficking in persons. The law expands cooperation among the Ministry of Interior, Anti-Corruption Agency, Committee for State Revenue, and Committee for National Security to combat money laundering. Prior to this change, the Financial Police was the only agency responsible for the investigation of money laundering crimes, and the Ministry of Interior investigated a wide range of predicate offenses but did not examine the financial aspects of crimes. Now that the law has

passed, the newly-emerged players need to learn the specifics of complex financial investigations.

The Criminal Code provides for the mandatory seizure, in part or in whole, of property of any person convicted of miscellaneous predicate offenses as defined in the Code. In an effort to evade such forfeiture, criminals often register their assets in the names of shell companies or relatives. Since the burden of proof lies with law enforcement and can be difficult to meet, law enforcement agencies frequently do not attempt to determine the origin of assets during the initial stage of an investigation. During the first ten months of 2015, police were able to recover $3,633,367 from four suspects accused of laundering funds derived from economic contraband and from illegal sales, storage, and transportation of oil and oil products. The legislation does not address the seizure of property of corresponding value or indirect benefits from the proceeds of a crime.

Kazakhstan has no legal framework to allow the government to freeze terrorist assets in a timely manner; all asset freeze orders must have prior court approval. Kazakhstan lacks a mechanism to share with other countries assets seized through joint or trans-border operations.

The Government of Kazakhstan requires additional resources to ensure the proper enforcement of its financial crimes regulations. The government should train and educate local institutions and personnel on further implementation of the AML/CFT law. Kazakhstan should criminalize tipping off persons suspected of violations of AML/CFT law. The government should ensure due diligence and reporting requirements are applied to all appropriate entities. Kazakhstan also should amend its legislation, as necessary, to provide for the seizure and forfeiture of property of corresponding value or the indirect benefits of the proceeds of a crime and to allow for the freezing without delay of assets suspected to be linked to terrorist financing.

Kenya

Kenya remains vulnerable to money laundering and financial fraud. It is the financial hub of East Africa, and its banking and financial sectors are growing in sophistication. Furthermore, Kenya is at the forefront of mobile banking. Money laundering and terrorism financing occur in the formal and informal sectors and derive from both domestic and foreign criminal operations. Criminal activities include transnational organized crime, cybercrime, corruption, smuggling, trade invoice manipulation, illicit trade in drugs and counterfeit goods, trade in illegal timber and charcoal, and wildlife trafficking.

Kenya's financial sector supports 43 licensed commercial banks, many with branches throughout East Africa; 12 deposit-taking microfinance institutions, with 99 branches; 85 licensed foreign exchange bureaus, with Nairobi hosting 69 bureaus and Mombasa nine; one mortgage finance company; and 15 licensed money remittance providers, all located in Nairobi. There are three licensed credit reference bureaus and seven representative offices of foreign banks in Kenya. In 2014, Kenya's $58 billion in bank assets roughly equaled Kenya's nominal GDP and represented 61 percent of the total bank assets in East Africa.

Although banks, wire services, and mobile payment and banking systems are available to increasingly large numbers of Kenyans, there are also thriving unregulated networks of

hawaladars and other unlicensed remittance systems that lack transparency and facilitate cash-based, unreported transfers that the Government of Kenya cannot track. Foreign nationals, including refugee populations, as well as ethnic Somali residents (both foreign nationals and Kenyan citizens) primarily use the hawala system to send and receive remittances internationally. Diaspora remittances to Kenya are growing annually, contributing significantly to the country's foreign exchange inflows. In 2014, remittances to Kenya totaled $1.42 billion, and were at $1.4 billion between January and September 2015, with North America providing between 45-50 percent of all of these remittances and Europe and the rest of the world accounting for approximately 25 percent each. The 12-month cumulative remittance inflow through September 2015 increased by 7.7 percent over the previous comparable period (up from $1.4 billion to $1.5 billion).

The Communications Authority of Kenya (CAK) reports that mobile phones have 74 percent total market penetration, with about 36 million mobile phone subscriptions in a population of approximately 45 million. Safaricom controls 67 percent of the mobile phone subscription market. The CAK also reports there are about 30 million internet users, which implies that 68 percent of the population has access to the internet. There are about 130,000 mobile-money agents in Kenya, most working through Safaricom's M-PESA system. There are over 10 million M-Shwari accounts, Safaricom's online banking service. One-third of all active M-PESA users are also active M-Shwari customers and 54 percent of M-Shwari accounts were held by customers without any other bank account.

Kenya is a transit point for international drug traffickers and trade-based money laundering continues to be a problem. There is a black market for smuggled and grey market goods in Kenya, which serves as a major transit country for Uganda, Somalia, Tanzania, Rwanda, Burundi, eastern Democratic Republic of Congo, and South Sudan. Goods marked for transit to these countries are not subject to Kenyan customs duties, but Kenyan authorities acknowledge that many such goods end up being sold in Kenya. Trade in goods is often used to provide counter-valuation in regional hawala networks.

Kenya's proximity to Somalia makes it an attractive location for the laundering of certain piracy-related proceeds and a financial facilitation hub for the Somalia-based al-Shabaab, a UN- and U.S.-designated foreign terrorist organization.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks and institutions accepting deposits from the public; lending institutions, factors, and commercial financiers; financial leasing firms; transferors of funds or value by any means, including both formal and informal channels; issuers and managers of credit and debit cards, checks, traveler's checks, money orders, banker's drafts, and electronic money; financial guarantors; traders of money market instruments, including derivatives, foreign exchange, currency exchange, interest rate and index funds, transferable securities, and commodity futures; securities underwriters and intermediaries; portfolio managers and custodians; life insurance and other investment-related insurance underwriters and intermediaries; casinos; real estate agencies; accountants; and dealers in precious metals and stones

REPORTING REQUIREMENTS:
Number of STRs received and time frame: 534: January – October, 2015
Number of CTRs received and time frame: 2,504: January – October, 2015
STR covered entities: Banks and institutions accepting deposits from the public; lending institutions, factors, and commercial financiers; financial leasing firms; transferors of funds or value by any means, including both formal and informal channels; issuers and managers of credit and debit cards, checks, traveler's checks, money orders, banker's drafts, and electronic money; financial guarantors; traders of money market instruments, including derivatives, foreign exchange, currency exchange, interest rate and index funds, transferable securities, and commodity futures; securities underwriters and intermediaries; portfolio managers and custodians; life insurance and other investment-related insurance underwriters and intermediaries; casinos; real estate agencies; accountants; and dealers in precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 2 in 2015
Convictions: 0

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

Kenya is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation report can be found at: http://www.esaamlg.org/reports/view_me.php?id=228

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Proceeds of Crime and Anti-Money Laundering Act (POCAMLA), as amended, provides a comprehensive framework to address AML issues and contains appropriate sanctions. The Central Bank of Kenya (CBK) licenses money remittance providers. Kenya's National Payment System Act provides regulation over mobile money and is another important component of Kenya's move toward financial integrity and security.

Of the 876 suspicious transaction reports (STRs) submitted to the Financial Reporting Centre (FRC), Kenya's financial intelligence unit, since its inception in 2012, 254 have been

disseminated to law enforcement agencies for further investigation and possible prosecution. The FRC's analytical ability and efficiency would improve with an automated system to aid in the analysis. Although the FRC receives STRs from some money and value transfer services, this sector is more challenging to supervise for AML/CFT compliance.

All cell phone devices and all mobile-money accounts must be registered, with proper identification. While mobile payment and banking systems are increasingly important, the tracking and investigation of suspicious transactions remains difficult. There is a risk that illicit actors could use mobile payment systems to engage in structuring, particularly by using illicit funds to purchase mobile credits below reporting thresholds. Nevertheless, data on these transactions have the potential to facilitate investigations and tracking, especially compared to transactions executed in cash. The lack of rigorous enforcement in this sector, coupled with inadequate reporting from certain reporting entities, increases the risk of abuse.

In order to demand bank account records or to seize an account, the police must present evidence linking the deposits to a criminal violation and obtain a court order. The confidentiality of this process is not well maintained, which allows account holders to sometimes be tipped off, providing an opportunity to move their assets or contest the orders.

Kenya is overhauling its criminal justice system. The small number of AML prosecutions and the absence of convictions are telling. The Office of the Director of Public Prosecutions (ODPP) has significantly expanded since 2013 and now has approximately 700 prosecutors, with plans to expand to 900. The Department of Economic International and Emerging Crimes (DEIEC), one of four departments within the ODPP, is responsible for the prosecution of corruption and economic crime, cybercrime, narcotics, organized crime, money laundering, terrorist financing, piracy, and other terrorism-related cases. The AML/CFT division, a thematic subdivision formed in July 2014, specifically deals with money laundering and terrorism financing offenses. The AML/CFT division is made up of 18 Prosecution Counsels from the Nairobi office, complemented by eight Prosecution Counsels from county offices. The ODPP has used ancillary provisions in the POCAMLA to apply for orders to restrain, preserve and seize proceeds of crime in Nairobi. In 2015, the ODPP filed a money laundering case and arrest warrants against the top management of Dubai bank. For the first time, in 2015 the ODPP used the POCAMLA to freeze the assets of nine ivory trafficking suspects.

The 2013 Westgate Mall attack, which resulted in the first cases being filed under Kenya's Prevention of Terrorism Act, demonstrates the critical importance of first responders, regulators, law enforcement, and prosecutors continuing to develop their expertise to investigate and charge high-impact cases, including terrorism financing and money laundering offenses, and to pursue related asset recovery. Kenya passed the Finance Act of 2015, which includes amendments to the POCAMLA to expand the mandate of the FRC to combat the financing of terrorism.

In July 2015, the Government of the Republic of Kenya made commitments to promote good governance and anti-corruption efforts, including strengthening its AML/CFT regime. The Government of Kenya committed to work toward membership in the Egmont Group of Financial Intelligence Units. Additionally, Kenya agreed to work with international donors to conduct a full risk assessment for money laundering and terrorism finance and to work with development partners to facilitate the full implementation of its AML rules and regulations. Kenya also

agreed to accelerate its work to strengthen the capacity of the FRC and CBK to track illicit financial flows and to increase bilateral information sharing and enforcement efforts.

The government, and especially the police, should allocate appropriate resources and build sufficient institutional capacity and investigative skill to conduct complex financial investigations independently. Kenya should also address the bureaucratic and other impediments preventing it from pursuing investigation and prosecution of these crimes. The Government of Kenya should fulfill its commitments on good governance, anti-corruption efforts, and improvements to its AML/CFT regime.

Korea, Democratic People's Republic of

The Democratic People's Republic of Korea (DPRK or North Korea) has a history of involvement in currency counterfeiting, drug trafficking, and the laundering of related proceeds, as well as the use of deceptive financial practices in the international financial system. The DPRK regime continues to present a range of challenges for the international community through its pursuit of nuclear weapons, weapons trafficking and proliferation, and human rights abuses.

Access to current information on the financial and other dealings of the DPRK is hampered by the extremely closed nature of its society. The economic practice of *juche*, a constitutionally enshrined ideology in North Korea characterized by the goals of independence and self-reliance, has contributed to minimizing transparency and international trade relations and discouraging foreign investment.

In 2015, the FATF continued to include the DPRK on its Public Statement, stating its concerns about the DPRK's failure to address the significant deficiencies in its AML/CFT regime and reiterating the serious threat this poses to the integrity of the international financial system. The FATF reaffirmed its earlier call upon its members to advise their financial institutions to give special attention to business relationships and transactions with the DPRK, including DPRK companies and financial institutions. In addition to enhanced scrutiny, the FATF called upon its members and urged all jurisdictions to apply effective countermeasures to protect their financial sectors from money laundering and financing of terrorism (ML/FT) risks emanating from the DPRK. The FATF likewise called on jurisdictions to protect against correspondent relationships used to bypass or evade countermeasures and risk mitigation practices, and to take into account ML/FT risks when considering requests from DPRK financial institutions to open branches and subsidiaries in their jurisdictions. The FATF also urges jurisdictions to undertake additional measures and safeguards to ensure effective implementation of the sanctions and other measures contained in the UN Security Council resolutions on the DPRK.

China is by far North Korea's largest trading partner. Chinese banks and intermediaries are integral in sustaining North Korea's economic and financial pipeline.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: Not available
Are legal persons covered: ***criminally:*** Not available ***civilly:*** Not available

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

The DPRK is not a member of a FATF-style regional body. It is an observer of the Asia/Pacific Group on Money Laundering (APG), but it has not met the requirements for full membership.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

There is little available information on the DPRK's financial system. The DPRK has never undertaken a review of its AML/CFT regime based on the international standards, and calls for the DPRK government to be involved in the mutual evaluation process have been unsuccessful.

Following the FATF's October, 2014 plenary meeting, the DPRK sent a letter to the FATF indicating its commitment to implement the action plan developed with the FATF. However, meaningful progress has not been observed to date.

In 2006, the DPRK adopted the Law on the Prevention of Money Laundering, which states that the DPRK has a "consistent policy to prohibit money laundering," but it is impossible to determine what standing this law has in the DPRK. The law is significantly deficient in most respects, and there is no evidence of an AML/CFT infrastructure in the DPRK capable of implementing the law. Lacking any type of sufficient AML/CFT regulatory authority, the DPRK cannot effectively supervise its financial institutions and enforce AML/CFT practices. Moreover, although the law mentions effective monitoring and supervisory mechanisms,

including powers to sanction financial institutions and other businesses and professions that do not comply with AML/CFT requirements, there is neither explanation for how this is achieved nor evidence of any established framework to implement sanctions.

Although the DPRK is party to a number of international conventions, including the 1988 UN Drug Convention, there is no evidence the DPRK has taken sufficient steps to properly implement provisions contained in the conventions. The DPRK is also a party to the UN Convention for the Suppression of the Financing of Terrorism. There is no evidence of efforts to implement the UN resolutions relating to the prevention and suppression of the financing of terrorist acts, particularly UNSCRs 1267 and 1373.

Korea, Republic of

The Republic of Korea (South Korea) has an advanced economy that is dominated by large industrial companies. It is not an offshore banking center. While organized crime does not have a large profile, it is linked to the Japanese yakuza. There also are reports that Korean criminals tried to connect with counterparts in the Chinese triads and Nigerian gangs. Most money laundering in South Korea is associated with domestic criminals, official corruption, and ethnic Koreans living abroad. Drug smuggling in South Korea has increased in recent years. In 2015, $174.8 million of banned substances were confiscated, up 42 percent from a year earlier.

South Korean officials have uncovered numerous underground banking systems being used by South Korean nationals, North Korean defectors, and foreign national workers from China and Southeast Asian and Middle Eastern countries. Reports indicate North Korean defectors living in South Korea are remitting more than $10 million per year to family members in North Korea through illegal banking systems between South Korea and China.

Gambling is legal but highly regulated and limited to non-citizens. The country has eight free economic zones (FEZs), with Incheon International Airport wholly incorporated into one of the zones. While companies operating in FEZs enjoy certain tax and tariff privileges, they are subject to the same general laws on financial transaction reporting as companies operating elsewhere in the country. Korea mandates extensive entrance screening to determine companies' eligibility to participate in FEZ areas, and firms are subject to standard disclosure rules and criminal laws.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, exchange houses, stock brokerages, casinos, insurance companies, merchant banks, mutual savings banks, finance companies, credit unions, credit cooperatives, trust companies, and securities companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 245,600: January – July 2014

Number of CTRs received and time frame: 3,867,976: January – July 2014

STR covered entities: Banks, exchange houses, stock brokerages, casinos, insurance companies, merchant banks, mutual savings banks, finance companies, credit unions, credit cooperatives, trust companies, and securities companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

The Republic of Korea is a member of the FATF and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=b9d16e34-607e-4850-8c92-3a6cdfa70254

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Korea Financial Intelligence Unit is concentrating on corporate and political fraud, but has started to look at organized crimes, including narcotics-related money laundering. The Korean National Police Agency and the Korean banking sector have been cooperative in joint money laundering investigations with U.S. law enforcement.

In 2013, South Korean prosecutors detained and charged a Korean American with the illegal transfer of approximately $1 billion in restricted Iranian money frozen in South Korea pursuant to U.S. and international sanctions. Korean authorities have placed a travel restriction on the person in question and ordered him to pay 50 million won (approximately $45,480) in penalties, which he has not paid to date. The Korean National Tax Service has another ongoing case against the person in question for tax evasion/fraud.

The Government of the Republic of Korea should expand its active participation in international AML/CFT efforts by becoming a party to the UN Convention against Transnational Organized Crime. The government should release the number of AML/CFT prosecutions and convictions to better gauge the effectiveness of its efforts.

Kosovo

Kosovo is not considered a regional financial or offshore center. The country has porous borders that facilitate an active black market for smuggled consumer goods, especially fuel, cigarettes, and pirated products, largely along the Kosovo - Serbian border. Kosovo is a transit point for illicit drugs. Drugs from Afghanistan make their way through Turkey where they are often routed through the Drenica Valley in Kosovo, from where they are smuggled to Western Europe. Proceeds of drug trafficking do not fund the black market of smuggled and pirated items. There are estimates that the Kosovo informal economy approaches 40 percent or more of GDP.

Illegal proceeds from domestic and foreign criminal activity are also generated from corruption, tax evasion, customs fraud, organized crime, contraband, human trafficking, and various types of financial crimes. A large amount of money is invested in real estate, restaurants, trading companies, bars, and games of chance operations, such as casinos, slot machines, and sports betting facilities. There is no capacity to supervise this movement. There is also a tendency to conduct business and to engage in business transactions on private accounts without business registration. Official corruption is believed to be a significant problem, as are resource constraints.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks; money exchangers and remitters; securities brokers and service providers, portfolio and fund managers; insurance companies; issuers of traveler's checks, money orders, e-money, and payment cards; political parties; casinos; attorneys, accountants, notaries, and auditors; real estate agents; high-value goods dealers; nongovernmental organizations (NGOs); microfinance institutions; and construction companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 335: January 1, 2015 – November 1, 2015
Number of CTRs received and time frame: 1,948: January 1, 2015 – November 1, 2015
STR covered entities: Banks; money exchangers and remitters; securities brokers and service providers, portfolio and fund managers; insurance companies; issuers of traveler's checks, money orders, e-money, and payment cards; NGOs; political parties; casinos;

attorneys, accountants, notaries, and auditors; real estate agents; and high-value goods dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 32: January 1 – November 1, 2015
Convictions: 1: January 1 – November 1, 2015

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

Kosovo is not a member of a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In September 2014, the Government of Kosovo adopted its five-year National Strategy and Action Plan for the Prevention of and Fight Against the Informal Economy, Money Laundering, Terrorist Financing, and Financial Crimes; subsequently, a national money laundering/terrorist financing risk assessment report was prepared. Kosovo law restricts all money laundering investigations in Kosovo to a relatively small unit in the prosecutor's office, which focuses mostly on organized crime and corruption; however, all prosecutors may pursue seizures and confiscations of instrumentalities and proceeds for all types of crimes. The National Coordinator for Economic Crime Enforcement and his staff monitor compliance with international AML/CFT standards and promote increased prosecutorial effectiveness.

In 2014, the Central Bank of Kosovo (CBK) finalized a draft AML/CFT regulation for the financial sector. In 2015, a Kosovo working group established by the Ministry of Finance began working with international donors to prepare a revised AML/CFT Law in line with relevant international standards. As of the end of 2015, the law was still pending approval.

The CBK carried out 12 compliance inspections from January 1 – November 1, 2015, and the financial intelligence unit (FIU) carried out 25 compliance inspections in the same period. The threat of terrorist finance in Kosovo has been confirmed by various officials. The FIU reports it has observed several suspicious transactions related to terrorist financing. The FIU maintains electronic communication with financial institutions and government agencies and is still taking steps to obtain access to other available databases and to integrate them into its analytical system.

Kosovo's status as a non-member of the UN, which stems primarily from political disagreements with Serbia, limits the country's eligibility to participate in many regional and international bodies, organizations, treaties, and conventions.

The government should prioritize financial crimes enforcement and investigations to work toward successful prosecutions of money laundering. The Government of Kosovo should address border security and take steps to effectively combat organized crime and corruption.

Kuwait

Kuwait is not a regional financial center. As of March 31, 2015, the Central Bank of Kuwait reported total banking sector assets of $188 billion. Currently, 23 banks operate in Kuwait. Financial crimes, including money laundering, remain concerns. Illicit proceeds are primarily related to cases of fraud, smuggling (especially to/from Iraq), and corruption. Other proceeds-generating crimes are credit card fraud, piracy of goods, insider trading, and market manipulation. The authorities are unaware of the presence of serious organized or transnational crime.

Private financial support to terrorist groups, particularly by individuals who operate outside of government-approved charitable-giving mechanisms, also continues to be a concern. In 2015, the Government of Kuwait took several measures to improve the oversight and regulation of charities operating in the country, including monitoring transfers to international beneficiaries. The Ministry of Social Affairs and Labor has also taken steps to monitor social media and regulate online donations.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Commercial and Islamic banks; insurance agents, brokers, and companies; investment companies; money and foreign exchange bureaus; jewelry establishments, including gold, metal, and precious commodity traders; real estate agents/establishments; legal and auditing firms

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Commercial and Islamic banks; insurance agents, brokers, and companies; investment companies; money and foreign exchange bureaus; jewelry establishments, including gold, metal, and precious commodity traders; real estate agents/establishments; legal and auditing firms

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In June 2015, the National Assembly passed a cybercrime prevention law that addresses identity theft and credit card fraud.

Throughout 2015, Kuwait continued to implement Law 106 of 2013, which addresses AML/CFT. Law 106 creates the legal basis to freeze terrorist assets without delay. The Ministry of Foreign Affairs chairs a ministerial-level counterterrorism committee (CTC) that consists of 11 governmental bodies and has met regularly in an effort to execute Kuwait's AML/CFT obligations under UNSCRs and domestic regulations.

Kuwait continued to develop the operational capabilities of the Kuwait Financial Intelligence Unit (KwFIU). The Ministry of Finance hosted the KwFIU until July 2015 when KwFIU moved to its own permanent premises, which are equipped with modern IT systems to ensure the security and confidentiality of information. KwFIU is incorporating transaction-screening and analytical software, an online reporting system, a secure database, and other IT solutions to fully integrate and automate its processes. KwFIU is finalizing the signing of memorandums of understanding with its international counterpart FIUs. The KwFIU has received and processed suspicious transaction reports (STRs) from reporting entities and disseminated a number of them to the Public Prosecution Office (PPO) and other authorities for action.

In October 2015 Kuwait issued Ministerial Resolution #55, which elaborates on the powers and responsibilities of the National Committee for Anti-Money Laundering and Combating the Financing of Terrorism. Chaired by the president of the KwFIU, the committee consists of 11 governmental agencies. The National Committee is obliged to meet at least semi-annually, supported by more frequent meetings at the working group level. The National Committee adopted its action plan for 2016-2019; the plan was coordinated with stakeholders and prescribes the actions to be taken by the relevant competent authorities.

In September 2015, Kuwait froze the assets of two residents accused of terrorism financing in accordance with UNSCR 1373. In November, 2015, local media announced the conviction of five residents of Kuwait on terrorism finance charges. Later that month, an additional six individuals were arrested on charges of providing financial and material support to ISIL operations. Details of these cases are under court seal.

In order to help measure the effectiveness of its AML/CFT regime, the Government of Kuwait should compile and release the number of financial intelligence reports filed by mandated reporting entities as well as the numbers of money laundering prosecutions and convictions.

Kyrgyz Republic

The Kyrgyz Republic is not a regional financial center. A large shadow economy (which the World Bank estimates at 40 percent of current GDP, or approximately $7.5 billion), corruption, organized crime, and narcotics trafficking make the country vulnerable to financial crimes. Although no hard figures are available, it appears narcotics trafficking is the main source of criminal proceeds as the Kyrgyz Republic sits along a key northern transit route from Afghanistan to the Russian Federation, Europe, and beyond. In addition, the smuggling of consumer goods, including fuel, tax and tariff evasion, and official corruption continue to serve as major sources of criminal proceeds. Money laundering also occurs through trade-based fraud, bulk cash couriers, and informal and unregulated value transfer systems. By tradition, many transactions occur without written records. There is no evidence of large-scale money laundering through the banking system. The banking system is immature and markets are tiny; therefore, any movement of a large amount of hard currency through this system would be immediately noticeable.

In 2015, known remittances from migrant workers abroad comprised nearly 31 percent of the GDP. A significant portion of remittances enters informal channels or is hand carried to Kyrgyzstan from the country where the migrant is residing. Weak political will, resource constraints, inefficient financial systems, and corruption all serve to stifle efforts to effectively combat money laundering.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, credit institutions, stock brokerages, foreign exchange offices, insurance companies, notaries, attorneys, regulators, tax consultants and auditors, realtors, the state's property agency, trustees, jewelry stores and dealers, and customs officers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks; finance organizations and offices; mortgage companies and credit organizations; credit unions; insurance/re-insurance organizations; professional

participants of the equity market; private pension funds and retirement assets management companies; financial leasing companies; persons providing funds or value transfer; currency exchanges, pawnshops, and buyer companies; commodity exchanges; persons organizing and conducting lotteries; realtors; dealers of precious metals and stones; trustee services, including trust companies; and postal and telegraph services providing funds transfers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of the Kyrgyz Republic continues to address its recognized AML/CFT deficiencies; however, it appears lack of political will, resource constraints, and corruption are large hurdles to effective enforcement of AML/CFT provisions. The AML law was amended twice in 2015. Amendments in April specifically exclude the gaming industry, with the exception of lotteries, from coverage under the law. Additional amendments in July expand the list of entities required to report suspicious transaction reports (STRs) to include postal or telegraph services providing funds transfers, but remove notaries; modify the definition of "crime proceeds" to include any economic benefit or property derived from or obtained, directly or indirectly, through the commission of an offense; and provide that all references to terrorism financing now include "terrorism or extremism financing." Finally, the amendments place the determination of when, and which, assets will be frozen in the hands of the government rather than the Financial Intelligence Service (FIS).

Despite this progress, significant gaps still exist in enforcement and implementation. The procedures for investigation and enforcement are still underdeveloped, and there are virtually no investigations and prosecutions of money laundering or terrorism financing. Both government and private institutions lack personnel, training, and capacity to enforce the law and its attendant regulations. A previous attempt at reform of the Financial Police proved ineffective. The FIS, the country's financial intelligence unit, is not recognized by other government entities as a legitimate investigative agency, resulting in a lack of cooperation and information sharing across agency lines. The FIS says it sends prosecutable cases, which the prosecution service refuses to pursue; the prosecutors say they receive scant information from the FIS and requests to prosecute without sufficient evidence. In March, 2015, the government amended the FIS law and ordered the FIU to create a Public Advisory Council in order to monitor its activities.

The threshold for mandatory currency transaction reporting (CTRs) is 1,000,000 som (approximately $13,700). An additional challenge to effective enforcement and investigation is

the lack of criminal sanctions for legal entities involved in money laundering or terrorism financing activity.

The Government of the Kyrgyz Republic should provide additional personnel, resources, training, and other capacity building support to bodies authorized to investigate and prosecute money laundering, corruption, financial crimes, and terrorism financing. The government should adjust the CTR threshold to a level that is more appropriate for commercial transactions in the country and should make legal entities subject to criminal sanctions for money laundering or terrorist financing activity. The Kyrgyz Republic also should review its decision to remove gaming establishments and notaries from the list of reporting entities.

Laos

Laos' fast-growing economy, weak governance, and geographic position at the heart of mainland Southeast Asia combine to make it vulnerable to money laundering and terrorism finance. The financial sector in Laos has expanded rapidly over the last decade and in spite of new legislation and regulations on money laundering, the sector remains under-regulated compared to other nations in the region, presenting an attractive target for money launderers. The gaming industry has little effective oversight and presents another money laundering opportunity. Cash-based transactions remain commonplace, even for large purchases, and government efforts to increase digitization of records and processes continue to move slowly.

Corruption is widespread. Drug trafficking, wildlife trafficking, and human trafficking are major concerns. Traffickers are likely taking advantage of poor recordkeeping, weak enforcement of new regulations, and prevalence of cash transactions to launder the proceeds of their crimes. Smuggling is made easier by porous borders. Bulk cash smuggling to and from Thailand, China, and Vietnam is likely occurring. Laos has a large underground economy and uses informal value transfer systems.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks; microfinance institutions; insurance companies; casinos, games, and lotteries; lending and finance companies; pawn shops; financial leasing

companies; currency transfer companies; companies or agents for sales and management of payment instruments, credit cards, travelers checks, and bank drafts; securities and investment companies, intermediaries, managers, and advisors; foreign exchange shops; dealers in precious metals and antiques; attorneys and notaries

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 35 in 2014
Number of CTRs received and time frame: Not available
STR covered entities: Banks; microfinance institutions; insurance companies; casinos, games, and lotteries; lending and finance companies; pawn shops; financial leasing companies; currency transfer companies; companies or agents for sales and management of payment instruments, credit cards, travelers checks, and bank drafts; securities and investment companies, intermediaries, managers, and advisors; foreign exchange shops; dealers in precious metals and antiques; attorneys and notaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

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

Laos is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.fatf-gafi.org/countries/j-m/laopeoplesdemocraticrepublic/documents/mutualevaluationoflaopeoplesdemocraticrepublic.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

With donor assistance, the Bank of Laos (BOL) drafted new legislation and regulations over the course of 2015 to combat money laundering and financing of terrorism. Laos also has prepared a draft regulation on financial sector market entry, which will include controls over bank license holders and checks on sources of capital. Law No. 49/NA on Anti-Money Laundering and Combatting the Financing of Terrorism (AML Law), issued on July 21, 2014, took effect on February 24, 2015. Under the new law covered entities are required to verify the identity of customers as well as the intention and objectives behind the transactions. Reporting units must report large transactions that exceed certain monetary thresholds (which are to be determined by the BOL in later regulations) and those under suspicion of being connected to money laundering or terrorism financing. Even with new regulations, implementation is hampered by a general lack of knowledge and experience among responsible officials.

The BOL's Anti-Money Laundering Intelligence Unit (AMLIU), the financial intelligence unit, signed a Memorandum of Understanding on Intelligence Information Exchanges with the Economic Crimes Police Department in October. Although suspicious transaction reports (STRs) continue to increase in number, there has yet to be a comprehensive money laundering investigation leading to a prosecution in Laos.

Enforcement and implementation are also generally hampered by weak government capacity, resource constraints, and relative inexperience of local financial institutions. Other than banks, most covered entities required to file STRs remain minimally supervised. Additionally, although Lao law directs the gaming industry to report suspicious transactions, the AMLIU has yet to receive any reports. There is no protection against liability for individuals reporting suspicious activity, although tipping off suspects is criminalized. The new legislation provides for special consideration of politically exposed persons (PEPs), though implementation is uncertain.

In 2015, the National Coordination Committee for Anti-Money Laundering and Countering the Financing of Terrorism issued the "Instruction on the Declaration of Cash, Precious Metals, and Bearer Negotiable Instruments While Entering/Exiting the Lao PDR," effective August 26, 2015. Individuals crossing the Lao border both inbound and outbound with cash, precious metals, and bearer negotiable instruments exceeding 100,000,000 kip (approximately $12,300) are required to fill out a customs declaration. Laos needs to finalize implementation guidelines.

The Government of Laos should work to implement an effective AML/CFT regime that adheres to international standards. Laos should finalize its pending legislation and regulations and should criminalize terrorist financing. The government should ensure all covered entities are subject to adequate supervision and are complying with the AML Law's requirements, and should implement safe harbor protection rules. Laos should create an asset forfeiture regime covering both terrorism financing and money laundering, including law enforcement's ability to trace, freeze, and seize assets and a system for accounting for forfeited assets and for ensuring they are disposed of in accordance with the law. Coordination among the BOL, Ministry of Finance, law enforcement entities, and the banking industry should be improved, with the goal of successful investigations, prosecutions, and convictions of money launderers.

Latvia

Latvia is a regional financial center with a large number of commercial banks and a sizeable non-resident deposit base. Foreign depositors account for more than half of the 30 billion euros (approximately $33 billion) in Latvia's banking system, which markets itself as a gateway to the European Union. Nonresident cash continues to flow across the border from neighboring Russia and other former Soviet states. The Financial and Capital Market Commission (FCMC) stated in May 2015 that the growth of nonresident deposits from Russia has remained steady despite international sanctions imposed in the spring of 2014. Nonresident deposits pose a substantial risk in that money obtained from corruption and other crimes committed outside of Latvia can be laundered inside the country. Latvia's geographic location, large untaxed shadow economy (estimated at about 25 percent of the overall economy), and public corruption make it challenging to combat money laundering.

Officials do not consider proceeds from illegal narcotics to be a major source of laundered funds in Latvia. Authorities identify the primary sources of money laundered in Latvia as tax evasion; organized criminal activities, such as prostitution and fraud perpetrated by Russian and Latvian groups; and other forms of financial fraud. Officials also report that questionable transactions and the overall value of laundered money have remained below pre-financial crisis levels.

Latvian regulatory agencies monitor financial transactions to identify instances of terrorism financing.

There is a black market for smuggled goods, primarily cigarettes, alcohol, and gasoline; however, contraband smuggling does not generate significant funds that are laundered through the official financial system.

Four special economic zones provide a variety of significant tax incentives for manufacturing, outsourcing, logistics centers, and the transshipment of goods to other free trade zones. The zones are covered by the same regulatory oversight and enterprise registration regulations that exist for other areas.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, credit institutions, life insurance companies, and intermediaries; private pension fund administrators, investment brokerage firms, and management companies; currency exchange offices, payment service providers, money transmission or remittance offices, and e-money institutions; tax advisors, external accountants, and auditors; notaries, lawyers, and other independent legal professionals; trust and company service providers; real estate agents or intermediaries; organizers of lotteries or other gaming activities; persons providing money collection services; EU-owned entities; and any high-value goods merchant, intermediary, or service provider

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 6,923: January 1 - November 1, 2015
Number of CTRs received and time frame: 6,134: January 1 - November 1, 2015
STR covered entities: Banks, credit institutions, life insurance companies, and intermediaries; private pension fund administrators, investment brokerage firms, and management companies; currency exchange offices, payment service providers, money transmission or remittance offices, and e-money institutions; tax advisors, external accountants, and auditors; notaries, lawyers, and other independent legal professionals; trust and company service providers; real estate agents or intermediaries; organizers of lotteries or other gaming activities; persons providing money collection services; any high-value goods merchant, intermediary, or service provider; and public institutions

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 27: January 1 - November 1, 2015
Convictions: 14: January 1 - November 1, 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On June 30, 2015, several amendments were made to the Law on the Prevention of Money Laundering and Terrorism Financing. The amendments empower credit institutions to inform Latvia's Financial Intelligence Unit (FIU) of any suspicious transactions involving accounts closed by their clients, and more clearly define the institutions from which the FIU is permitted to request and receive information. The amendments also require these institutions to provide information on international passengers, airports, and aero-navigation service owners and related officials where money laundering, terrorism financing, or threats to national security are suspected.

Under Latvian law, foreign politically exposed persons (PEPs) are always subject to enhanced due diligence procedures, but domestic PEPs are not. The FCMC reports it is developing enhanced due diligence regulations as well as language for draft legislation that would ultimately extend existing PEP rules to cover domestic PEPs.

The 27 cases prosecuted in the first 11 months of 2015 involved 84 individuals. During 2015, Latvian authorities took additional actions against high-level government officials and appointees. In August, the Bureau to Prevent and Combat Corruption (KNAB) detained the CEO of state-owned Latvian Railways for two months for allegedly accepting a 500,000 euro (approximately $546,000) bribe. The CEO posted bail and was freed, pending trial. In November, the Prosecutor's Office opened a criminal case against the Riga Freeport CEO and his deputy, who are suspected of using their official positions for private gain. The Riga Freeport Board declined to remove the two officials while proceedings are ongoing. Both cases are pending. In December 2015, the FCMC announced a 2.0 million euro (approximately $2.2 million) fine – its largest ever – against the Latvian branch of Ukrainian-owned PrivatBank and ordered the bank to fire its board for its role in handling cash from an alleged multi-billion euro fraud in Moldova. Also that month, the Latvian State Police arrested and searched the offices of two Trasta Komercbanka employees suspected of criminal involvement in money laundering. By late December, Latvian media had reported both a pre-trial investigation and an FCMC probe of the bank's internal control system were underway.

In October 2015, the Organization of Economic Cooperation and Development's Anti-Bribery Working Group released a report expressing concern about Latvian enforcement capacity and efforts to combat corruption and money laundering. It raises "serious concerns" about KNAB's

effectiveness, ongoing conflicts among personnel, and insulation from potential political interference that have overshadowed KNAB's investigative efforts. The report further highlights the risks to Latvia's banking system of money laundering by non-resident clients, FCMC's failure to detect large-scale transfers subsequently reported in the media, and the low number of money laundering investigations and resulting convictions. The report recommends Latvia make further legislative amendments in the areas of foreign bribery, extradition, corporate liability, and external auditor reporting. It also urges FCMC to require banks that take nonresident deposits to adopt stronger AML measures, to inspect banks more frequently, and to punish banks that violate the law.

While Latvia has taken steps to implement anti-corruption and AML/CFT legislation, enforcement must be strengthened. Latvian banks continue to invest substantially in IT systems to develop programs for identifying high-risk clients. However, they should enforce a higher standard of due diligence and KYC best practices. The FCMC should inspect banks more regularly, investigate alleged malfeasance more aggressively, and impose penalties where appropriate, while continuing efforts to increase its human and financial resources, specifically for AML purposes. The government also should devote appropriate resources to its AML and anti-corruption programs and take steps to correct noted deficiencies.

Lebanon

Lebanon is a financial hub for banking activities in the Middle East and Eastern Mediterranean and has one of the more sophisticated banking sectors in the region. Lebanon faces money laundering and terrorism financing challenges. Domestically, there is a black market for cigarettes, cars, counterfeit consumer goods, pirated software, CDs, and DVDs. Nevertheless, the sale of these goods does not generate significant proceeds that are laundered through the formal banking system. In addition, the domestic illicit narcotics trade is not a principal source of laundered proceeds. Lebanon has a substantial influx of both formal and informal remittances from expatriate workers and family members, estimated by the World Bank at approximately $7.5 billion annually over the last six years. Recent statistics demonstrate that embezzlement of private funds operations, which includes cybercrime money laundering, increased in 2015.

A number of exchange houses are reportedly used to facilitate money laundering and terrorism financing, including by Hizballah, which the United States has designated as a terrorist organization, though the Government of Lebanon does not recognize this designation. Lebanese expatriates in Africa, the Gulf, and South America have established financial systems outside the formal financial sector, and some are reportedly involved in trade-based money laundering (TBML) schemes. International trade is also used to provide counter-valuation between Lebanese hawaladars.

The use of bitcoins is prohibited in Lebanon. Although offshore banking and trust and insurance companies are not permitted in Lebanon, the government has enacted regulations regarding the activities of offshore companies and transactions conducted outside Lebanon or in the Lebanese Customs Free Zone. Offshore companies can issue bearer shares. There are also two free trade zones (FTZ) operating in Lebanon: the Port of Beirut and the Port of Tripoli. FTZs fall under the supervision of the Customs Authority.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, financial and lending institutions, money dealers, financial brokerage firms, leasing companies, mutual funds, insurance companies, real estate developers, promotion and sales companies, high-value goods merchants, and money remitters

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 189: January 1 – October 31, 2015
Number of CTRs received and time frame: 55: January 1 – October 31, 2015
STR covered entities: Banks, lending institutions, money dealers, financial brokerage firms, leasing companies, mutual funds, insurance companies, real estate developers, promotion and sales companies, casinos, money remitters, auditors appointed at financial institutions, high-value goods merchants, public notaries, attorneys, and accounts

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 12: January - October, 2015
Convictions: 0

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On November 13, 2015, Parliament endorsed laws intended to strengthen Lebanon's AML/CFT regime. These include amendments to the existing AML law (Law 318/2001) to further widen categories of reporting entities to include public notaries, attorneys, and accountants. The list of predicate offenses to charge money laundering has also been increased. Legislation now allows confiscation of assets and sharing of confiscated assets with concerned countries. New Law 42/215, Declaring the Cross-Border Transportation of Money, imposes requirements to declare

both inbound and outbound cash transportation of amounts exceeding $15,000 or its equivalent in any other currency. This is applicable to any means of transporting the currency, whether on your person, in a suitcase, by post, or any means of shipment. There also is a new law on the exchange of tax information (Law 43/2015), which authorizes the Ministry of Finance to join bilateral and multilateral agreements to exchange information related to tax evasion and tax fraud.

The Special Investigation Commission (SIC), Lebanon's financial intelligence unit, publishes annual statistics on money laundering, breaking them down by type of offense. Lebanon's Internal Security Forces (ISF) Cybercrime and Intellectual Property Unit tracked 76 cases of hackers located in Lebanon and abroad who embezzled funds from local depositors and transferred the funds to bank accounts located outside Lebanon.

On June 30, 2015, the Banque du Liban, the Central Bank, issued Intermediate Circular No. 393, amending Basic Circular No. 69, strengthening AML/CFT controls on money remitters. The Banque du Liban also has issued regulations to regulate exchange houses.

The SIC has confirmed reports suggesting local commercial banks and financial institutions have implemented regulatory measures, including enhanced due diligence regarding high risk customers and/or closure of accounts that represent unacceptable risks. As a result there are no longer currency transactions related to international narcotics trafficking that include significant amounts of U.S. currency, currency derived from illegal drug sales in the U.S., or illegal drug sales that otherwise significantly affect the U.S.

Despite no requirement to file currency transaction reports (CTRs) with the SIC, 55 such reports were filed voluntarily between January and October 2015.

The SIC froze a number of accounts on suspicion of money laundering; however, the SIC does not publicly disclose figures of total amounts frozen. Although the number of filed STRs and subsequent money laundering investigations coordinated by the SIC has increased steadily over the years, convictions are still lacking. The U.S. Department of Justice has six pending legal assistance requests with the Government of Lebanon. Lebanon has been slow to react to the requests.

The Lebanese Customs Authority must inform the SIC of suspected TBML or terrorist financing; however, alleged high levels of corruption within Customs make this problematic. Lebanon is a participant country of the Kimberley Process, and trade in rough diamonds is governed by law number 645. However, there have been persistent reports of smuggling and the mis-invoicing and mis-classification of diamonds. Another unaddressed vulnerability is the trading of bearer shares of unlisted companies.

In the first 10 months of 2015, the SIC sent 25 referrals to the Office of the Prosecutor General. The ISF also received 48 allegations of money laundering from Interpol and arrested three persons. The ISF sent five suspected money laundering cases to the SIC for investigation. Lebanese law enforcement entities often do not coordinate activities. The government has started training joint task forces including members of relevant agencies, such as Customs, the ISF, the SIC, and the judiciary. Cooperation between the SIC and local enforcement authorities, especially in terrorism financing cases, has increased; several training initiatives were undertaken

in 2015 to enhance such cooperation. Lebanon could also benefit from increased cooperation among local and international law enforcement organizations to combat money laundering and terrorism financing.

Individuals in Lebanon are engaged in TBML by utilizing vehicles as the commodity to legitimize drug proceeds linked to Hizballah. U.S. law enforcement identified money wires coming into the United States from Jordanian and Lebanese entities to various domestic vehicle dealerships. These funds are used to purchase vehicles subsequently exported to Lebanon and Jordan. In some instances, there are weapons secreted within the exported vehicles. The transactions that occur in the United States appear to be legitimate, but the ultimate destination of the vehicles is unknown and the proceeds may be directed back to Hizballah in Lebanon.

Lebanon should strengthen its overall efforts to disrupt and dismantle money laundering and terrorist financing activities, including those carried out by Hizballah. Lebanon should enforce its new cross-border currency reporting requirements, fully implement its new laws and directives, and take action to immobilize bearer shares. The government should continue its efforts to achieve better coordination and efficiency in the investigation of complex financial crimes by its various law enforcement and investigative agencies.

Lesotho

Lesotho is neither a regional nor an offshore financial center. Money laundering is related primarily to corruption and tax evasion. While there is no significant black market for smuggled goods in the country, undeclared and under-declared items pass daily between Lesotho and South Africa over the countries' extensive and porous land border. The smuggling is low level and largely committed by individuals. Smugglers commonly bring undeclared consumer goods or, occasionally, larger items like automobiles from South Africa into Lesotho. Smaller items are smuggled to avoid paperwork and other bureaucratic requirements, while larger items are smuggled to avoid paying import taxes at the borders.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, money lenders, money exchangers, brokers, insurance companies, securities dealers, real estate agents, gambling houses, casinos, the lottery, precious metals or stones dealers, and service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 52: January – October 2015
Number of CTRs received and time frame: Not available
STR covered entities: Banks, money lenders, money exchangers, brokers, insurance companies, securities dealers, real estate agents, gambling houses, casinos, the lottery, precious metals or stones dealers, and service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While the Government of Lesotho is steadily increasing its ability to monitor international financial transactions in Lesotho for AML/CFT purposes, limited resources, capacity, and expertise, as well as a lack of both awareness and training pose serious challenges to the adequate implementation of Lesotho's AML/CFT legislation.

AML guidelines published by the Financial Intelligence Unit (FIU) require reporting entities to submit suspicious transaction reports (STRs) to the FIU only, as opposed to both the Directorate of Corruption and Economic Offenses (DCEO) and the FIU, as provided for in the Money Laundering and Proceeds of Crime Act (MLPCA). The government has reportedly been working to revise the MLPCA for the last few years. The DCEO continues to work toward operationalizing an asset recovery unit. The FIU continues to raise awareness among banks and other professions about their obligations under the MLPCA.

Mobile Payments, or M-Payments, are becoming a possible vehicle to launder criminal proceeds in Africa and elsewhere in the world. In Lesotho, the Central Bank regulates mobile money systems Ecocash and M-pesa for AML/CFT compliance. They are mandated to follow KYC rules. All transactions are local and limited. A three-tier system based on the types of users sets maximums for transaction amounts. In 2015, the maximum volumes were revised. Under Tier 1, under which individuals use a mobile phone self-registration, transactions are only allowed up to a maximum of 2,500 maloti (approximately $179) daily and 7,500 maloti (approximately $535) per month. Under Tier 2, subscribers are required to present their passports and proof of their sources of income. The maximum transaction for Tier 2 customers is 5,000 maloti (approximately $357) daily and 15,000 maloti (approximately $1,071) per month. Under Tier 3,

similar rules as Tier 2 apply, with a maximum transaction of 7,500 maloti (approximately $535) daily and 20,000 maloti (approximately $1,429) per month. The system also has unusual behavior triggers, which can lead to the filing of a suspicious transaction report (STR). In addition to existing mobile money systems, Shoprite store has developed a cross-border money transfer system consisting of remittances between Lesotho and South Africa. A money transfer can be made at any Shoprite in South Africa to be received at any Shoprite in Lesotho. There is a daily limit of 5,000 maloti (approximately $357) to be sent and received and a monthly limit of 25,000 maloti (approximately $1,786).

Customs enforcement and other weak points at Lesotho's borders continue to be key areas of concern. The Government of Lesotho should amend its MLPCA, implement its obligations under UNSCRs 1267 and 1373, and pass its Anti-Terrorism bill into law. Lesotho should also take steps to tighten its borders controls and to curb corruption. Additionally, Lesotho should continue its efforts to monitor various forms of M-Payments and guard against possible money laundering abuse.

Liberia

Liberia is not a significant regional financial center. Its financial system has limited capacity to detect money laundering or terrorist financing, and financial controls remain weak. Its economy runs on a traditional cash-based system, with both Liberian and U.S. dollars being legal tenders. There are nine commercial banks operating in Liberia, eight of which are foreign-owned. Approximately half of those banks provide money transfer services through Western Union and MoneyGram outlets. Some banks offer debit cards, automated teller machines, internet banking, and other modern bank products and services.

Liberia has a significant market for smuggled goods, which are easily imported through its long, porous borders. There is little information available linking money laundering to the sale of narcotics. Unmonitored diamond and gold mining in border areas and opaque trading networks continue to be concerns. There are presently two casinos in the country; however, casino operators have no regulatory body overseeing their activities. The relative openness of Liberia's economy coupled with its craving for foreign investment makes the country vulnerable to illegal business activities, including money laundering.

The main seaport, Freeport of Monrovia, operates as an International Ship and Port Security-certified security level one port. In 2014, the National Investment Commission, in collaboration with International Finance Corporation, finalized a draft Special Economic Zone (SEZ) bill intended to repeal and replace the Liberia Free Zone Authority Act. The SEZ bill is undergoing its final validation process after which it will be submitted to the Liberian legislature for passage into law. If enacted, the SEZ Law would establish designated free zone areas intended to increase investment, strengthen economic competitiveness, create employment opportunities, catalyze private sector development, and improve domestic technologies and skills.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Central Bank of Liberia, commercial banks, and thrift and loan associations; brokers and dealers in securities and commodities; money exchange bureaus and check cashers; issuers of credit cards, money orders, and other similar instruments; insurance, loan, or financing agencies and underwriters; and funds remitters

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 21 in 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Central Bank of Liberia, commercial banks, and thrift and loan associations; brokers and dealers in securities and commodities; money exchange bureaus and check cashers; issuers of credit cards, money orders, and other similar instruments; insurance, loan, or financing agencies and underwriters; funds remitters; accountants, casinos, and real estate agencies; state institutions, ministries, state-owned enterprises, and quasi-governmental organizations

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0
Convictions: 0

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

There have been no arrests, prosecutions, or convictions for money laundering or terrorism financing in Liberia. Money laundering is difficult to detect and implementation of laws is hampered because of Liberia's cash-based economy, weak financial transparency and record keeping, political interference, corruption, limited capacity within law enforcement and the judiciary, lack of adequate resources, and widespread cross-border trade.

The Central Bank of Liberia (CBL) continues to update its KYC and customer due diligence (CDD) guidelines; however, it lacks the technical capacity to strictly monitor or enforce compliance. There are anecdotal reports that some banks ignore the KYC/CDD principles.

The financial intelligence unit (FIU) has taken over the responsibility for receiving and analyzing suspicious transaction reports (STRs) from commercial banks. The FIU has drafted four regulations and guidance on issues of suspicious and cash transactions as well as regulations on terrorist financing and cross border transfer of cash. It is expected these proposed regulations will be approved early in 2016. For internal control purposes, the FIU will require financial institutions and reporting entities to keep adequate records and maintain applicable procedures regarding KYC/CDD matters. The FIU continues to conduct awareness-raising consultations and forums with various entities and to build its internal human capacity through participation in regional training, workshops, and conferences in illicit financing, case management, and money laundering.

The threshold for suspicious transactions or transfers is $25,000 for individuals and $40,000 for corporations. These thresholds are not in line with international standards, which generally call for the reporting of all suspicious transactions, including attempted transactions, regardless of the amount of the transaction. Despite the fact there is no currency transaction reporting (CTR) requirement at the end of 2015, one report was filed voluntarily. Liberia expects to have a CTR regulation in place early in 2016.

Throughout Liberia, foreign currencies are exchanged without identification or verification of identity or business profile. In Liberia, any person, partnership, or company may obtain a license from the CBL to establish a foreign exchange bureau. CBL has issued the Regulations for Licensing and Supervision of Foreign Exchange Bureau but does not have an effective mechanism in place to regulate the activities of foreign exchange bureaus for AML/CFT purposes. Foreign exchange is a free-floating business and, according to the CBL report (2014), there are 111 registered, licensed foreign currency exchange bureaus, plus roughly 1,000 other licensed or registered entities that conduct foreign exchange. There are also numerous non-licensed foreign exchange sites and a large number of unregulated money changers in the country whose activities have raised concerns. This sector poses a high level of vulnerability to money laundering, terrorism financing, and suspicious transactions. The CBL continues to maintain permanent, as well as temporary, payment structures in areas where there are limited commercial banking activities to facilitate the government's check encashment process. However, CBL reports expansion in banking services throughout the country, with bank branches increasing from 82 to 85 in 2014.

Both the Liberia National Police and the National Security Agency investigate financial crimes. The Liberia Drug Enforcement Agency (LDEA) also has the authority to investigate money laundering in relation to drug-related offenses. Money laundering as an offense has not featured prominently on police or LDEA records over the years. Both lack relevant investigative capacity. LDEA's capacity continues to improve and in 2015 the LDEA and FIU conducted a joint nationwide borders assessment. In November 2015, the LDEA asked the FIU to conduct a parallel investigation on a Nigerian drug suspect for tax evasion.

The Government of Liberia should establish procedures to monitor foreign exchange and remittance dealers, take steps to ensure the corporate debt securities market activity is adequately

controlled and monitored, establish a mechanism for circulating the UN terrorist lists to financial institutions, enforce border and port security, enhance the relevant supervisory authority and resources of the CBL, review its thresholds for suspicious transactions, and move to strengthen the FIU.

Libya

Libya is not a regional or offshore financial center. In 2015, the government appointed by the Libyan House of Representatives is based in the eastern city of Bayda, while a competing, self-proclaimed, unrecognized "government" operates from Tripoli. The inability of the Libyan government to exercise control over Libya's territory and institutions led to further degradation of Libya's security and governance institutions and created increased opportunities for criminals to operate in Libya. In addition to political conflict, armed militias, former revolutionaries, and tribes within Libya engage in criminal activity for profit, including theft, weapons trafficking, and extortion.

Libya remains heavily dependent on the hydrocarbons sector for government income, with some estimates that over 90 percent of government income is based on oil revenues. Libya's oil and gas exports remained well below the 1.6 million barrels per day capacity throughout all of 2015 due to the conflict and concomitant extortion by local groups, widening the budget deficit. Markets remain primarily cash-based, and informal value transfer networks are present.

Libya's geographic location, porous borders, and limited law enforcement capacity make it an attractive transit point for narcotics. Libya is also a transit and destination country for migrants from sub-Saharan Africa, whose movement across borders is facilitated by weak Libyan government border management institutions and the de facto management of border regions by locally-based tribal networks and non-government forces. Libya also is a source, destination, and transit point for smuggled goods, including government-subsidized items, such as fuel and food, as well as black market and counterfeit goods from sub-Saharan Africa, Egypt, and China. Corruption remains a serious problem.

A shortage of foreign currency led to a growth in the black market for currency trading, where the dinar was actively trading at double its official rate throughout most of 2015. The currency control regime and lack of access to foreign currency have increased money laundering in Libya. There are reports of fraudulently-invoiced foreign trade transactions. Some media reports indicated that, as of September, 139 empty port containers had arrived at the Misrata port and were indicative of money laundering; allegedly companies were using the empty containers' associated letters of credit and fake invoices to obtain hard foreign currency at the official rate of exchange, then selling the foreign currency in the black market for double the amount of Libyan dinars. In these schemes the empty container serves as the 'documentary evidence' required by the customs authority to prove that goods for which foreign currency has been transferred abroad have actually arrived in Libya. The Central Bank of Libya (CBL) has accused commercial bank officials of being involved in this money laundering by issuing fake letters of credit for goods that are never actually imported.

Sanctions remain in effect targeting specific Libyan nationals and entities. UNSCR 2213 (2015) reaffirms that the travel ban and asset freeze, first imposed in 2011, also applies to

individuals and entities determined by the Sanctions Committee to be engaging in or providing support for other acts that threaten the peace, stability, or security of Libya or obstruct or undermine the successful completion of its political transition. On March 19, 2014, the UN Security Council adopted Resolution 2146/2014 banning illicit crude oil exports from Libya and authorizing inspection of suspect ships on high seas. UNSCR 2213 also extends the measures imposed by this resolution.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** Not available ***civilly:*** Not available

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** Not available ***Domestic:*** Not available
KYC covered entities: Banks and financial institutions licensed by the CBL

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks and financial institutions licensed by the CBL

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

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

Libya is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. It has not yet been the subject of a mutual evaluation.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Since the fall of the Qadhafi regime in 2011, there has been little information or reliable data on the scope of Libya's AML/CFT regime, including investigations, asset forfeiture, prosecutions, and convictions. Libya has a financial intelligence unit (FIU), which has yet to reach conformance with international standards. In general, Libya lacks the capacity and resources to

conduct AML awareness training and implement countermeasures. The CBL has undertaken efforts to monitor money laundering, including by instituting controls on money transfers and by imposing limits on Libyans' ability to withdraw foreign currency. Libya's AML/CFT law is not in line with international standards, and there are limited resources for effective implementation of the law.

It is illegal to transfer funds outside of Libya without the approval of the CBL. Cash courier operations are in violation of Libyan law. It is estimated up to 10 percent of foreign transfers are made through illegal means; i.e., not through the CBL. Prior to the 2011 revolution, between 1.5 and 2 million foreigners were thought to be living and working in Libya; presently, only an estimated 200,000 migrant workers reside in Libya. While it is estimated the number of migrant workers in Libya has dramatically declined since the outbreak of violence in July 2014, funds transfers by migrant workers (mainly from sub-Saharan Africa and Asia) are difficult for the Libyan government to monitor.

In July 2015, the CBL referred 30 companies to the Public Prosecutor's Office for suspected money laundering using false documents for a total of three billion dinars (approximately $2.2 billion at the official rate of exchange). In August, the Tripoli Audit Bureau froze the bank accounts of 79 Libyan and foreign companies due to "questionable" banking transactions. Also in August, the Central Bank created a banking compliance unit to work with the Anti-Money-Laundering Department.

In 2015, Islamic State of Iraq and the Levant (ISIL) operatives in Sirte, Libya, reportedly ordered banks to close because they profit from charging interest. ISIL told the banks they must change to Islamic banking or Sharia-compliant finance before they can reopen.

Many Libyans and foreigners rely on informal mechanisms for cash payments and transactions. According to CBL officials, the CBL is still evaluating ways in which it can encourage the informal economy to formalize business practices and use commercial financial institutions.

Liechtenstein

The Principality of Liechtenstein is the richest country on earth on a GDP per capita basis. It has a well-developed offshore financial services sector, relatively low tax rates, liberal incorporation and corporate governance rules, and a tradition of bank secrecy. All of these conditions contribute significantly to the ability of financial intermediaries in Liechtenstein to attract funds from abroad. Liechtenstein's financial services sector includes 16 banks, 117 fund/asset management companies, 381 trust companies/trustees and 44 insurance companies. The three largest banks in Liechtenstein manage 85 percent of the country's $125 billion in wealth.

The business model of Liechtenstein's financial sector focuses on private banking, wealth management, and mostly nonresident business. It includes the provision of corporate structures such as foundations, companies, and trusts that are designed for wealth management, the structuring of assets, and asset protection. In recent years Liechtenstein banking secrecy has been softened to allow for greater cooperation with other countries to identify tax evasion. There are no reported abuses of non-profit organizations, alternative remittance systems, offshore sectors, free trade zones, or bearer shares.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks; securities brokers; insurance companies and brokers; money exchangers or remitters; financial management firms, investment companies, and real estate companies; dealers in high-value goods; lawyers; casinos; the Liechtenstein Post Ltd.; and financial intermediaries

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 365 in 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks; securities brokers; insurance companies and brokers; money exchangers or remitters; financial management firms, investment companies, and real estate companies; dealers in high-value goods; lawyers; casinos; the Liechtenstein Post Ltd.; and financial intermediaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 9 in 2014
Convictions: 2 in 2014

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The 2014 reporting year saw an increase of suspicious transaction reports (STRs) of 11 percent when compared to 2013. Only 10 percent of the filed STRs enumerated money laundering as the reason for filing. In 2014, 56 percent of Liechtenstein's STRs were forwarded to the Office of the Public Prosecutor. A total of $27 million of assets were frozen in 2014.

In practice, many of the customer characteristics often considered high-risk in other locales, including non-residence and trust or asset management accounts, are considered routine in Liechtenstein and are subject to normal customer due diligence procedures. Additionally, Liechtenstein does not explicitly designate trusts and foundations, entities with bearer shares, or entities registered in privately-held databases in the high-risk category. Liechtenstein should consider reviewing whether this decision makes its financial system more vulnerable to illegal activities. Attempted transactions possibly related to funds connected to terrorism financing or terrorism are subject to suspicious transaction reporting.

Despite Liechtenstein's efforts to bring money laundering offenses fully in line with relevant standards, there are some questions surrounding the efficacy of its implementation as there have been only three domestic money laundering convictions since 2007.

Lithuania

Lithuania is not a regional financial center. It has adequate legal safeguards against money laundering; however, its geographic location bordering Belarus and Russia makes it a target for smuggled goods and tax evasion. The sale of narcotics does not generate a significant portion of money laundering activity in Lithuania. Value added tax (VAT) fraud is one of the biggest sources of illicit income, through underreporting of goods' value. Most financial crimes, including VAT embezzlement, cigarette smuggling, illegal production and sale of alcohol, illegal capital flight, and profit concealment, are tied to tax evasion. There are no reports of public corruption contributing to money laundering or terrorism financing.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, credit unions, and financial leasing firms; insurance companies and brokers; lawyers, notaries, tax advisors, auditors, and accountants; investment and management companies; real estate brokers and agents; gaming enterprises; postal services; dealers in art, antiquities, precious metals and stones, and high-value goods

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 397: January 1 – November 1, 2015

Number of CTRs received and time frame: 504,420: January 1 - November 1, 2015
STR covered entities: Banks, credit unions, and financial leasing firms; insurance companies and brokers; lawyers, notaries, tax advisors, auditors, and accountants; investment and management companies; real estate brokers and agents; gaming enterprises; postal services; dealers in art, antiquities, precious metals and stones, and high-value goods

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 57: January 1 - November 1, 2015
Convictions: 12: January 1 - November 1, 2015

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

Lithuania is a member of the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Lithuania_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The law amending the Law on Prevention of Money Laundering and Terrorist Financing was adopted in May 2014 and went into effect on January 1, 2015. The most notable changes relate to the suspicious transaction reporting (STR) system, customer due diligence obligations, and record-keeping. The Bank of Lithuania and the Financial Crimes Investigation Service (FCIS), the financial intelligence unit, organized a meeting with financial institutions in order to discuss the implementation of the new requirements. Following the amendments, the FCIS prepared regulations adopting new procedures for more efficient and sophisticated data processing and analysis. The FCIS now requires electronic submission of information from obligated reporting bodies.

Luxembourg

Despite its standing as the second-smallest member of the EU, Luxembourg is one of the largest financial centers in the world. It also operates as an offshore financial center. Although there are a handful of domestic banks operating in the country, the majority of banks registered in Luxembourg are foreign subsidiaries of banks in Germany, Belgium, France, Italy, and Switzerland. While Luxembourg is not a major hub for illicit narcotics distribution, the size and sophistication of its financial sector create opportunities for money laundering, tax evasion, and other financial crimes.

Hundreds of well-known multinationals have secured deals in Luxembourg that allow them to legally slash their taxes in their home countries. In some cases the Luxembourg subsidiaries of multinationals, that on paper handle hundreds of millions of dollars in business, maintain only a token presence or a simple front address. While corporate tax avoidance is technically legal, in many jurisdictions tax evasion is illegal and a predicate offense for money laundering. The international standards include tax crimes as designated predicate crimes for money laundering.

The Luxembourg Freeport is a highly secure warehouse adjacent to Luxembourg Findel Airport. It offers a variety of tax advantages because the goods warehoused are technically in transit. The Freeport is often used to store art and other valuable items without having to pay customs or sales tax. The services and confidentiality make the Freeport similar to an offshore financial center. With the Law of 24 July 2015, the licensed operators of the Luxembourg Freeport are now subject to the same know-your-customer obligations as apply to all other covered entities under the Law of 12 November 2004. The Law of 24 July 2015 also provides that the licensed operators of the Luxembourg Freeport are supervised by the Luxembourg Administration for Indirect Taxation regarding their AML/CFT obligations.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks and payment institutions; investment, tax, and economic advisers; brokers, custodians, and underwriters of financial instruments; commission agents, private portfolio managers, and market makers; managers and distributors of units/shares in undertakings for collective investments (UCIs); financial intermediation firms, registrar agents, management companies, trust and company service providers, and operators of a regulated market authorized in Luxembourg; foreign exchange cash operations; debt recovery and lending operations; pension funds and mutual savings fund administrators; corporate domiciliation agents, company formation and management services, client communication agents, and financial sector administrative agents; primary and secondary financial sector IT systems and communication network operators; insurance brokers and providers; management companies for reinsurance undertakings or insurance captives, run-off management companies, actuarial service providers, insurance portfolio managers, governance service providers, and insurance claim handlers; auditors, accountants, notaries, and lawyers; casinos and gaming establishments; real estate agents; high-value goods dealers; and the licensed operators of the Luxembourg Freeport

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 10,423: January 1 - November 30, 2015

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks and payment institutions; investment, tax, and economic advisers; brokers, custodians, and underwriters of financial instruments; commission agents,

private portfolio managers, and market makers; managers and distributors of units/shares in UCIs; financial intermediation firms, registrar agents, management companies, trust and company service providers, and operators of a regulated market authorized in Luxembourg; foreign exchange cash operations; debt recovery and lending operations; pension funds and mutual savings fund administrators; corporate domiciliation agents, company formation and management services, client communication agents, and financial sector administrative agents; primary and secondary financial sector IT systems and communication network operators; insurance brokers and providers; management companies for reinsurance undertakings or insurance captives, run-off management companies, actuarial service providers, insurance portfolio managers, governance service providers, and insurance claim handlers; auditors, accountants, notaries, and lawyers; casinos and gaming establishments; real estate agents; high-value goods dealers; and the licensed operators of the Luxembourg Freeport

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 486: January 1 - November 30, 2015
Convictions: 257: January 1 - November 30, 2015

RECORDS EXCHANGE MECHANISM:

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

Luxembourg is a member of the FATF. Its most recent mutual evaluation can be found at: http://www.fatf-gafi.org/publications/mutualevaluations/?hf=10&b=0&r=%2Bf%2Ffatf_country_en%2Fluxembourg&s=desc(fatf_releasedate)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

During 2015, Luxembourg continued to strengthen its AML/CFT system with the adoption of new legislation and the implementation of its AML/CFT framework. The Law of 24 July 2015 extends the scope of the Law of 12 November 2004 on the fight against money laundering and terrorist financing to include the licensed operators of the Luxembourg Freeport. On December 16, 2015 Parliament adopted Bill of Law Nº6761 to implement UNSCR 2178, extending the money laundering offense to include the financing of incitation, recruitment, and training for terrorist purposes.

In 2015, the Supervisory Authority of the Financial Sector, the CSSF conducted 29 onsite AML/CFT inspections. The Supervisory Authority of the Insurance Sector (CAA) performed 25 on-site visits involving AML/CFT compliance checks (16 of life insurance companies and nine of insurance brokers). The choice of inspection subjects was based on the professionals' risk profile or other relevant data from desk-based supervision. In 2015, the CAA issued circular letter 15/8 on the adoption of the Life Insurance Charter of Quality which sets common principles in terms of combating money laundering and terrorist financing. Insurance undertakings have to comply with this charter or provide explanations to the CAA as to why they refrain from subscribing. The CAA also met with professionals of the insurance sector to discuss the AML/CFT risk assessment of the sector.

In 2015, the Administration for Indirect Taxes (AIT), the supervisory authority of designated non-financial businesses and professions not supervised by self-regulatory organizations also became the supervisory authority for all licensed operators of the Luxembourg Freeport. AIT teams conducted 40 AML/CFT onsite inspections of its supervised entities. In addition, the AIT organized in-house AML/CFT courses for all its agents during 2015 and AML/CFT outreach to the private sector through a dedicated committee.

The FIU continued to organize outreach to covered entities and to hold AML/CFT training jointly with other supervisory agencies and self-regulatory organizations. In 2015, the FIU also contributed to the completion of a project aiming to intensify the cross-border cooperation among European FIUs. The FIU was one of the leaders on this project.

Macau

Macau, a Special Administrative Region (SAR) of the People's Republic of China, is not a significant regional financial center. Its financial system, which services a mostly local population, consists of banks and insurance companies as well as offshore financial businesses, such as credit institutions, insurers, underwriters, and trust management companies. Both sectors are subject to similar supervisory requirements and oversight by Macau's Monetary Authority.

With estimated gaming revenues of $30 billion for 2015, Macau is still the world's largest gaming market by revenue, although monthly gaming revenue has fallen consecutively for the past 18 months. The gaming industry relies on loosely-regulated gaming promoters and collaborators, known as junket operators, for the supply of wealthy gamblers, mostly from mainland China. Increasingly popular among gamblers seeking anonymity or alternatives to China's currency movement restrictions, junket operators are also popular among casinos aiming to reduce credit default risk because they are unable to legally collect gambling debts on the mainland, where gambling is illegal. This inherent conflict of interest, together with the anonymity gained through the use of the junket operator in the transfer and commingling of funds, as well as the absence of currency and exchange controls, present vulnerabilities for money laundering, encourages Chinese capital flight, and fosters underground financial systems such as fei-chien or "flying money."

Macau government officials indicate the primary sources of laundered funds, derived from local and overseas criminal activity, are gaming-related crimes, property offenses, and fraud.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, credit and insurance entities, casinos, gaming intermediaries, remittance agents and money changers, cash couriers, trust and company service providers, realty services, pawn shops, traders in high-value goods, notaries, registrars, commercial offshore service institutions, lawyers, auditors, accountants, and tax consultants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,807 in 2015

Number of CTRs received and time frame: Not applicable

STR covered entities: All persons, irrespective of entity or amount of transaction involved

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1: January 1 - June 30, 2015

Convictions: 0: January 1 - June 30, 2015

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Macau is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=fded343f-c299-4409-9cfc-0a97d89b6485

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Macau's financial intelligence unit (FIU) is an essential component in coordinating efforts to develop long-term AML/CFT infrastructure and in developing close collaboration with other FIUs, including the signing of memoranda of understanding and collaboration agreements with foreign counterparts.

Important deficiencies remain. Legislation that would strengthen Macau's customer due diligence (CDD) requirements has been pending for over three years, as has legislation to improve the jurisdiction's cross-border currency controls. Macau has yet to implement an effective cross-border cash declaration system.

China only allows the equivalent of $50,000 a year per person to be moved out of China. To circumvent the currency restrictions, junket operators in Macau sometimes are used. For example, Chinese gamblers can deposit money with junkets in the mainland and use that money in Macau, or they can borrow from junket agents. If they deposit the money, the gamblers can then use the funds in Macau. Once they are finished gaming, they can take their winnings in U.S. or Hong Kong dollars and invest it in property or offshore tax havens. Much of the money funneled through junkets originates from corruption, embezzlement, and other illicit activities. The junket operators help arrange for visas, travel, and accommodations. Organized crime,

including triads, are active in the gaming services and are engaged in loan-sharking, prostitution services, etc.

In August 2015, the People's Bank of China (PBC) signed a memorandum of understanding with the Macau Monetary Authority on bilateral exchanges on AML regulations, information exchange mechanisms, and on-site inspections, giving mainland China authorities better access to information. The agreement is designed to bolster efforts to crack down on graft, capital flight, and underground banking.

As a SAR of China, Macau cannot sign or ratify international conventions in its own right. China is responsible for Macau's international affairs and may arrange for its ratification of any convention to be extended to Macau. Conventions extended to Macau include: the 1988 Drug Convention (1999), the UN Convention against Transnational Organized Crime (2003), the UN Convention against Corruption (2006), and the International Convention for the Suppression of the Financing of Terrorism (2006).

While Macau's AML law does not require currency transaction reporting, gaming entities are subject to threshold reporting for transactions over MOP 500,000 (approximately $62,640) under the supplementary guidelines of the Gaming Inspection and Coordination Bureau. Macau should lower the large transaction report threshold for casinos to $3,000 to bring it in line with international standards. The government also should continue to strengthen interagency coordination to prevent money laundering in the gaming industry, especially by introducing robust oversight of junket operators and mandating due diligence for non-regulated gaming collaborators. The government should take action on its long-pending legislation regarding CDD and cross-border currency controls. Macau also should enhance its ability to support international AML/CFT investigations.

Macedonia

Macedonia is a middle income country with a fairly developed financial system. It is not a regional financial center. While most financial transactions are done through the well regulated and supervised banking system, cash transactions of considerable amounts occasionally take place outside the banking system. Money laundering in Macedonia is most often linked to financial crimes such as tax evasion, smuggling, financial fraud, insurance fraud, and corruption. Most of the laundered proceeds come from domestic criminal activities. A small portion of money laundering activity is connected to narcotics trafficking. There is no evidence that narcotics trafficking organizations or terrorist groups control money laundering. Also, there is no evidence that human or weapons traffickers have been involved in money laundering activities using banking or non-banking financial institutions. Money transfers, structuring cash deposits, the purchase of real estate and goods, and the use of legal entities in offshore jurisdictions are frequent money laundering techniques.

Macedonia is not an offshore financial center, and the Law on Banks does not allow the existence of shell banks in Macedonia. Anonymous bank accounts and bearer shares are not permitted. There is no evidence that alternative remittance systems exist in Macedonia. However, exchange offices and non-bank money transfer agents need more prudent supervision.

There are 14 free trade zones (FTZs) in Macedonia, operating as industrial zones. The production facilities enjoying the FTZ benefits are exclusively owned by foreign investors. The Government of Macedonia established the zones to attract more foreign investment. Business operations in the zones are adequately regulated, and there is no evidence of money laundering or terrorism financing activities in the zones. The Government screens companies to determine their eligibility to operate in the FTZs, and companies are subject to standard disclosure rules and criminal laws.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, savings institutions, exchange offices, and money remittance agents; central securities depository and brokerages; legal entities approving loans, issuing electronic money, and issuing and administering credit cards; financial leasing, factoring, and forfeiting agents; financial consultants and advisors; investment funds, mandatory and voluntary pension funds, and life insurance companies; auditors, accountants, notaries, and lawyers; the registrar for real estate, real estate agents, consultants, and investment advisors; company service providers; casinos and internet casinos

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 109: January – October, 2015
Number of CTRs received and time frame: 71,352: January – October, 2015
STR covered entities: Banks, savings institutions, exchange offices, and money remittance agents; central securities depository and brokerages; legal entities approving loans, issuing electronic money, and issuing and administering credit cards; financial leasing, factoring, and forfeiting agents; financial consultants and advisors; investment funds, mandatory and voluntary pension funds, and life insurance companies; auditors, accountants, notaries, and lawyers; the registrar for real estate, real estate agents, consultants, and investment advisors; company service providers; casinos and internet casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0: January - October, 2015
Convictions: 0: January - October, 2015

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On November 2, 2015 Parliament passed amendments to the Law on Prevention of Money Laundering and Financing of Terrorism in an attempt to harmonize local legislation with international standards. The amendments were mainly aimed at harmonizing the law with the newly adopted Law on Misdemeanors. The amended articles provide for stricter penalties and fines for noncompliance, and improve the procedures in cases of noncompliance, in accordance with the Law on Misdemeanors. The amendments clearly define the procedure for submitting collected data, information, and documents to the Financial Intelligence Office (FIO), the financial intelligence unit, while properly notifying relevant authorities and handling the suspicious transactions. Other amendments involve minor technical corrections and improvements of existing regulations.

The FIO fully implemented a new methodology to allow it to conduct a national risk assessment (NRA) of the entire AML/CFT regime, with the assistance of international donors. The FIO is finalizing the NRA document and the action plan for its implementation, and expects to submit both documents to the government in early 2016. The development of a new AML/CFT National Strategy, based on full completion of the NRA, originally expected in 2015, is likely to be done in 2016.

The Council on Combating Money Laundering and Financing of Terrorism, consisting of representatives of investigative and prosecuting bodies and 14 reporting institutions, is not active or visible. It was, however, involved in the preparation and execution of the NRA.

In 2015, the FIO upgraded its IT system with new functionalities, which enable more efficient analysis of suspicious transaction reports (STRs). In the period January – October, 2015, the FIO submitted to law enforcement authorities 20 reports related to suspected money laundering cases, five reports of suspected terrorism financing cases, and 151 reports of other suspected crimes. The FIO continues to maintain low visibility and is often overshadowed by the Financial Police and the regular police (Ministry of Interior). Its responsibilities continue to overlap in many areas with both of these institutions and with the Public Revenue Office (PRO) and the Customs Administration. Nevertheless, cooperation mechanisms among all these agencies seem to be in place.

Savings houses continue to implement AML/CFT programs under the regulation and supervision of the Central Bank. Reporting entities supervised by the PRO are rarely monitored for money laundering and terrorism financing, as the PRO focuses on determining and collecting taxes and investigating tax evasion. The transparency of wire-transfers has further improved, but fully effective application of the legal provisions remains to be demonstrated. Exchange offices and non-bank money transfer agents, as well as all other reporting entities, need further improvements of their AML/CFT programs and practices. AML/CFT reporting by lawyers,

accountants, brokers, real estate agents, consultants, casinos, notaries, and other covered entities is slowly improving, and increased awareness through training among those entities is necessary. Most recently, auto dealers were excluded from the list of covered reporting entities, joining nongovernmental organizations and foundations as exempted entities.

The government's plans to create an international financial zone (IFZ) within the country's territory to provide financial services to foreign investors, announced in 2014, stalled. Although the government stated that all AML/CFT international standards would be implemented in the IFZ, some domestic and international experts raised concerns that the zone could become a potential haven for criminal proceeds and money laundering.

Effective implementation of Macedonia's forfeiture law is hindered by an overly complicated confiscation regime that remains conviction-based. Macedonia has an agency for management of seized and forfeited assets, but the agency has limited capacity and is minimally active.

Although reports of suspicious cases of terrorism financing were sent to relevant enforcement authorities, there were no prosecutions or convictions. Human resources and knowledge in the area of terrorism financing need further improvements. Dozens of Macedonian citizens have traveled to Syria and Iraq as foreign terrorist fighters in recent years, although there are indications the foreign terrorist fighter law passed in September 2014 may be having some deterrent effect.

The judicial system is politicized and at times inefficient. Rule of law is poorly respected, corruption is widespread, and selective enforcement of justice is a serious issue.

Macedonia should undertake reforms to increase independence of the judiciary and improve the record in fighting corruption, organized crime, terrorism, trafficking in human beings, money laundering, and narcotics smuggling. Macedonia should improve its supervision of the non-banking financial sector and provide necessary resources and training to ensure full implementation of laws. The authorities should continue working with covered entities to increase awareness of reporting requirements. The government should provide appropriate resources and training regarding terrorist financing. Should the government resume its plan of creating the IFZ, it should be closely monitored for potential money laundering and value transfer opportunities.

Madagascar

Madagascar is neither a regional financial center nor a major source country for drug trafficking; however, Madagascar's inadequately monitored 3,000 miles of coastline leave the country vulnerable to smuggling and associated money laundering. Criminal proceeds laundered in Madagascar derive mostly from domestic criminal activity, not generally related to the narcotics trade. The major sources of laundered proceeds in 2015 are tax evasion, tax appropriation, and customs fraud. Illegal mining and mineral resources smuggling, illegal logging, public corruption, and foreign currency smuggling are also areas of concern.

The deterioration in the rule of law initiated by the leaders of the 2009 coup d'état continues to facilitate trafficking of natural resources (rosewood, gold, precious stones) and persons as well as

foster corruption throughout society (tax evasion, smuggling of goods, etc.). The current president was democratically elected in December 2013, and since then has publicly and privately proclaimed an emphasis on combatting corruption. The government has not successfully prosecuted any anti-corruption cases aside from low level individuals. The smuggling of gold, gemstones (predominantly to the Gulf), and protected flora and fauna (predominantly to Asia) generates funds that are laundered through the financial system or through informal channels into which the government has limited reach. There is a significant black market for smuggled or stolen consumer goods, especially in port cities. Trade-based money laundering occurs in Madagascar, involving both customs fraud and contraband. Members of the former regime profited from, facilitated, and even directed criminal activity and money laundering. Media reports that they continue to do so.

Offshore banks and international business companies are permitted in Madagascar. Along with domestic banks and credit institutions, offshore banks are required to request authorization to operate from the Financial and Banking Supervision Committee, which is affiliated with the Central Bank.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 152: January 1 - November 19, 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, financial intermediaries and advisors, money changers, casinos and gaming establishments, real estate dealers, postal services, insurance companies, mutual fund companies, and stockbrokers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 7 in 2015
Convictions: 3 in 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Law N° 2014-005 (effective July 2014) provides the courts the ability to freeze assets without prior notice based upon credible suspicions of involvement in money laundering, trafficking, illicit or terrorist activities, and extends a requirement for banks to record and report to the authorities transactions suspected to relate to the financing of terrorism. Additionally, the law allows the Malagasy Financial Intelligence Service (SAMIFIN), Madagascar's financial intelligence unit, to immediately block transactions from accounts suspected of association with terrorism.

While the police sometimes investigate crimes related to money laundering and other financial crimes, they lack necessary training and expertise. Moreover, the judicial system does not have the sophistication, resources, or political will to successfully prosecute most money laundering offenses.

Underground finance and informal value transfer systems should be recognized and investigated. Madagascar should train police and customs authorities to proactively recognize money laundering at the street level and at the ports of entry. Additionally, prosecutors should be trained to manage complex financial crime and money laundering cases. Madagascar should pursue membership in an FSRB.

Malawi

Malawi is not a regional financial center. The main source of illegal profits in Malawi derives from public corruption. Malawi is currently addressing a major corruption scandal popularly known as "Cashgate" centering on the looting of government accounts by public officials through fraudulent transactions in the government's computerized payments system. High ranking officials, including a former Minister of Justice, a former budget director, and a former Defense Force chief have been indicted in the scheme. The Financial Intelligence Unit (FIU) Monitoring and Analysis Manager was arrested in August 2015 and charged with money laundering, misuse of office, and breach of confidentiality as part of the same investigation.

Another significant source of illicit funds is the production and trade of cannabis sativa (Indian hemp), which is cultivated in some remote areas of the country. Anecdotal evidence indicates Malawi is a transshipment point for other forms of narcotics. Human trafficking, vehicle hijacking, wildlife trafficking, and fraud are also areas of concern.

Smuggling and the laundering of funds are exacerbated by porous borders with Mozambique, Zambia, and Tanzania. There are indications of trade-based money laundering, mostly through over- and under-invoicing. There are also cases of goods smuggled across the border; it is believed contraband smuggling generates proceeds that could be laundered through the financial system. Some of the trade-based money laundering is reportedly linked to Pakistan and India. Money/value transfer systems, such as hawala, are a concern. Malawi has a cash-based economy and there are usually few paper trails to follow in financial investigations.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, microfinance institutions, leasing and finance companies, lawyers, legal practitioners, notaries, casinos and other gaming entities, real estate agents, trust and company service providers, foreign exchange bureaus, accountants, auditors, dealers in precious metals and stones, safe custody services, buyers and sellers of gold bullion, stock brokers, and the stock exchange

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 89: November 1, 2014 - October 31, 2015
Number of CTRs received and time frame: 2,173,706: November 1, 2014- October 31, 2015
STR covered entities: Banks, foreign exchange bureaus, microfinance institutions, money transmitting firms, discount houses, insurance companies, real estate agencies, casinos, accountants, lawyers, dealers in precious metals and stones, capital markets

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 36 in 2015
Convictions: 11 in 2015

RECORDS EXCHANGE MECHANISM:

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

Malawi is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.esaamlg.org/reports/view_me.php?id=165

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although the Government of Malawi has enacted AML/CFT legislation and implementing regulations, the development of institutional capacity and mechanisms is still lacking. In 2013, the FIU drafted revisions to the Money Laundering Act that, if adopted, would empower the FIU

to investigate and prosecute cases and ensure greater funding for its operations; however, in 2015 the proposal remained under review within the Ministry of Justice.

Not all of the entities responsible for conducting customer due diligence are complying with the law. Authorities believe a deficient national identification system makes it difficult for financial institutions to require a standard form of identification. Due to a low 1 million Malawi kwacha (approximately $1,370) threshold for reporting transactions to the FIU, it becomes inundated with reports without adequate resources to analyze them.

Malawi's first successful prosecutions and convictions for money laundering, in October 2014, came against suspects implicated in the "Cashgate" corruption scandal. This experience has underscored, but also begun to result in Malawi rectifying, authorities' lack of capacity and investigative and prosecutorial expertise. In light of this experience, an area of particular concern is the courts and judges' understanding of the scope and application of the relevant laws and technical modalities of how money laundering can occur.

The Government of Malawi should pass the proposed revisions to the Money Laundering Act. Malawi also should work toward full implementation of its AML/CFT legislation.

Malaysia

Malaysia is a regional financial center with a relatively well-developed AML/CFT framework. Malaysia's long porous land and sea borders and its strategic geographic position increase its vulnerability to transnational criminal activity, including money laundering and terrorism financing. Malaysia is primarily used as a transit country to transfer drugs originating from the southeastern Asian Golden Triangle to Europe. Drug trafficking is an important source of illegal proceeds in Malaysia. Ethnic Chinese, Iranian, and Nigerian drug trafficking organizations are the main sources of illegal proceeds.

Malaysian authorities also highlight illegal proceeds from corruption as a significant money laundering risk. Malaysia is currently facing a major corruption scandal involving 1 Malaysia Development Berhad (1MDB), a state-owned development fund. The fund faces credible allegations that billions of dollars were misappropriated from its accounts for political purposes or for personal gain by individuals. It is currently the subject of several domestic investigations, as well as several international probes, including by Singapore, Switzerland, Luxembourg, and Hong Kong.

Other common predicate offenses generating significant proceeds in Malaysia include fraud, criminal breach of trust, illegal gaming, credit card fraud, counterfeiting, robbery, forgery, human trafficking, and extortion. Financial fraud, including fake investment schemes and internet-based scams, pose a high money laundering risk. Smuggling of goods subject to high tariffs is another major source of illicit funds. Customs' efforts to investigate invoice manipulation have identified trade-based money laundering risks.

Free trade zones in Malaysia are divided into Free Industrial Zones (FIZ), where manufacturing and assembly takes place, and Free Commercial Zones (FCZ), generally for warehousing commercial stock. The FIZs are designed to promote manufacturing industries producing goods

primarily for export and are dominated by large international manufacturers attracted to the zones because they offer preferential tax and tariff treatment. Currently there are 17 FIZs and 17 FCZs in Malaysia. Companies wishing to operate in a FIZ or FCZ must be licensed.

Malaysia's offshore financial center on the island of Labuan is subject to the same AML/CFT laws as those governing onshore financial service providers. The financial institutions operating in Labuan include both domestic and foreign banks and insurers. Offshore companies must be established through a trust company, which is required by law to establish true beneficial owners and submit suspicious transaction reports (STRs).

Malaysia remains vulnerable to terrorist activity, including as a transit, meeting, and recruitment site for domestic and foreign terrorists. Malaysia has faced a number of threats related to terrorist financing, including from Al Qaida, Jemaah Islamiya, the Liberation Tigers of Tamil Ealam (LTTE), Abu Sayef Group, and others. More recently, Malaysia faces a significant emerging TF threat from financing the movement of foreign fighters, from or through Malaysia, to Iraq and Syria to join the Islamic State of Iraq and the Levant (ISIL). In 2015, Malaysian authorities arrested over 100 supporters of ISIL. Terrorism financing in Malaysia is predominantly carried out using cash and relies on trusted, clandestine networks, although a small but growing number of "self-financed" terrorists have used conventional banking to raise funds through family, friends, and the internet to support their travel to fight with ISIL. The understanding of ISIL-related financing risks is still evolving, and Malaysia has plans to update its most recent national risk assessment (NRA) to include further assessment of terrorism financing risks.

Casinos are licensed and regulated by the Ministry of Finance. Malaysia has one licensed casino, in operation for over 40 years, which the central bank, Bank Negara Malaysia, periodically assesses for compliance with the AML/CFT regulations.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks in the conventional, Islamic, and offshore sectors; offshore listing sponsors and trading agents; stock and futures brokers; unit trust, investment fund, and futures fund managers; money lenders and pawnbrokers; money remitters; charge account and credit card issuers; insurance financial advisers; e-money issuers; leasing and factoring businesses; lawyers, public notaries, accountants, and company secretaries; licensed casinos

and gaming outlets; registered estate agents; trust companies; and dealers in precious metals and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 27,998 in 2014
Number of CTRs received and time frame: Not available
STR covered entities: Banks in the conventional, Islamic, and offshore sectors; offshore listing sponsors and trading agents; stock and futures brokers; wholesale money changers; unit trust, investment fund, and futures fund managers; money lenders and pawnbrokers; money remitters; charge account and credit card issuers; insurance financial advisers; e-money issuers; leasing and factoring businesses; lawyers, public notaries, accountants, and company secretaries; licensed casinos and gaming outlets; registered estate agents; trust companies; and dealers in precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

Malaysia is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.apgml.org/includes/handlers/get-document.ashx?d=ae0b2ca0-65d3-4f5c-9112-b0fcf9e12849

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Malaysia is continuing to implement measures to mitigate the risks identified in its NRA, including by maintaining its focus on intensified joint investigation efforts by law enforcement and increased manpower focusing on money laundering and terrorist financing investigations. In 2014, Bank Negara investigations led to a total of 1,104 charges brought by Malaysia's Attorney General that resulted in convictions. The Bank also initiated 42 investigations resulting in 119 criminal charges against entities and individuals operating illegal schemes and activities. In addition, the Bank identified 536 offenses against licensees for noncompliance with laws and regulatory requirements.

In 2015, international experts found that Malaysia's frameworks for money laundering investigations and prosecutions are generally sound but have produced minimal effective outcomes. The experts concluded Malaysia is not effectively targeting its high-risk offenses, other than fraud, or foreign-sourced threats in its prosecution of money laundering. While there are a number of high-value cases, most cases relate to low-to-medium level offenses. Only seven money laundering prosecutions relating to corruption have been prosecuted, and no cases related to high-level offenses. The sanctions imposed for money laundering have been low and have not been demonstrated to be effective. Malaysia has preferred to pursue other criminal justice measures rather than money laundering prosecutions, particularly confiscation, although money laundering investigations are increasing, from 15 in 2012 to 60 in 2013 (latest data

available). Confiscation has largely been limited to administrative confiscations, indicating the need to pursue complex criminal forfeiture actions and implement an effective asset management framework. Furthermore, Malaysia is not pursuing complex money laundering cases such as third party, standalone money laundering or foreign predicate cases. The experts noted that Malaysia sought very few mutual legal assistance requests and made no extradition requests between 2009 and 2013, very low figures in light of its status as a regional financial hub and vulnerability to transnational crime.

To date, Malaysia has not prosecuted any terrorism financing cases, although it has commenced 40 terrorism finance investigations, with 22 still ongoing. In a number of cases, Malaysia has demonstrated successes using legal and administrative measures to disrupt terrorism finance and terrorist activities, including freezing bank accounts.

The use of informal remittances, which are not subject to AML/CFT controls, creates vulnerability for abuse by money launderers and terrorist financiers. Malaysia's competent authority for implementing its AML/CFT laws, Bank Negara Malaysia, should continue its efforts to encourage the use of formal remittances and to monitor for compliance with the Money Services Business Act. Considering the significant terrorist financing risk and in the absence of TF prosecutions, Malaysia should focus on integrating financial investigation into terrorism investigations. Additionally, law enforcement and customs authorities should examine trade-based money laundering, invoice manipulation, and the misuse of the international gold trade and their relationship to underground financial and informal remittance systems. Malaysia should move aggressively to identify, investigate, and prosecute drug trafficking kingpins.

Maldives

Maldives is comprised of a series of atolls in the Indian Ocean and is bisected by a number of international sea lanes. Authorities have expressed concern the islands are being used as a transit point for money laundering, narcotics trafficking, and illegal immigration to Europe. The country has a small financial market but is susceptible to money laundering and terrorist financing due to limited oversight capacity.

No official figures are available, but anecdotal evidence suggests illegal drug trafficking, a large black market for the purchase of dollars, and corruption produce significant amounts of illicit funds. Criminal proceeds reportedly come mainly from domestic sources. Drug trafficking is noted as one of the most frequent asset-generating crimes. Other offenses include human trafficking, piracy, and offenses committed by gangs. Even though the number of corruption cases is low, only a small percentage is prosecuted. Reports indicate the sums involved can be significant. There are indications funds raised in the country have been used to finance terrorism activities abroad.

Informal value transfer systems, such as hawala, are being used to transfer funds between the islands. The extent to which these systems are used to launder money is unclear.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks; money transfer services; stock exchange and securities dealers; insurance industry; investment funds, advisors, and companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 14 in 2015
Number of CTRs received and time frame: 365,348 in 2015
STR covered entities: Banks; money transfer services; the stock exchange and securities dealers; insurance industry; investment funds, advisors, and companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

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

Maldives is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.apgml.org/includes/handlers/get-document.ashx?d=48c4d504-09f3-4370-98c3-d7443718a21d

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Maldives passed the Prevention of Money Laundering and Financing of Terrorism Act (PMLFTA) in April 2014, and the law became operational on October 12, 2014. The primary purpose of this act is to criminalize money laundering and terrorist financing in the Maldives. The PMLFTA criminalizes money laundering beyond drug-related offenses, but questions remain regarding its enforcement. The PMLFTA lists eight predicate offenses: terrorism, terrorism financing, illicit trafficking in narcotic drugs and psychotropic substances, human trafficking, illicit arms trafficking, counterfeiting currency, insider trading, corruption, and crimes committed through an organized criminal group. In addition, any offense prescribed as a serious offense under any other legislation, or aiding, abetting, or participating in the commission of an offense listed above, is also a predicate offense.

The PMLFTA also provides preventative measures to combat money laundering and terrorist financing and establishes the financial intelligence unit (FIU) as the central national agency to receive, analyze, and disseminate financial transaction information. The law includes asset forfeiture provisions with respect to money laundering and financing of terrorism.

Several pieces of new legislation came into effect in 2015 to strengthen the AML/CFT regime, including the Mutual Legal Assistance in Criminal Matters Act in July and the Extradition Act in April. In addition, the Prevention of Terrorism Act of October 2015 provides for comprehensive mechanisms to monitor and gather evidence against those suspected of being involved in terrorism financing.

The Government of Maldives' priorities in 2015 are to issue relevant implementing regulations for the PMLFTA and to train reporting agencies. In January 2015, the Maldives Monetary Authority (MMA) issued implementing regulations to the banking sector, life insurance and family takaful institutions, and money remittance and foreign exchange institutions. In March 2015, the Maldives Customs Service issued a regulation on cross border currency declaration and the MMA issued a regulation for the designation of a threshold for cross border currency declarations, setting a reporting threshold of $30,000 or equivalent foreign currency.

Efforts to provide adequate supervision of the financial sector and enforce the laws are still in the initial stages. In 2015, the FIU started conducting onsite inspection of banks as required by the AML/CFT regulations and conducted training on AML/CFT compliance for banks and money remittance institutions. The FIU meets with compliance officers of the banks on a regular basis to give information and guidance and to obtain feedback on the challenges the banks face when complying with the AML/CFT regulations.

Several key institutions suffer from inadequate resources, including the FIU, financial sector supervisors, prosecutorial and investigative authorities, and judicial authorities. The FIU is seeking data analysis assistance from international donors and regional partners. The FIU is operating under an interim director deputed by the MMA.

Authorities should take steps to improve compliance and understanding of AML/CFT requirements and should expand KYC and reporting requirements to include all types of financial institutions and designated non-financial businesses and professions noted in the international standards and active in the country. Maldives plans to set up tax free Special Economic Zones (SEZs). The Maldives should establish supervisory, reporting, and AML/CFT standards equivalent to onshore standards for financial institutions that may operate in SEZs.

Mali

Mali is not a regional financial center and has no free trade zones or offshore sectors. Illegal proceeds derive primarily from rampant trafficking of everyday commodities, people, small arms, and narcotics across the Algerian, Nigerien, and Mauritanian borders. Al-Qaida in the Islamic Maghreb and other al-Qaida-linked and armed groups, known to operate in the sparsely populated north, are involved in smuggling as well as kidnapping for ransom to generate funds. Mali's economy is largely cash-based, making it difficult to detect illicit financial activity or

track the proceeds of crime. Malian authorities believe the proceeds of trafficking activity in Europe may pass through Malian banks as they are returned to South America or elsewhere, but lack the resources to make a definitive determination.

Mali is a member of the West African Economic and Monetary Union (WAEMU), which also includes Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Niger, Senegal, and Togo. All of the WAEMU members share a common currency, the West African CFA, and have developed similar AML/CFT frameworks, including legal and financial intelligence unit (FIU) structures.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks, the public treasury, microfinance entities, the post office, currency exchanges, insurance companies and brokers, securities and asset brokers and managers, the regional stock exchange, mutual funds, and casinos

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 15: January 1 - September 30, 2015
Number of CTRs received and time frame: 15: January 1 - September 30, 2015
STR covered entities: Issuers of credit, guaranties, and lease/purchase agreements; banks; the public treasury; microfinance entities, the post office, and currency exchanges; insurance companies and brokers; securities and asset brokers and managers; the regional stock exchange; mutual funds; attorneys, notaries, and auditors; real estate and travel agents; nongovernmental organizations; casinos and gaming establishments; dealers of high-value goods and precious metals and stones; and security and money transport companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although Mali's AML law designates a number of reporting entities, very few comply with their legal obligations. Businesses are technically required to report cash transactions over approximately $10,000; however, most do not. In 2015, only financial institutions filed suspicious transaction reports (STRs). The National Information Processing Unit (CENTIF), Mali's financial intelligence unit (FIU), receives relatively few STRs concerning possible cases of terrorist financing. With the exception of casinos, designated non-financial businesses and professions are not subject to customer due diligence requirements.

CENTIF enjoys a transparent and mutually beneficial relationship with liaison officers from the judiciary, customs service, police, and gendarmerie. Significant challenges to CENTIF's efficiency remain, such as a lack of training, especially for those investigators who handle terrorist financing cases, as well as a lack of funds to provide adequate publicity and comprehensive awareness training for bank and public sector employees outside of the capital.

Mali lacks the capacity to conduct effective financial investigations of money laundering or terrorism financing. In May 2013, legislation created a judicial unit focused on the fight against terrorism and trans-border crime. A prosecutor in charge of this "anti-terrorist" judicial unit was appointed in July 2014 and, later that year, formed an investigative team composed of judges and gendarmerie. In 2015, the judicial unit was finally made operational. Despite CENTIF referring multiple investigations to the specialized court in charge of economic and financial crimes for prosecution, it has proven difficult to secure convictions for money laundering or terrorism financing. The chief prosecutor's office may not understand complex financial crimes sufficiently to be able to pursue money laundering or terrorism financing crimes effectively and to successful prosecutions.

The court has the authority to implement asset freezing provisions related to terrorism financing, including a mechanism to freeze assets administratively, prosecute foreign nationals extradited to Mali, and carry out search warrants.

Lack of border enforcement is a severe problem in Mali, particularly with regard to widespread smuggling and the infiltration of armed groups and terrorist organizations. Mali lacks the ability to trace informal networks and money/value transfer systems, including hawala. There has been progress and a commitment to develop oversight mechanisms to track mobile money usage with cooperation by the two largest cell-phone carriers in Mali, who provide mobile money transfers services.

The Government of Mali should amend its AML/CFT legal and regulatory framework to ensure fuller compliance with the international standards, particularly addressing criminalization of money laundering, confiscation and provisional measures, enhanced customer due diligence measures towards domestic politically exposed persons (PEPs), powers of the law enforcement and investigative authorities, cross-border currency movements, and extradition. Mali also should take steps to build the capacity of its supervisory and enforcement personnel.

Malta

Malta's location between North Africa and Italy makes it a transit point for narcotics and human trafficking to Europe. The country's offshore banking sector is relatively large (eight times GDP), and its ship registry is the largest in Europe. According to the Malta Police Force, the major sources of illegal proceeds are generated through drug trafficking (in particular cocaine, heroin, and cannabis resin) and economic crimes, primarily fraud and misappropriation of public funds. The proceeds generated are not substantial and are primarily based on domestic offenses and eventual self-laundering. Money laundering investigations related to drug trafficking revolve around the suspects living beyond their means and converting the funds by purchasing commodities, such as expensive vehicles, real estate, and other luxury goods.

Foreigners who route illicit gains from illegal activity in foreign jurisdictions to local Maltese bank accounts generate a significant volume of laundered funds. Such offenses usually relate to investment scams and tax/value added tax fraud. Representatives of the financial sector emphasize the risks involved in foreign deposits and investment by politically exposed persons (PEPs) from Eastern Europe and North Africa and the possibility of their linkage to tax evasion or the diversion of funds. These activities are usually detected through requests for assistance by a foreign jurisdiction.

While there is very little evidence of organized criminal groups laundering money in Malta, recent events have indicated that Malta's online gaming industry may serve as a potential conduit for money laundering activities. Malta's various financial service and gaming authorities have taken steps to increase oversight to ensure Malta's gaming industry does not become targeted by crime organizations.

Maltese authorities have detected no terrorism financing activity, and Malta's financial regulators consider the terrorism financing risk to be low. Contraband smuggling does not appear to be a significant source of illicit proceeds.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, currency exchange offices, and money remittance/transfer services; stockbrokers; insurance companies; real estate agencies; auditors, accountants, notaries, and tax advisors; trust and asset managers, company formation agents, and nominee shareholders; casinos; auctioneers; and dealers in art, precious metals, and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 213: January – October, 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, currency exchange offices, and money remittance/transfer services; stockbrokers; insurance companies; real estate agencies; auditors, accountants, notaries, and tax advisors; trust and asset managers, company formation agents, and nominee shareholders; casinos; auctioneers; and dealers in art, precious metals, and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 4: January – August, 2015
Convictions: 4: January – August, 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2015, the Government of Malta made a number of amendments to AML/CFT legislation that resulted in significant changes in regulation and enforcement. Legal Notice 464 of 2014, published on December 16, 2014, led to a series of amendments to the Prevention of Money Laundering and Funding of Terrorism Regulations. The amendments include: the inclusion within the definition of "suspicion" of a situation where a person knows or suspects that the transaction involves property that may have derived directly or indirectly from, or constitutes the proceeds of, criminal activity; an amendment to the reporting obligation clarifying that the obligation also arises where the reporting person has "reasonable grounds" to suspect the funds are the proceeds of criminal activity; private trustees are no longer considered reporting entities, nor are natural persons acting as intermediaries on behalf of another intermediary; the obligation to establish customer due diligence policies and procedures on a risk-sensitive basis is extended to cover beneficial owners and applies in situations where the owner may pose a higher risk of money laundering or funding of terrorism; disclosures of suspicious transaction report (STR) filings to a court, tribunal, or other judicial authority or to a supervisory authority or professional body exercising supervision or regulatory oversight are exempt from tipping off prohibitions; and, whenever a STR is filed with the Financial Intelligence Analysis Unit (FIAU), Malta's financial intelligence unit, reporting persons, investigators, prosecutors, or judicial or administrative authorities must protect and keep confidential the identity of persons and employees who report such suspicions.

The Maltese Parliament also amended the Prevention of Money Laundering Act and the Criminal Code, making them Act III of 2015 and Act VIII of 2015. The amendment to Act III of the Criminal Code addresses the statute's broad language relating to terrorist financing, which previously left open for interpretation the issue of financing of "legitimate" activities. Act VIII increases the maximum prison term and the monetary fine. Furthermore, it establishes an Assets Recovery Bureau, entrusted with the tracing, collection, storage, preservation, management, and disposal of assets and proceeds seized in criminal activities. Investigation and enforcement efforts will become more robust with implementation of the changes described above. With these increased efforts, financial institutions in Malta should be increasingly aware of and compliant with their reporting obligations.

In November 2013, the FIAU, with technical assistance from international experts, began a national risk assessment (NRA) exercise aimed at identifying, assessing, and understanding the money laundering and terrorism financing risks that Malta faces. The next step is for FIAU to present to the Maltese government its summary evaluation of the risks and a proposed strategy to implement the NRA's action plan.

Currently, oversight of the gaming industry by the FIAU is limited to land-based companies and casinos, while online gaming is regulated by the Malta Gaming Authority. The online gaming sector would benefit from increased scrutiny. In 2015, Italian authorities collaborated with Maltese police to arrest six individuals suspected of illegal gaming activities, money laundering, and ties to organized crime.

Malta's Financial Services Authority (MFSA), the single regulator for financial services activities in Malta and the entity that houses Malta's Registry of Companies, set up an AML unit in 2015. The MFSA's AML enforcement unit will be responsible for conducting site visits and other activities related to suspected money laundering activities. There is an opportunity for these oversight authorities to collaborate on gaming and money laundering activities.

The legislative base for preventing money laundering and terrorism financing is largely in place and in line with international standards. The Government of Malta should continue its implementation of its new legislation and regulations. Malta also should devote sufficient resources to adequately supervise its online gaming sector.

Marshall Islands

The Republic of the Marshall Islands (RMI) consists of 29 atolls and five islands, covering 70 square miles of land, spread across 750,000 square miles of ocean. The country is economically underdeveloped and has limited resources for private sector development. The RMI signed a Compact of Free Association with the United States in 1986, and relies on the United States for the majority of its economic support. Although the Marshall Islands accounts for less than one percent of the global market for offshore financial services, making it a tiny player compared with other secrecy jurisdictions, the RMI offshore corporate sector is vulnerable to money laundering.

There are two banks in the country, the Bank of the Marshall Islands and a branch office of the Bank of Guam. There are no brokerage houses or other types of financial firms in the country.

Land is almost never sold due to customary land tenure practices. There are no realtors, nor are there casinos or other entities typically used to launder money. Domestic crime is low, but an analysis of suspicious transaction reports suggests tax evasion, smuggling, prostitution, embezzlement, counterfeit financial instruments, check fraud, and narcotics trafficking on the islands could be predicate offenses for money laundering.

Non-resident domestic corporations (NRDCs), the equivalent of international business companies, can be formed online subject to approval by the Registrar. Marketers of offshore services via the internet promote the Marshall Islands as a favored jurisdiction for establishing NRDCs and handle the incorporation process for applicants. A number of Marshall Islands NRDCs have gone public on exchanges in the U.S. and Europe. NRDCs are allowed to offer bearer shares. Corporate officers, directors, and shareholders may be of any nationality and live anywhere. NRDCs are not required to disclose the names of officers, directors, shareholders, or beneficial owners listed with the Registrar, and corporate entities may act as directors, officers, and shareholders. The Registrar does not release the number of NRDCs or other offshore corporate operations data. The corporate registry program does not allow the registering of offshore banks or insurance firms, online gaming institutions, or other companies which are financial in nature. All known parties to any corporate or maritime transaction are vetted by the Registry through a commercial database, which combines the UN, U.S., EU, and other national and international specially designated national lists. NRDCs must maintain a registered agent in the Marshall Islands, and corporations can transfer domicile into and out of the RMI with relative ease. In addition to NRDCs, the RMI offers resident partnerships, unincorporated associations, and limited liability companies through the Attorney General's office.

The Trust Company of the Marshall Islands, Inc., the Registrar for NRDCs, and the Office of the Maritime Administrator (collectively the Registry) administer a registration program of corporations and ships. The RMI shipping fleet is the third largest flagged fleet in the world, although few of the vessels frequent the Marshall Islands. The port of Majuro is visited mainly by tuna fishing boats, with a few cargo ships per month delivering food and fuel to the nation.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, credit institutions, and finance companies; insurance companies, brokers, and intermediaries; brokers and dealers of securities, exchange and interest rate instruments, futures, and options; businesses issuing, selling, or redeeming

traveler's checks, money orders, or similar instruments; payroll service businesses involved in collecting, holding, and delivering cash; gaming houses, casinos, and lotteries; bullion and currency dealers and exchanges; money transmission services

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 9 in 2015
Number of CTRs received and time frame: 3,287 in 2015
STR covered entities: Banks, credit institutions, and finance companies; insurance companies, brokers, and intermediaries; brokers and dealers of securities, exchange and interest rate instruments, futures, and options; businesses issuing, selling, or redeeming traveler's checks, money orders, or similar instruments; payroll service businesses involved in collecting, holding, and delivering cash; gaming houses, casinos, and lotteries; bullion and currency dealers and exchanges; money transmission services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

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

The Marshall Islands is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.apgml.org/documents/search-results.aspx?keywords=Marshall+Islands

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of the Marshall Islands has not filed any money laundering cases for several years. Two previous cases were dismissed by the RMI High Court. There is a need for greater institutional capacity to successfully prosecute money laundering cases.

Under RMI law, both the Banking Act and the Counter-Terrorism Act provide for the freezing, seizing, and/or detaining of terrorist assets. The Marshall Islands is negotiating a tax agreement with the United States and has signed tax treaties with 14 other jurisdictions.

The Government of the Republic of the Marshall Islands is working to ensure its offshore sector is adequately supervised, and information on company ownership and management is available to law enforcement and supervisory authorities. The RMI should tighten enforcement of tipping-off provisions, ensure designated non-financial businesses and professions are fully reporting, and ensure beneficial ownership is properly established.

Mauritania

The Islamic Republic of Mauritania has a largely informal and under-developed economy. Its economic system suffers from a combination of weak government oversight, lax financial auditing standards, a large informal trade sector, porous borders, and corruption in government

and the private sector. Money laundering is difficult to detect in Mauritania because of the informal nature of much of the economy and speculation that large amounts of drug money pass through the economy. The banking system and black market currency exchanges constitute the focus of this activity, which affects the operation of the entire financial sector in the country. There are strong indications that large amounts of money are being pumped into the financial system from outside or suspicious sources, some of which are transported across borders or through ports. Border security is a severe challenge in Mauritania.

Mauritania imports almost 70 percent of its food needs. In 2015, mining represented approximately 20 percent of Mauritanian GDP, and 70 percent of national exports. Only an estimated 12 percent of Mauritanian adults have bank accounts, and informal banking and financial systems remain vulnerable to exploitation. The Government of the Islamic Republic of Mauritania has continued an aggressive campaign against terrorist networks, including al-Qaida in the Islamic Maghreb.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, money changers, and money remitters; lawyers, notaries, accountants, and auditors; real estate and travel agents; dealers of high-value art and precious metals and stones; and nongovernmental organizations (NGOs)

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 18: January 1 - November 17, 2015
Number of CTRs received and time frame: 2 in 2015
STR covered entities: Banks, money exchanges, and remittance offices; lawyers, notaries, accountants, and auditors; real estate and travel agents; dealers of high-value art and precious metals and stones; and NGOs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 2 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although Mauritania has been successful in creating a legal and institutional framework to fight financial crimes, there remain many challenges to its successful implementation, especially given Mauritania's cash-based and informal economy. All natural and legal persons are covered under Mauritania's AML/CFT laws and are subject to criminal and/or civil penalties. The Financial Information Analysis Commission (CANIF), Mauritania's financial intelligence unit, includes representatives of several ministries and agencies working together to counter financial crimes. The Secretary General of the CANIF Council reports that CANIF's biggest challenge is the small number of reports received, despite an increase to 18 in 2015 from an average of nine in previous years.

In 2014, the Mauritanian parliament introduced amendments to the AML/CFT statute. The law was still pending at the end of 2015. In a presentation to parliamentarians, the Minister of Justice said that "the bill standardizes legislation in combating terrorism and money laundering with international conventions to which Mauritania is a party and with regional and international laws enforced." Specifically, the law will criminalize material support of foreign terrorist fighters, make aiding and abetting terrorist acts a crime, and bring administrative forfeiture proceedings into line with international standards.

In September 2014, the Mauritanian government announced plans to establish the first national stock market "within two to three years." During the same month, the Central Bank of Mauritania (BCM) announced the inauguration of an initiative to strengthen transparency in the activities of the 25 commercial banks operating in the country. Confidence in Mauritanian banks, BCM officials reasoned, would ensure the durability of a securities exchange market. As of December 2015, no further measures have been conducted in order to implement this initiative.

In 2015, the Ministry of Justice organized a forum on best practices to fight organized crime. The aim was to support capacity in the criminal justice system and encourage international judicial cooperation. The Director of the Mauritanian Police reported that in 2015 the police had seized two tons of drugs, arrested 274 people for drug trafficking, and dismantled 16 alcohol distilleries.

Although all recommended entities are covered under the AML law, current regulations only require banks and formal money exchange and remittance offices to report suspicious transactions; however, few do. Moreover, monitoring informal financial markets remains a challenge in Mauritania. Mauritanian authorities are aware of these issues and are working to formalize financial transactions to the extent possible and to devise mechanisms to prevent the exploitation of the informal financial system for illegal purposes.

The Government of the Islamic Republic of Mauritania should take steps to expand reporting and KYC requirements to additional financial and non-financial entities, as well as take steps to enforce compliance with existing mandatory reporting requirements. Mauritania should continue to build the capacity of its law enforcement and judiciary to investigate and prosecute money laundering and related crimes.

Mauritius

Although Mauritius has developed a reputation as a well-regulated financial jurisdiction, its regulatory and enforcement scheme has some limitations. A new government came to power in Mauritius after general elections in December 2014, announcing its intention to curb fraud and corruption and promote good governance. Yet investigations thus far have centered on members of the former government and its financiers. Opposition parties and the media have criticized some of these actions as being politically motivated.

The major sources of laundered funds in Mauritius are crimes involving drug trafficking (mainly heroin and the prescription drug subutex), as well as theft of goods, conspiracy, forgery, swindling, Ponzi schemes, and corruption. Media reports indicate money laundering occurs in the banking system, the offshore financial sector, and the non-bank financial sector. Criminal proceeds are derived from both domestic and foreign criminal activities. There is no known black market for smuggled goods in Mauritius.

Mauritius is a significant foreign investment route into the Asian sub-continent and, increasingly, into mainland Africa. As of the end of October 2015, there were 21,606 global business companies (GBCs) registered in Mauritius, including 942 licensed global funds. The Financial Service Commission (FSC) licenses the management companies that provide professional services to GBCs. Shell companies and bearer shares are not allowed in the Mauritian GBC sector, nor are nominee or anonymous directors or trustees.

The Government of Mauritius established the Mauritius Freeport, a free-trade zone (FTZ), to promote the country as a regional FTZ center for Eastern and Southern Africa and the Indian Ocean rim. As of November 20, 2015, 231 companies operate in the Freeport. For the period January 1 – November 20, 2015 Freeport turnover was approximately $1.3 billion.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, insurance companies, securities dealers, money changers, foreign exchange dealers, accountants, lawyers, notaries, chartered secretaries, gaming centers, jewelry dealers, property developers and promoters, and estate agents

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 173 in 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, insurance companies, securities dealers, money changers, foreign exchange dealers, accountants, lawyers, notaries, chartered secretaries, gaming centers, jewelry dealers, property developers and promoters, and estate agents

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 19: January 1 - November 12, 2015

Convictions: 9: January 1 - November 12, 2015

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Mauritius is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation, can be found at: http://www.esaamlg.org/reports/view_me.php?id=173

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Against the current backdrop, Mauritius' AML/CFT regime has a number of limitations. First, the limited capacity of the judiciary and the Independent Commission against Corruption compromises Mauritius' ability to successfully combat various forms of money laundering. Although international law enforcement coordination is possible through the 2003 Mutual Assistance in Criminal and Related Matters Act, sharing of information is a lengthy and uncertain process. Domestically, timely access to financial documents is also a problem.

In July 2015 the government established a commission to review drug trafficking in Mauritius, investigating links to money laundering, terrorist financing, and other crimes. The National Assembly passed the Good Governance and Integrity Reporting Bill in December 2015. The stated purpose of the bill is to combat unexplained wealth and illicit enrichment. However, opposition parties, the media, and the National Bar Council have criticized controversial elements in the bill, such as the presumption of guilt and the retroactive nature of the law.

In February 2015 police arrested former Prime Minister Navin Ramgoolam on suspicion of conspiracy and money laundering. The courts released Ramgoolam on bail, and the investigation is ongoing. In April 2015 the police launched an investigation into alleged fraud relating to the sale of insurance products through the British American Insurance company (BAI), part of a business conglomerate owned by an individual with close ties to the former PM. The government claims the fraud involved approximately $537 million affecting 26,000 policyholders. This investigation is also ongoing.

While Mauritius has a legal framework enabling it to freeze terrorist-related assets without delay, its ability to do so at this time is subject to compliance with judicial proceedings. Under the 2012 Asset Recovery Act (ARA), the enforcement authority can make an urgent application to a judge to freeze terrorist assets without delay. In 2015, the Asset Recovery Unit of the Director of Public Prosecutions Office has recovered property with a value of $1,650. The government may also ask a court to issue a restraining order to freeze assets. Between January and November 2015, the courts had restrained $1.7 million in assets. An application for final orders to forfeit these assets will be made once the court adjudicates the underlying criminal cases.

The Government of Mauritius should strengthen collaboration among government stakeholders, in particular with regard to information sharing and should examine the over-consolidation of authority within one agency – the Ministry of Financial Services, Good Governance, and Institutional Reforms.

Mexico

Mexico remains a major transit country for cocaine and heroin and source country for heroin, marijuana, and methamphetamine destined for the United States. Proceeds of the illicit drug trade leaving the United States are the principal source of funds laundered through the Mexican financial system. Other significant sources of laundered funds include corruption, tax-evasion, influence peddling, kidnapping, extortion, intellectual property rights violations, human trafficking, and trafficking in firearms. Sophisticated and well-organized drug trafficking organizations based in Mexico take advantage of the extensive U.S.-Mexico border, the large flow of legitimate remittances, Mexico's proximity to Central American countries, and the high volume of legal commerce, to conceal illicit financial transfers to Mexico. The smuggling of bulk U.S. currency into Mexico and the repatriation of the funds into the United States via couriers or armored vehicles remain commonly employed money laundering techniques. Additionally, the proceeds of Mexican drug trafficking organizations are laundered using variations of trade-based methods, particularly after Mexico placed restrictions in 2010 on amounts of U.S. dollar deposits. For example, checks and wires from so-called "funnel accounts" are used by Mexico-based money "brokers" to acquire goods, which are exchanged for pesos in Mexico, or to sell dollars to Mexican businesses. The combination in Mexico of a sophisticated financial sector and a large cash-based informal sector complicates money laundering countermeasures. According to Global Financial Integrity, Mexico had more than $77 billion in illicit financial outflows in 2013 due primarily to abusive trade misinvoicing.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, mutual savings companies, insurance companies, securities brokers, retirement and investment funds, financial leasing and factoring entities, money exchangers, *centros cambiarios* (unlicensed foreign exchange centers), savings and loan institutions, money remitters, SOFOMES (multiple purpose corporate entity), SOFOLES (limited purpose corporate entity), general deposit warehouses, casinos, notaries, lawyers, accountants, jewelers, realtors, non-profit organizations (NPOs), armored car transport companies, armoring services, construction companies, art dealers and appraisers, credit card system operators, prepaid card services, and traveler's checks services

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 113,550: January 2015 - October 2015
Number of CTRs received and time frame: 5,200,000: January 2015 - October 2015
STR covered entities: Banks, mutual savings companies, insurance companies, securities brokers, retirement and investment funds, financial leasing and factoring entities, money exchangers, *centros cambiarios* (unlicensed foreign exchange centers), savings and loan institutions, money remitters, SOFOMES, SOFOLES, general deposit warehouses, casinos, notaries, lawyers, accountants, jewelers, realtors, NPOs, armored car transport companies, armoring services, construction companies, art dealers and appraisers, credit card system operators, prepaid card services, and traveler's checks services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: 14: September 2014 - June 2015

RECORDS EXCHANGE MECHANISM:

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

Mexico is a member of both the FATF and the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.fatf-gafi.org/countries/j-m/mexico/

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Secretariat of Credit and Public Debt (SHCP), equivalent to the U.S. Department of Treasury, passed a new regulation in December 2014 allowing Mexican banks to share information with international banks, including U.S. banks. Prior to this rule, Mexican banks could not share any customer or related information with foreign banks because of strict provisions of Mexico's privacy laws. The new regulation will allow Mexican banks to answer questions from international banks regarding the nature, purpose, and origin of financial transactions. SHCP also changed the regulations governing *casas de cambio,* or foreign exchange houses, requiring individuals to present identification regardless of the amount of currency exchanged.

Also in 2014, in an effort to boost economic growth, the SHCP decided to revisit the 2010 regulation placing limits on the amount of U.S. dollar cash deposits that could be made into banks in border areas. The original intent of the 2010 regulation was to keep illicit cash proceeds smuggled from the United States out of the Mexican banking system. Modifications in 2014 loosen the restrictions on dollar deposits for border and tourist-area businesses that have been operating for at least three years, provide additional information to financial institutions justifying the need to conduct transactions in U.S. currency, and provide three years of financial statements and tax returns. Very few Mexican financial institutions have taken advantage of these new regulations. It is unclear whether this is due to the additional reporting requirements attached to the 2014 regulatory changes, or to a lack of interest in receiving larger U.S. dollar deposits. U.S. dollars are widely used to conduct day-to-day transactions on the Mexican side of the border area.

On March 5, 2014, the government enacted article 421 of the new National Code of Criminal Procedures that covers liability for legal persons. Mexico is condensing 32 codes into one federal code. Implementation of the new code is a major task and will continue beyond 2016.

According to documents produced in Mexico's Attorney General's Office (PGR), during 2013 – 2014 the amount of laundered money seized in Mexico was only $13 million. Considering that both Mexican and U.S. estimates for the amount of money laundered annually in Mexico is in the tens of billions of dollars, the low seizure rate is noteworthy.

The Government of Mexico should address the low money laundering seizure rate. Particular scrutiny should be placed on businesses involved in laundering drug money or other financial crimes and their relationship in financing political campaigns at the local, state and federal levels. Drug cartels have begun using front businesses to buy public debt in states with unusually high deficits, such as Coahuila and Chiapas, further exerting control over the political process. Corruption is an enabler of money laundering and its predicate offenses.

Micronesia, Federated States of

The Federated States of Micronesia (FSM) has a small population of 100,000 people spread over a million square miles of the western Pacific Ocean. The FSM was part of the U.S. Trust Territory of the Pacific after World War II, and is now associated with the United States by the Amended Compact of Free Association. The FSM uses the dollar as its only currency and has only two commercial banks operating in the country, the domestically-owned Bank of FSM and branches of the Bank of Guam. While the FSM's lack of visibility and ease of moving dollars to and from the United States could potentially make it a back door for nefarious movements of currency, the small scale of its economy and regulatory oversight of the banks by U.S. regulators make the FSM historically a low risk for money laundering, terrorist financing, or smuggling.

Public corruption does exist in the area of public contracting and employment of unqualified companies or persons, but there are no accurate estimates of the proceeds derived from cronyism.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, cash dealers, insurers, bingo parlors, trustees, and money transaction services

REPORTING REQUIREMENTS:

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1 in 2015
Convictions: 1 in 2015

RECORDS EXCHANGE MECHANISM:

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

Micronesia is an observer of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. It has not been the subject of a mutual evaluation.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The financial intelligence unit (FIU) of the National Police receives suspicious transaction reports (STRs) from the banks through the Department of Justice (DOJ). The FIU consists of a single police officer, and relies entirely on the DOJ for funding and the National Police for staff. There has been one arrest that led to a prosecution and subsequent conviction in April 2015, for money laundering connected to a human trafficking case. The FSM assisted U.S. law enforcement in another case involving international bank transfers through Guam. The FSM remains highly dependent on U.S. government resources when it encounters issues beyond its limited capacity. The government has not approved the funding to become a full member of the APG.

Only FSM citizens and resident foreigners with valid work permits are allowed to open accounts with the Bank of FSM. Most accounts are small, with only a small number of well-known local families holding accounts of over $100,000. Large transactions and patterns of unusual behavior are easy to spot.

Money laundering statutes provide for the seizure of "tainted" property, as well as any benefits derived from the commission of a money laundering offense. Authorities have not seized or confiscated any property under this statute. There are no provisions for non-conviction-based forfeiture.

The Government of the Federated States of Micronesia should criminalize terrorist financing and the commission of terrorist acts.

Moldova

Moldova is not a regional financial center. The economy is largely cash-based and remains highly vulnerable to money laundering activities. The Government of Moldova monitors money flows throughout the country, but does not exercise control over the breakaway region of Transnistria. Transnistrian authorities do not adhere to Moldovan financial controls and maintain a banking system independent of, and not licensed by, the National Bank of Moldova (NBM). The breakaway region of Transnistria is highly susceptible to money laundering schemes. Due to the Moldova government's inability to enforce the laws on this territory, Transnistrian banking and financial laws and regulations are not in compliance with accepted international AML/CFT norms.

Criminal proceeds laundered in Moldova derive substantially from tax evasion, contraband smuggling, fraud, and corruption. Money laundering occurs within the banking system, exchange houses, and the offshore financial centers in Transnistria. Currently, 11 banks are operating in Moldova. Neither offshore banks nor shell companies are permitted; despite this ban, shell companies continue to be used to launder illicit proceeds. Internet gaming sites exist, although no statistics are available on the number of sites in operation. Internet gaming comes under the same set of regulations as domestic casinos. Enforcement of the regulations is sporadic.

In late November 2014, an estimated $1 billion was stripped from the assets of three large banks in Moldova, which has led to their liquidation. The theft is being investigated by Moldova's National Anticorruption Center (NAC) in conjunction with some outside assistance. However, the theft appears politically connected and the investigation is lingering, casting doubt on the government's ability and commitment to identify and prosecute the perpetrators.

Moldova contains seven free trade zones (FTZs), some of which are infrequently used. Reportedly, goods from abroad are sometimes imported into the FTZ and then resold and exported to other countries with documentation indicating Moldovan origin. Companies operating in FTZs are subject to inspections, controls, and investigations by inspectors from the Customs Service and the General Police Inspectorate.

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

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT

AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, currency exchange offices, investment funds, investment or fiduciary service providers and management companies, deposit companies, fiduciary companies, securities dealers, stock exchange companies, brokers, insurance and reinsurance companies, company formation agents and ownership registries, gaming and lottery organizers and institutions (including internet casinos), real estate agents, dealers of precious metals or gems, auditors, accountants and financial consultants, lawyers, notaries, and organizations which provide postal and telephone mandate exchange or value transfer services

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 557,482: January – October, 2015
Number of CTRs received and time frame: 1,297,313: January – October, 2015
STR covered entities: Banks, currency exchange offices, investment funds, investment or fiduciary service providers and management companies, deposit companies, fiduciary companies, securities dealers, stock exchange companies, brokers, insurance and reinsurance companies, company formation agents and ownership registries, gaming and lottery organizers and institutions (including internet casinos), real estate agents, dealers of precious metals or gems, auditors, accountants and financial consultants, lawyers, notaries, and organizations that provide postal and telephone mandate exchange or value transfer services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 29: January – October, 2015
Convictions: 2: January – October, 2015

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Moldova continues to make progress in instituting a legal framework for combating money laundering that is consistent with international standards. During the period of January – October, 2015, the Office for Prevention and Control of Money Laundering, Moldova's financial

intelligence unit (FIU), subjected 549 transactions to additional complex analysis. Moldovan law enforcement initiated 29 money laundering-related criminal investigations. Various law enforcement authorities are involved in AML/CFT investigations, but responsibility rests primarily with the NAC's Criminal Investigation Directorate and the Anticorruption Prosecution's AML Section. The level of knowledge related to the financial aspects of investigations and asset identification and tracing does not appear to be very comprehensive. There is also a lack of cooperation and coordination among the various law enforcement authorities that pursue financial crimes.

Expert evaluation has shown that laws need to be changed to increase civil monetary penalties, and that enforcement is not effective. Individuals charged tend not to be significant players. The FIU receives far too many reports from reporting entities to monitor them properly.

The use of shell companies in money laundering schemes continues, and it appears neither the current company registration rules nor corporate criminal liability have proved to be sufficient to entirely overcome this phenomenon. A lack of awareness by some of the reporting entities in the designated non-financial businesses and professions (DNFBP) sector is reflected in the continued minimal reporting from this sector.

According to the FIU, the primary AML/CFT challenge that Moldova encountered in 2015 was the use of nominal shareholders in bank ownership (holders of less than 5 percent of shares in order to avoid NBM authorization). During banks' board meetings these shareholders act in a concerted manner, which often results in subsequent fraudulent bank management and issuance of preferential loans to companies associated with the beneficiaries of shares; disbursement of payments to the effective beneficiaries' associated companies directly from banks' correspondent accounts; unlimited access of offshore companies in the domestic banking system; offshore companies opening bank accounts and initiating transactions through intermediaries (generally from Ukraine and Russia); operational risks related to the issuance of non-performing loans that may affect the stability of the bank or loans to companies with suspicious activities whose founders are intermediaries from abovementioned countries; submission of erroneous data and reports to the NBM in order to present a stable financial situation; and local banks performing interchange placements with sometimes unclear transaction destinations or with poorly rated foreign banks.

Moldova should continue to review and amend the criminal procedure code to institute non-conviction based confiscation and to permit special investigative techniques to be applied to a wider range of offenses associated with money laundering and terrorism financing. Additionally, Moldova should criminalize tipping off and take steps to raise the awareness of the DNFBP sector regarding AML/CFT reporting requirements.

Monaco

The Principality of Monaco is the second-smallest country in Europe but is considered a major banking center that closely guards the privacy of its clients. It has worked in recent years to comply with international requirements for greater openness and sharing of information. It is linked closely to France and to the economic apparatus of the EU through its customs union with France and its use of the euro as its official currency.

Monaco's state budget is based primarily on value-added tax revenue, taxes on legal transactions, income from the real estate sector, and corporate income tax, which account for 78 percent of the total income; casino revenues constitute less than three percent of the state budget. Private banking and fund management dominate the financial sector. Monaco does not have a formal offshore sector, but approximately 60 percent of the banking sector's total assets and deposits are owned by foreigners. Monaco publishes information about its financial sector, but banking information is not published. Credible sources estimate the country's 35 banks and three financial institutions hold more than 300,000 accounts and manage total assets of about 750 billion euros (approximately $819.4 billion).

Money laundering charges relate mainly to offenses committed abroad. The Principality does not face ordinary forms of organized crime, nor is there a significant market for smuggled goods.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks and credit societies; the post office; money exchanges and remitters; portfolio and fund managers and securities brokers/dealers; insurance firms; financial advisors and intermediaries; casinos; real estate agents; dealers of high-value goods, antiques, art, and precious stones and metals; lawyers; notaries; trustees and company service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 880 in 2014
Number of CTRs received and time frame: Not available
STR covered entities: Banks; insurance companies; stockbrokers, corporate service providers, portfolio managers, and trustees; casinos; money remitters; real estate brokers; business, legal, or tax advisors; dealers in precious stones, precious materials, antiquities, fine art, and other valuable assets; lawyers; notaries; accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 6 in 2014
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Monaco has signed 32 tax information-sharing agreements with foreign counterparts. The Government of Monaco should enhance the authority of SICCFIN, its financial intelligence unit (FIU), to forward reports and share financial intelligence with law enforcement and foreign FIUs even when the report or information does not relate specifically to drug trafficking, organized crime, or terrorist financing. Although there is a 2007 agreement between Monaco and the United States regarding sharing of confiscated proceeds of crime, Monaco should expand its asset sharing program to other international partners. Monaco also should move to enhance its ability to freeze terrorist assets and examine the threshold for reporting large cash transactions.

The Government of Monaco should become a party to the UN Convention against Corruption.

Mongolia

Mongolia is not a regional financial center. There are few reported financial and economic crimes, although numbers have increased in the last five years. Mongolia is vulnerable to low-grade transnational crime due to the current level of tourism, investment, and remittances from abroad; however, the overall rate of these crimes has not increased. The risk of domestic corruption remains significant as Mongolia's rapid economic growth continues.

Mongolia's limited capacity to monitor its extensive borders with Russia and China is a liability in the fight against smuggling and narcotics trafficking, but drug use and trafficking remain limited and unsophisticated. There is a black market for smuggled goods which appears largely tied to tax avoidance. There are no indications international narcotics traffickers exploit the banking system, and no instances of terrorism financing have been reported.

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

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, lending, factoring, and financial leasing institutions; securities market participants, issuers of guaranties and payment instruments; insurance companies; savings and loan cooperatives; trusts; investment funds; real estate companies and public notaries; remittance services and foreign currency exchanges; and pawnshops

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 58: January – June, 2015

Number of CTRs received and time frame: 770,725: January – June, 2015

STR covered entities: Banks, lending, factoring, and financial leasing institutions; securities market participants, investment funds, issuers of guaranties and payment instruments; savings and loan cooperatives; trusts; insurance companies; real estate companies and public notaries; remittance services and foreign currency exchanges; and pawnshops

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2015

Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Mongolia is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation may be found at: http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=ee2ef268-6106-40ec-806e-bec3987f9f88

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In recent years Mongolia has made progress in improving its AML/CFT regime. However, although authorities have opened financial crime cases, the lack of a single successful prosecution over the past few years illustrates deficiencies in enforcement. While highly professional, the financial intelligence unit (FIU) appears understaffed, and coordination with other law enforcement organizations remains deficient. The FIU has the authority to monitor bank accounts opened at reporting entities and to suspend transactions that are deemed to be related to money laundering or terror finance, with such suspension in place for three working days. The timeframe may be extended by a court order.

Mongolia should continue to work to bring its existing AML regime more in line with international practice and standards. The Government of Mongolia should increase the training for those responsible for investigating and prosecuting money laundering cases.

Montenegro

Montenegro's geographic location and use of the euro make it an attractive target for money laundering. Public perception of corruption in Montenegro remains widespread. Factors that facilitate Montenegro's vulnerability to money laundering are the use of cash for many large commercial transactions, weak financial crimes enforcement, and a lack of monetary controls over currency use, as Montenegro uses the euro but is not a Eurozone member country. Additional factors that inhibit the fight against money laundering include corruption, insufficient capacity to conduct financial investigations, weak collaboration among government agencies, and a judicial system susceptible to political influence. Organized crime remains a serious concern in Montenegro and is linked to corruption. Criminal organizations, including sophisticated international narcotics trafficking enterprises, have a presence in Montenegro.

Montenegro is a transit country for illegal goods. The country's ports have been used by criminals as a staging area to unload illicit cargo and reload it onto other vessels with onward shipping to Central and Western Europe. Organized criminal groups in Montenegro traffic in stolen cars, narcotics, cigarettes, and counterfeit products. Proceeds of narcotics trafficking, tax evasion, internet fraud, games of chance, and other illegal activities are often laundered through Montenegro's construction and real estate industries, and investments in the stock market.

Organized criminal groups, primarily from Russia and Western European countries, invest significant amounts of money to purchase and construct real estate in Montenegro. The properties are often not registered to the true owner. The Montenegrin financial intelligence unit (FIU) has noted cases of local companies receiving significant loans from their parent companies or offshore companies. In most cases, the loans are never repaid to the offshore lender but are used for the purchase or construction of real estate in Montenegro instead. Loan contract signing follows the same pattern; after a loan contract or other business deal is signed, it is not certified by the Notary Public to ensure legal validity. As such, many court cases are disputed. The FIU has also noted frequent electronic payments between the same accounts slightly below the 15,000 euros (approximately $16,150) reporting limit.

Criminals often use phantom companies to present fictitious transfers of goods and services in order to legalize or re-direct invested money. Criminals also have deposited the proceeds of illicit transactions into offshore accounts and taken back the funds in the form of loans, which they never repay. According to Montenegrin authorities, most illegal proceeds come from Russia, Italy, Switzerland, Serbia, Croatia, and Panama. In a form of service-based laundering, offshore companies send fictitious bills to a Montenegrin company (for market research, consulting, software, leasing, etc.) for the purpose of extracting money from the company's account in Montenegro so funds can be sent abroad. The emergence of terrorist financing is also of concern to the government. Information technology, electronic transfers, credit cards, internet payments, cyber-currencies, and other new payment methods make these threats more difficult to detect.

According to authorities, money laundering takes place in the banking sector and, to a lesser extent, through Western Union. There are no cases of money laundering reported in informal remittance systems such as hawala or hundi. Authorities note that criminals prefer using electronic transfers based on fictitious accounts mostly opened by foreign nationals instead of using bank notes.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, savings banks, savings and loan institutions, and loan brokers and intermediaries; post offices and organizations performing payment, e-money, or credit card transactions; stock brokers, securities depositories, and investment and pension fund managers; insurance brokers, intermediaries, and companies dealing with life insurance; company formation, marketing, consulting, fiduciary, and management service providers; organizers of lotteries and special games of chance; exchange offices; pawnshops; audit companies, independent auditors, accountants, and tax advice services; humanitarian, nongovernmental, religious, and other non-profit organizations; sellers and purchasers of claims; financial proxies; safekeeping, custodial, and guaranty firms; property managers; factoring, forfeiture, and financial leasing companies; sports organizations; catering and tourism service providers; real estate agents, investors, and intermediaries; construction companies; motor vehicle, vessel, and aircraft dealers; credit agencies; auctioneers and traders of works of secondary raw materials, art, high-value goods, and precious metals and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 142: January 1 - November 1, 2015
Number of CTRs received and time frame: 38,321: January 1 - November 1, 2015
STR covered entities: Banks, savings banks, savings and loan institutions, and loan brokers and intermediaries; post offices and organizations performing payment, e-money, or credit card transactions; stock brokers, securities depositories, and investment and pension fund managers; insurance brokers, intermediaries, and companies dealing with life insurance; company formation, marketing, consulting, fiduciary, and management service providers; organizers of lotteries and special games of chance; exchange offices; pawnshops; audit companies, independent auditors, accountants, and tax advice services; humanitarian, nongovernmental, religious, and other non-profit organizations; sellers and purchasers of claims; financial proxies; safekeeping, custodial, and guaranty firms; property managers; factoring, forfeiture, and financial leasing companies; sports organizations; catering and tourism service providers; real estate agents, investors, and intermediaries; construction companies; motor vehicle, vessel, and aircraft dealers; credit agencies; auctioneers and traders of works of secondary raw materials, art, high-value goods, and precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 0 in 2015
Convictions: 2 in 2015

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Montenegro has continued to strengthen its legal and institutional framework for the prevention of money laundering and terrorism financing; however, implementation continues to be lacking. Despite criminal justice reform and police reorganization, the results in the fight against money laundering are still limited, particularly as measured by successful investigations, prosecutions, and convictions. The country's capacity to detect actions related to terrorism financing also remains limited, although the FIU did examine several possible cases of terrorism financing during 2015.

Since 2013, when Montenegro established a nationwide risk assessment body, it has continued activities aimed at addressing vulnerabilities. In May 2015, Montenegro adopted a 2015-2018 action plan for the implementation of the Strategy for the Prevention and Suppression of Terrorism, Money Laundering, and Terrorism Financing. The national risk assessment project is complete and was adopted in December 2015, with its own, separate action plan. In 2014, the Government of Montenegro adopted the Law on the Prevention of Money Laundering and Terrorism Financing. The law reinforces the legal framework and the sanctioning system. However, shortcomings remain and effective implementation is still needed. The existing memoranda of understanding between the FIU, Central Bank, State Prosecutor's Office, and Ministry of Internal Affairs are not always implemented effectively.

Montenegro's cash-based society makes for an unusually large number of currency transaction reports (CTRs) for the size of the population, while the number of reported suspicious transactions continues to be low. Montenegro needs a better system to identify questionable currency transactions, which are often hidden in the sheer volume of CTRs. For many years, recommendations have been made for additional guidelines and training for relevant organizations to raise awareness of their reporting obligations. In March, 2015, Montenegro adopted a new rulebook on the list of indicators for identifying suspicious customers and transactions. However, the number of suspicious transaction reports (STRs) filed by non-bank sectors remains low. In 2015, the Administration for the Prevention of Money Laundering, the FIU, charged six banks with misdemeanors for failing to file STRs.

The FIU is not completely independent from the Ministry of Finance, impeding its ability to examine all claims of money laundering. The FIU has no enforcement authority. In suspected cases of money laundering/terrorist financing, the FIU has to turn to the Central Bank, which

conducts bank inspections. In the first 10 months of 2015, the FIU forwarded information to competent authorities in 19 cases (involving eight Montenegrin citizens, five legal entities, 25 foreign nationals and 25 companies). During 2015, the FIU was understaffed. With the assistance of donors, the FIU's information technology system was upgraded.

Although legal and institutional mechanisms to fight corruption and organized crime have been strengthened, the public perception is that corruption and impunity remain pervasive, due to a lack of effective investigation and prosecution and the low number of final convictions regarding high profile cases. The fact that all high-level corruption cases have been uncovered by third parties continues to be a matter of concern. Once again in 2015, authorities pressed no charges against politicians or senior state officials for money laundering. Prosecutors handling financial crimes have limited resources to investigate and prosecute, while judges remain susceptible to political influence. A law establishing the Special Prosecutor's Office (with a mandate on organized crime, corruption, and war crimes) was adopted in February 2015. A new Special Prosecutor's Office became operational in July but the recruitment of special prosecutors and specialized experts has not been completed. The new special police unit supporting the Special Prosecutor's Office is not yet operational. As of yearend 2015, authorities have not yet appointed the leader of the team, composed of 10 inspectors. Following the reorganization of the police, a new expanded economic crime unit to fight money laundering was established.

A criminal conviction is required in order to freeze assets. While the law allows for the temporary seizure of criminally-obtained money and/or property, the capacity of the Public Property Administration, which is responsible for management of seized assets, remains low. On October 23, 2015, Parliament adopted the Law on Seizure and Confiscation of Proceeds from Criminal Activities, which provides for expanded procedures for the freezing, seizure, and confiscation of illicit proceeds. It also authorizes the creation of multi-disciplinary Financial Investigation Teams. Montenegrin authorities have a low capacity to conduct financial investigations and to conduct the confiscation of illegally-obtained property and assets.

Montenegro has amended its Criminal Code. Criminalizing foreign terrorist fighters is in line with relevant UN Security Council Resolutions. An inter-ministerial group has been established to monitor the situation and implement actions to prevent possible terrorist threats.

The Government of Montenegro must take steps to fully harmonize its laws with international standards and to implement them. The government should review its action plans for its AML/CFT strategy and its adopted AML/CFT risk assessment to ensure they do not conflict. Further efforts are needed to step up intelligence-led investigations of money laundering and financial crimes and to improve information exchange among government stakeholders to ensure adequate implementation of AML/CFT rules and investigation of cases. Furthermore, Montenegro must develop stronger, proactive cooperation among the FIU, the supervisory bodies, and the sectors charged with enforcing legislation. The government should take steps to improve financial crimes investigations and enhance the supervisory system for banks and all other designated entities, in particular gaming houses, lottery houses, and casinos. The government should further increase the capacity of the police and the State Prosecutor's Office to carry out complex financial, money laundering, and terrorism financing investigations.

Montserrat

Montserrat has one of the smallest financial sectors of the UK's Caribbean Overseas Territories. Less than 5,000 people are resident on the island. Montserrat's operating budget is largely funded by the British government and administered through the Department for International Development. Montserrat has four international banks, two domestic banks, three life insurance companies, and two institutions providing other forms of credit.

There are few offenses committed in Montserrat that generate substantial illicit profits, although there is some marijuana cultivation on the island. The low number of transactions generated in the financial sector suggests that criminal monies are not entering the mainstream economy through financial institutions.

Montserrat's international business companies (IBCs) are required to have a locally licensed company manager as registered agent, or in the case of trusts, a locally licensed trust company with responsibility for undertaking customer due diligence procedures and monitoring AML compliance.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, securities dealers, money transmission services, company management services, financial leasing companies, dealers in precious metals and stones, lawyers, auditors, accountants, notaries, tax advisors and insolvency practitioners, real estate agents, and trust or company service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 23 in 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, securities and financial instrument traders and dealers, money brokers, and money transmission services; financial leasing companies; company agents and management services, any partner of a partnership, and company secretaries; entities providing a business, accommodation, correspondence, or administrative address for a legal person or company; nominee shareholders; persons providing consumer credit, mortgage credit, factoring, and commercial financing, including forfeiting; issuers and managers of means of payment, including credit and debit cards, checks, traveler's checks, money orders,

banker's drafts, and electronic money; participants in securities issues and the provision of financial services related to such issues; financial, merger, and industrial strategy advisors and funds managers; providers of guarantees, commitments, and safekeeping; accountants, auditors, real estate agents, and independent legal professionals; and high-value goods dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

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

Montserrat is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=339&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2015, Montserrat made improvements to its AML/CFT regime, including by providing additional resources to the Financial Services Commission (FSC). The FSC is still not adequately structured and staffed to effectively carry out its functions. There are insufficient human resources, and the staff for money laundering investigations also performs other policing functions. The lack of resources and personnel may reduce the effectiveness of the implementation of current regulations.

Montserrat adopted the Revised AML/CFT Code of 2015. Provisions include a requirement for service providers to verify the identity of beneficial owners and to carry out enhanced due diligence of private banking entities, legal persons or arrangements (including trusts) that are personal asset-holding vehicles, and companies that have nominee shareholders or bearer shares.

Financial institutions, including money transmitters, operating in Montserrat are required to submit quarterly Large Transactions Reports to the Financial Crime and Analysis Unit, the operating arm of the Reporting Authority, the jurisdiction's financial intelligence unit (FIU). Persons entering the territory are required to declare if they are bringing into the country EC$27,000 (approximately $10,000), or above, in cash, or the equivalent in any other currency. If a passenger does not file a customs declaration and is found in possession of cash or negotiable instruments in the amounts stated above, the cash or financial instruments will be seized and the case will be turned over to the FIU. Cash imported into the country as cargo without the necessary paperwork, or cash that is concealed in cargo, is also subject to seizure.

Montserrat is a British Overseas Territory and cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for Montserrat's international affairs and may arrange for the ratification of any convention to be extended to Montserrat. The 1988 UN Drug Convention was extended to Montserrat in 1995. The UN Convention against Corruption, the International Convention for the Suppression of the Financing of Terrorism, and the UN Convention against Transnational Organized Crime have not yet been extended to Montserrat.

The government should provide additional AML/CFT training for customs officials and should ensure the FIU has the appropriate staff and resources to operate effectively.

Morocco

Morocco is well integrated into the international financial system. It is not a regional financial center, though it is striving to become one. Money laundering is a concern due to Morocco's international narcotics trade, vast informal sector, trafficking in persons, and the high level of remittances from Moroccans living abroad. Cash-based transactions in connection with Morocco's substantial trade in cannabis are of particular concern. While some of the narcotics proceeds are laundered in Morocco, most proceeds are thought to be laundered in Europe.

Latest available estimates from 2007 place Morocco's informal financial sector at around 14 percent of GDP. The predominant use of cash, informal value transfer systems, and remittances from abroad help fuel Morocco's informal financial sector. Remittances from Moroccans living abroad totaled $7.5 billion in 2014, representing 6.5 percent of GDP and a 13 percent increase from 2013. The Eurozone is still the main source of these transfers, but the share of remittances from Gulf countries continues to strengthen. In October 2013, the central bank announced a strategy to increase the banking services access rate to 75 percent, up from 60 percent at the end of 2013. By November 2015, the rate had reached 64 percent.

Morocco has seven free trade zones (FTZs). Offshore banks are located only in the Tanger Free Zone, although they could operate in additional FTZs in the future. They are regulated by an interagency commission chaired by the Ministry of Finance. The FTZs allow customs exemptions for goods manufactured in the zone for export abroad. Morocco's financial intelligence unit (FIU) has reported suspicion of money laundering schemes using the Tanger Free Zone.

Criminal activities of particular risk include bulk cash smuggling and unverified reports of trade-based money laundering, including invoice fraud and the purchase of smuggled goods. Most businesses are cash-based with minimal invoicing and paper trails. Evasion of foreign exchange controls is also believed to contribute to Morocco's money laundering problem. Unregulated money exchanges remain a problem in Morocco; the country's vast informal sector creates conditions for the continued use of these entities. The FIU has noted the use of fraudulent bank transfers and prepaid credit cards in money laundering schemes, as well as the difficulty of regulating the real estate sector, which is neither formalized nor transparent.

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

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Domestic and offshore banks, finance companies, insurance entities, lawyers, accountants, real estate intermediaries, and gaming operators

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 305 in 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Domestic and offshore banks, finance companies, insurance entities, lawyers, accountants, real estate intermediaries, and gaming operators

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 9 in 2014
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Morocco is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.menafatf.org/images/UploadFiles/MENAFATF.5.07.E.P6.R1_02-01-08_.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In recent years, the Government of Morocco has implemented a number of measures that strengthen its AML/CFT regime. In an effort to regulate cash flow, Parliament adopted an amnesty law in 2014 that forgives previous illegal capital transfers abroad and imposes a tax of 5-10 percent on declared assets. Of the $12.83 billion estimated to have been illegally transferred abroad between 2001 and 2010, more than $1.4 billion was repatriated voluntarily under this program in one year. Morocco's Law on Credit Establishment and Assimilated Institutions, passed on January 22, 2015, contains a chapter on Islamic banking expected to draw new segments of the population into the financial system, thereby contributing to the increase in access to banking services. Morocco's first fully participative or Islamic finance bank is expected to open in early 2016. Additionally, with the support of international donors, Morocco has drafted a law to implement policies related to tax infringements and the financing of weapons of mass destruction that it hopes to finalize by the end of 2016.

The Financial Information Processing Unit (UTRF), Morocco's FIU, is working to update current legislation to better comply with UNSCR 1373 on the freezing of assets of individuals or entities who have committed or try to commit terrorist acts. A procedure for these cases already exists, but this update will institute a formal mechanism for asset freezing. The UTRF also is preparing a national risk assessment intended to identify money laundering and terrorist

financing threats and vulnerabilities facing Morocco in order to plan and execute more effective countermeasures. This study is expected to be released in January 2016.

According to recently released information, 29 money laundering cases were under investigation in 2014.

To further strengthen Morocco's AML/CFT regime, its authorities should continue to develop regulatory oversight and investigative expertise that target Morocco's large money and value transfer service sector, especially money remittance networks. Morocco also should work to address trade-based money laundering.

Mozambique

Mozambique is not a regional financial center. Money laundering is believed to be fairly common and is linked principally to narcotics trafficking, trafficking of wildlife products, and criminal kidnapping networks, as well as customs fraud and government corruption. Most narcotics trafficked through Mozambique are believed to be destined for South African or European markets, although consumption is on the rise in Mozambique. Local organized criminal groups control trafficking operations in the country and are believed to have links to South Asian nationals and immigrants. Authorities believe the proceeds from these illicit activities have helped finance commercial real estate developments, particularly in the capital. While money laundering in the banking sector is cited as a serious problem, foreign currency exchange houses, cash couriers, and hawaladars play more significant roles in financial crimes and money laundering. For instance, much of the laundering is believed to be happening behind the scenes at foreign currency exchange houses, and the number of exchange houses operating in Mozambique surpasses the number required to satisfy legitimate demand. Black markets for smuggled goods and informal financial services are widespread, dwarfing the formal retail sector in most parts of the country. There are no indications such activity is tied to terrorism financing.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** NO ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks and credit companies; securities companies and exchanges; debt collectors; leasing and rental companies; gaming facilities; capital/asset management

concerns; payment and currency exchange operators; insurance brokers; and overseas subsidiaries or branches of Mozambican financial institutions

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks and credit companies; securities companies and exchanges; debt collectors; leasing and rental companies; gaming facilities; capital/asset management concerns; payment and currency exchange operators; insurance brokers; and overseas subsidiaries or branches of Mozambican financial institutions

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO
With other governments/jurisdictions: YES

Mozambique is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.esaamlg.org/userfiles/Mozambique_Mutual_Evaluation_Detail_Report(5).pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Limited resources and high levels of corruption hamper the Government of Mozambique's ability to fight money laundering and potential terrorism financing and to implement existing AML controls. Local institutions, including the police, customs, and judicial authorities, lack the funding, training, and personnel necessary to investigate money laundering activities and to enforce the law. Money or value transfer services and exchange houses are heavily regulated on paper, but in practice easily avoid reporting requirements. The alternative remittance systems and exchange houses that avoid reporting systems exacerbate the government's weak investigative and enforcement capacity.

Despite these impediments, Mozambique has made progress in strengthening its AML/CFT regime. Regulations that support and codify a 2013 AML law were officially published in October 2014. Together, the 2013 law and 2014 implementing regulations bring Mozambique's AML regime much closer to compliance with international standards. The Mozambican Financial Intelligence Unit (FIU) has been a candidate for membership in the Egmont Group of FIUs since 2014 but has yet to receive membership in the group.

The Government of Mozambique should provide training and education to police officers, prosecutors, and judges to ensure its AML laws and regulations are fully implemented. Mozambique should take steps to pass a draft terrorism law that will address noted deficiencies; complete a national risk assessment to allow the government to better understand AML/CFT vulnerabilities; publish AML/CFT statistics such as the number of financial intelligence reports filed and the numbers of prosecutions and convictions; and establish more rigorous guidelines for the Bank of Mozambique's AML/CFT supervision of the financial institutions under its

purview. The government should continue to work with regional partners to enhance the effectiveness of its AML/CFT regime.

Namibia

Namibia is not a regional financial center, although it has one of the most highly developed financial systems in Africa. Both regional and domestic criminal activities give rise to proceeds that are laundered in Namibia. Falsification or misuse of identity documents, customs violations, trafficking of precious metals and gems, and trafficking in wildlife, illegal drugs, and stolen vehicles, mostly from South Africa, are regional problems that affect the level of money laundering in Namibia. Organized criminal groups involved in smuggling activities generally use Namibia as a transit point. Domestically, real estate as well as minerals and gems are suspected of being used as vehicles for money laundering. Namibian authorities believe the proceeds of criminal activities are laundered through Namibian financial institutions, but on a small scale.

The Namibian government has set up Export Processing Zones (EPZs). Companies with EPZ status can set up operations anywhere in Namibia. There are no restrictions on the industrial sector provided the exports are destined for markets outside the South Africa Customs Union region, earn foreign exchange, and employ Namibians. EPZ benefits include no corporate tax, no import duties on the importation of capital equipment or raw materials, and no value added tax, sales tax, or stamp or transfer duties on goods and services required for EPZ activities. There is at least one EPZ at the port of Walvis Bay. The Offshore Development Company (ODC) administers the EPZ regime. The ODC develops and leases multi-purpose industrial parks in four locations where companies can establish operations, including as EPZs.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks and microfinance entities; pension funds, asset managers, and trust companies; casinos and gaming institutions; exchange houses, stock brokerages, and cash couriers; dealers in jewels and precious metals; insurance companies; pawn shops and dealers in high-value art and vehicles; realtors and auctioneers, to include livestock and real estate; lawyers, accountants, and notaries

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 515 in 2015
Number of CTRs received and time frame: Not available
STR covered entities: Banks and microfinance entities; pension funds, asset managers, and trust companies; exchange houses, stock brokerages, and cash couriers; casinos; dealers in jewels and precious metals; insurance companies; pawn shops and dealers in high-value art and vehicles; realtors and auctioneers, to include livestock and real estate; lawyers, accountants, and notaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Namibia is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.esaamlg.org/userfiles/Namibia_detailed_report.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Namibia has taken steps to implement its AML/CFT National Strategy. The Financial Intelligence Centre (FIC), Namibia's financial intelligence unit, has AML/CFT regulatory responsibilities.

In 2014 the FIC issued nine intervention orders restricting the movement of $N8.7 million (approximately $564,000) while relevant authorities determined the legitimacy of the funds and whether additional legal actions were in order. There is no information on whether those determinations have been completed or whether they resulted in any prosecutions.

On January 28, 2015, the Namibian government published regulations under the Financial Intelligence Act of 2012 that set cash transaction reporting requirements. Section 23 of the regulations sets reporting thresholds of N$24,999.99 (approximately $1,620) for casinos and N$99,999.99 (approximately $6,485) for any other business or institution. Section 31 of the regulations also requires declaration of the cross-border movement of cash and negotiable instruments, but Namibia has yet to establish a reporting threshold or implement this area of its law. Section 32 of the regulations requires the reporting of all electronic transfers, irrespective of amount, to, from, and within Namibia.

Namibia should continue implementing its legislation and ensure sufficient resources and training are provided to supervisory, analytical, investigative, prosecutorial, and judicial entities. The informal banking and trading sectors need additional focus. The government also should continue its efforts to improve control of Namibia's long and porous borders. Statistics on the numbers of prosecutions and convictions, as well as the number of currency transaction reports (CTRs) received, should be made available as they reflect the effectiveness of a country's AML/CFT regime.

Nauru

Nauru is a small central Pacific island nation with a population of approximately 9,400. A member of the British Commonwealth, Nauru is an independent republic but uses Australian currency. The only banking institutions operating on Nauru are the Bendigo Bank, which opened an agency in June 2015 offering traditional, internet, and telephone banking deposit and withdrawal services, and Western Union, which provides wire transfer services. The economy remains largely cash-based and reliant on formal and informal remittances. Nauru has high unemployment and is a low-crime jurisdiction. The very narrow economic base, the lack of financial institutions, and very strict land tenure and associated restrictions on foreign investment discourage the introduction of criminal proceeds into the formal Nauru economy.

Nauru has a relatively small offshore company registry with 59 operating corporations. In the past ten years no new trust company licenses have been issued, although 15 unit trusts have been formed under the 11 existing licenses. The offshore companies and trusts represent a concern, although the very low rate of company and trust formation in the sector may indicate the risks are relatively low.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks and money remitters; securities and investment businesses; insurance firms; dealers in art and precious metals and stones; trust or company service providers; real estate agents and brokers; casinos and lotteries; legal practitioners and accountants; payroll services using cash; and alternative remittance providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 0 in 2014
Number of CTRs received and time frame: 0 in 2014
STR covered entities: Banks and money remitters; securities and investment businesses; insurance firms; dealers in art and precious metals and stones; trust or company service providers; real estate agents and brokers; casinos and lotteries; legal practitioners and accountants; payroll services using cash; and alternative remittance providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 0 in 2014
Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:
With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: NO

Nauru is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.apgml.org/mutual-evaluations/page.aspx?p=b61008e6-465a-48c6-8927-69a6daaa0184

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Nauru's AML/CFT regime is broadly commensurate with the risks and threats facing the country.

Though Nauru has not signed a formal MLAT with other nations, pursuant to the Proceeds of Crimes Act, the Minister for Justice may provide information to other governments on a discretionary basis in relation to money laundering offenses.

There is a need for additional controls in the offshore sector. The government should ensure the Nauru Agency Corporation, a state-owned incorporation agent, and Nauru Trustee Corporation, which registers trusts, focus their AML/CFT efforts on providing controls for the offshore sector and ensure supervision of these entities is their priority. AML legislation should be amended to include a greater number of predicate offenses, including comprehensive corruption offenses, and to reduce restrictive conditions in relation to tax matters.

Nepal

Nepal is not a regional financial center. Government corruption, a large and open border with weak border enforcement, limited financial sector regulations, and a large informal economy continue to make the country vulnerable to money laundering and terrorist financing. Nepal is not a significant producer of narcotic drugs; however, hashish, heroin, and domestically produced cannabis and opium are trafficked to and through Nepal. Relatively porous borders also are used to facilitate the trafficking of persons. Other major sources of illegally earned income include tax evasion, corruption, counterfeit currency, smuggling, and invoice manipulation.

While government and banking industry officials report that most remittances flow through formal banking channels, a portion is believed to flow through informal channels. Additionally, the government has limited ability to determine whether the source of money ostensibly sent as remittances from abroad is licit or illicit. Officials have identified the use of under- and over-invoicing as a major money laundering challenge. Other problems are bulk counterfeit currency and gold smuggling into India. An open border with India and inadequate security screening make it difficult to detect currency and gold flowing in and out of the country.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, securities agents, insurance agents, casinos, money remitters and changers, cooperatives, designated government agencies, lawyers and notaries, auditors, trust and company service providers, and precious metals and stone traders

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 350: July 16, 2014 – July 15, 2015
Number of CTRs received and time frame: 3,197,539: July 16, 2014 – July 15, 2015
STR covered entities: Banks, securities agents, insurance agents, casinos, money remitters and changers, cooperatives, designated government agencies, lawyers and notaries, real estate brokers, auditors, and precious metals and stone traders

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 2: July 16, 2014 – July 15, 2015
Convictions: 4: July 16, 2014 – July 15, 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Nepal is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation report can be found at: http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=8fc7f911-3767-4e6d-90b9-719209490358

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Nepal is taking steps to bring its legislation into compliance with international standards. However, a lack of resources and capacity continue to hamper efforts to combat money laundering. Nepal enacted the AML law in 2008 and Parliament ratified it in 2014. However, as of late 2015, Nepal's financial intelligence unit (FIU) is still putting into place the required regulations and directives. In September 2014, the FIU implemented new AML/CFT software that enables the storage of data on suspicious financial transactions. As of late 2015, officials

state the software is still not fully functional. A key problem is that reporting entities must have compatible software to electronically submit data on suspicious financial transactions. As of late 2015, the FIU is still receiving suspicious transaction reports (STRs) in hard copy form that the FIU must manually enter into its database. The FIU receives currency transaction reports (CTRs) on compact discs that it must also enter into its database. The FIU has a backlog of STRs that it is working to analyze, which delays investigations.

In 2015, the FIU became a member of the Egmont Group of FIUs. The FIU continues to pursue a three-fold approach: increasing outreach to the banking community about AML/CFT regulations; hiring more officials to check records for compliance; and increasing sanctions for noncompliance. A senior FIU official indicated that FIU manpower is less of a problem for carrying out its mission than technical deficiencies, as noted above; coordination problems among other government agencies; and endemic corruption that enables offenders (especially those who are politically connected) to avoid prosecution. A senior official of Nepal's Department of Money Laundering Investigation (DMLI) also noted that it receives information only in hard copy from other branches of the Nepali Government. The DMLI is trying to acquire software to enable electronic communication of data with relevant government departments. Lack of sufficient information from other parts of the government hinder the DMLI's ability to investigate and prosecute money laundering cases.

Although the AML law contains a provision calling for covered entities to keep records of customers and transactions, there are no enforceable sanctions for noncompliance. In practice, institutions maintain records to comply with tax laws.

Coordination among key government agencies is weak. The Nepal Police Central Investigation Bureau (CIB) and the Nepal Police Counterterrorism Directorate both have authority to investigate and arrest counterfeit currency operatives, narcotics traffickers, smugglers, and human traffickers, but have done little in the way of pursuing complex financial crimes. The CIB is seeking assistance from donors to build its investigative capacity.

While the Government of Nepal has made progress in constructing an AML/CFT regime, additional work is required on developing expertise in financial crimes investigations, case management, interagency and departmental coordination, and border control.

Netherlands

The Netherlands is a major financial center and consequently an attractive venue for laundering funds generated from illicit activities, including activities related to the sale of cocaine, cannabis, or synthetic and designer drugs, such as ecstasy. The Netherlands has a prosperous and open economy, which depends heavily on foreign trade. Financial fraud, especially tax evasion, is believed to generate a considerable portion of domestic money laundering activity. There are a few indications of syndicate-type structures in organized crime and money laundering, but there is virtually no black market for smuggled goods in the Netherlands. Although few border controls exist within the Schengen Area of the EU, Dutch authorities run special operations in the border areas with Germany and Belgium and in the Port of Rotterdam to keep smuggling to a minimum. Underground remittance systems such as hawala operate in the Netherlands.

Six islands in the Caribbean fall under the jurisdiction of the Kingdom of the Netherlands. Bonaire, St. Eustatius, and Saba are special municipalities of the Netherlands. Aruba, Curacao, and St. Maarten are countries within the Kingdom of the Netherlands. The Netherlands provides supervision for the courts and for combating crime and drug trafficking within the Kingdom. As special municipalities, Bonaire, St. Eustatius, and Saba are officially considered "public bodies" under Dutch law.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, credit institutions, securities and investment institutions, providers of money transaction services, life insurers and insurance brokers, credit card companies, casinos, traders and brokers in high-value goods, pawnshops, accountants, lawyers and independent legal consultants, business economic consultants, tax consultants, real estate brokers and surveyors, estate agents, civil law notaries, trusts and asset administration companies, and electronic money institutions

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 29,382 in 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, credit institutions, securities and investment institutions, providers of money and currency transaction services, life insurers and insurance brokers, credit card companies, casinos, traders and brokers in high-value goods, pawnshops, accountants, lawyers and independent legal consultants, business economic consultants, tax consultants, real estate brokers, estate agents, civil law notaries, trusts and asset administration companies, taxation offices, payment service providers and agents, and safe-rental companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

The Netherlands is a member of the FATF. Its most recent mutual evaluation can be found at: http://www.fatf-gafi.org/publications/mutualevaluations/documents/mutualevaluationreportofthenetherlands.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of the Netherlands continues to correct noted deficiencies and to make progress in improving its AML/CFT regime. On January 1, 2015, new rules entered into force that raise the maximum prison sentence for money laundering and broaden the definition of corruption to include bribery of financial service providers. Furthermore, pawnshops and brokers in high-value goods are now categorized by law as KYC- and STR-covered entities. The new legislation introduces more stringent rules on audit and compliance for trusts and asset administration companies. On March 1, 2015, the National Prosecutor's Office issued new guidelines on prosecuting money laundering cases.

The Netherlands utilizes an "unusual transaction" reporting system. Designated entities are required to file unusual transaction reports (UTRs) with the Financial Intelligence Unit (FIU) on any transaction that appears "unusual" (applying a broader standard than "suspicious"), or when there is reason to believe a transaction is connected with money laundering or terrorism financing. The FIU analyzes UTRs and forwards them to law enforcement for criminal investigation. Once the FIU forwards the report, the report is then classified as a suspicious transaction report (STR). There were 277,532 UTRs filed in 2014. The Netherlands does not require all covered entities to report all transactions in currency above a fixed threshold. Instead, different thresholds apply to various specific transactions, products, and sectors.

The FIU is an independent, autonomous entity under the National Police Unit. It is expected that the ongoing National Police's reorganization, scheduled for completion in 2018, will enhance law enforcement flexibility and effectiveness in responding to money laundering cases. The police closely cooperate with the Tax Authority's investigative service. The Anti-Money Laundering Center, established in 2013, combines expertise from government agencies, such as the FIU, the National Police, and the Tax Authority; knowledge institutions; private sector partners; and international organizations. Seizing financial assets of criminals continues to be a priority for law enforcement.

In 2015, Dutch law enforcement authorities arrested a number of individuals offering a guaranteed anonymous exchange of large amounts of bitcoins in exchange for fiat currency (euros). Because of the suspect nature of the origin of the bitcoins, the exchange service charged a higher commission rate. The investigation is ongoing.

The Government of the Kingdom of the Netherlands should make available the number of prosecutions and convictions so as to better evaluate the effectiveness of its AML/CFT regime.

New Zealand

New Zealand is not a major regional or offshore financial center. Money laundering cases are infrequent in New Zealand. However, authorities note it is difficult to estimate the extent of

money laundering activities, since every serious crime that generates proceeds could lead to a money laundering offense.

Money laundering generally occurs through the financial system, but the purchase of real estate and other high-value assets as well as the use of foreign exchange dealers have become increasingly popular methods of laundering money. Narcotics proceeds (mostly from methamphetamine and cannabis sales) and fraud-associated activity (primarily internet banking fraud) are the primary sources of illicit funds. International organized criminal elements, mostly from Asia, are known to operate in New Zealand, but not to a wide extent. Local gangs represent a disproportionate number of homicides and drug offenses, and have been implicated in money laundering cases. New Zealand is a low threat environment for terrorist finance.

New Zealand has a small number of casinos, which operate gaming machines and a variety of table games.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: **NO**

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: Combined approach
Legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, exchange offices, and money service businesses; credit card companies; mortgage lenders; casinos; securities brokers/dealers; safekeeping providers; asset and individual or collective portfolio managers; and life insurance or other investment-related insurance entities

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 10,353: July 1, 2013 – June 30, 2014
Number of CTRs received and time frame: Not available
STR covered entities: Banks, exchange offices, and money service businesses; credit card companies; mortgage lenders; casinos; securities brokers/dealers; safekeeping providers; asset and individual or collective portfolio managers; and life insurance or other investment-related insurance entities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 12: July 1, 2014 - June 30, 2015
Convictions: 2: July 1, 2014 - June 30, 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

New Zealand is a member of the FATF and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.fatf-gafi.org/countries/n-r/newzealand/

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Organized Crime and Anti-Corruption Legislation Bill passed into law on November 5, 2015. In conjunction with the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 the legislation bring New Zealand into line with international standards. The Bill has been split into 15 Amendment Acts and most are in effect, except for the Anti-Money Laundering and Countering Financing of Terrorism Amendment Act, which does not come into force until July 2017. Changes enacted by the Bill allowed the New Zealand government to ratify the UN Convention Against Corruption on December 2, 2015.

Provisions in the Bill include amending the money laundering offense to specify that intent to conceal is not required. The dual criminality requirement for money laundering offenses committed outside New Zealand has been removed where New Zealand has jurisdiction over the primary offense that gives rise to the money laundering. Civil liability can be imposed on an entity for its failure to report to the Financial Intelligence Unit (FIU) an international wire of an amount greater than NZ$1,000 (approximately $650) or a domestic transaction involving physical cash greater than NZ$10,000 (approximately $6,500). Other key aspects of the Bill include: introducing new offenses to address identity crime, including selling or passing on identity information; amending the Policing Act 2008 to expressly provide the police with power to share information with international counterparts; strengthening the foreign bribery offense; and increasing penalties for bribery and corruption in the private sector to bring them into line with public sector bribery offenses.

The Companies Amendment Act 2014 came into effect on May 1, 2015. This legislation and the Limited Partnerships Amendment Act 2014 help prevent the misuse of New Zealand companies (shell companies) and limited partnerships by overseas criminal organizations. As a result of the legislation, all New Zealand-registered companies and limited partnerships must have a director or general partner who lives in New Zealand or is a director of a company in a prescribed enforcement country; all directors must provide their places and dates of birth; and all companies must supply their ultimate holding company details (if applicable). The Registrar of Companies has enhanced powers to investigate noncompliance by companies and limited partnerships; introduce offenses for serious misconduct by directors that results in significant losses to the company or its creditors; and align the company reconstruction provisions in the Companies Act with the Takeovers Code.

The United States has been designated as a “prescribed foreign country” in New Zealand’s Mutual Assistance in Criminal Matters Act 1992, enabling New Zealand to process requests for assistance from the United States on a reciprocal basis. In practice, New Zealand and U.S. authorities have a good record of cooperation and information sharing in this area. New Zealand regularly cooperates in international money laundering and terrorist financing initiatives and investigations. Information sharing with New Zealand’s international counterparts has since

been legislated into the Policing Amendment Act 2015, as provided for under the Organized Crime and Anti-Corruption Legislation Bill.

Nicaragua

The Republic of Nicaragua is not considered a regional financial center. Nevertheless, the financial system is vulnerable to money laundering as the country continues to be a strategic narcotics transshipment route for South American cocaine destined for the United States and cash returning to South America. Reports of political corruption at the local, regional, and national level are of significant concern. These include cases of local officials and community leaders accused of collaborating with maritime cocaine traffickers. The law provides criminal penalties for official corruption; however, the government does not enforce the law effectively, and officials frequently engage in corrupt practices with impunity. The courts remain particularly susceptible to bribes, manipulation, and other forms of corruption. Money laundering cases are primarily related to proceeds from illegal narcotics, mainly cocaine, but some subject matter experts believe there are indications of money laundering activities related to proceeds from smuggling. For example, Nicaragua's capital hosts the "Mercado Oriental," the largest open air market in Central America, which attracts business throughout the region. The majority of vendors in the market deal in cash and many of the goods are stolen. Apart from this market, it is also suspected money laundering occurs via traditional mechanisms such as legal businesses. Land, vehicle, and cattle purchases are also likely conduits of large-scale money laundering.

Additionally, some evidence exists of informal "cash and carry" networks for delivering remittances from abroad that may be indicative of money laundering. Although there are no convictions for money laundering within informal sectors to date, some local businesses, such as hardware stores, hotels, and clubs, were seized from people accused of drug trafficking and money laundering. Subject matter experts also believe the black market for smuggled goods in Nicaragua is larger than officially recognized, indicating possible trade-based money laundering. The Central America Four Agreement among El Salvador, Guatemala, Honduras, and Nicaragua allows for the free movement of citizens across respective borders without passing through immigration or customs inspection. Consequently, the agreement represents a vulnerability to each country for the cross-border movement of contraband and proceeds of crime.

Nicaragua, with access to the Atlantic and Pacific Oceans, large inland lakes, porous border crossings, and a sparsely-populated and underdeveloped Caribbean coastal region, is an ideal haven for transnational organized criminal groups, including human and drug trafficking organizations. Although Nicaragua faces domestic drug trafficking issues, money laundering proceeds are mostly controlled by international organized crime. The most noteworthy money laundering cases prosecuted in Nicaragua are primarily tied to foreign criminal activity.

The National Free Trade Zone Commission, a government agency, regulates free trade zone (FTZ) activities. As of November 2015, a total of 257 companies operate with FTZ status in 50 designated FTZs. The Nicaraguan Customs Agency monitors all FTZ imports and exports.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, financial companies, credit institutions, stock exchange, insurance companies, credit and loan cooperatives, brokerage firms, money exchanges and remitters, credit card issuers, casinos, microfinance organizations, and pawn shops

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 291: January – September, 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, remittance businesses, financial companies, credit institutions, stock exchange, insurance companies, credit and loan cooperatives, brokerage firms, money exchanges, credit card issuers, casinos, microfinance organizations, pawn shops, and businesses that operate with electronic money

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 53 in 2014
Convictions: 51 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Nicaragua is a member of the Financial Action Task Force of Latin America (GAFILAT). Its most recent mutual evaluation can be found at:
http://www.gafilat.org/UserFiles//Biblioteca/Evaluaciones/Nicaragua_3era_Ronda_2008.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Nicaragua has enacted AML/CFT legislation that is largely compliant with international standards; however, Nicaragua still needs to improve implementation of its legal framework in order to ensure its AML/CFT regime is effective. For example, the Financial Analysis Unit (UAF) allowed reporting entities time to adjust to regulations adopted in 2014, although no formal grace or phase in period was designated. As of the end of 2015, there is no evidence either the UAF or other AML/CFT supervisory institutions, including the National Microfinance Commission and the Superintendent of Banks and Other Financial Institutions, are enforcing the regulations and imposing sanctions for noncompliance. There is also no information on when enforcement may start.

In fiscal year 2015, the Government of Nicaragua investigated six money laundering cases and seized $1,703,810 in cash. The two largest seizures included $376,780 from a truck on October 20, 2014 in Peñas Blancas and $689,730 from a boat approximately three miles off the Pacific coast of Puerto Sandino, Nicaragua on March 19, 2015.

Existing laws and amendments to criminalize money laundering and terrorist financing will continue to face enforcement challenges. Additionally, several loopholes continue to exist under Nicaraguan law. For example, identity falsification, counterfeiting, and piracy are illegal but not considered as predicate crimes for money laundering. Without this classification, apprehended criminals using these means explicitly to launder money can be tried for lesser crimes and are not strongly deterred from continuing laundering activities. The Government of Nicaragua should improve efforts to combat corruption and enhance judicial independence. The government should adequately supervise and appropriately sanction non-bank entities and designated non-financial businesses and professions.

Niger

Niger is one of the poorest and least developed countries in the world. Niger is not a regional financial center; its banking sector is rudimentary. It is a member of the Central Bank of West African States (BCEAO), and so shares its central bank and currency, the CFA Franc, with other countries in the region. High transaction costs deter businesses from placing large amounts of cash in the banking system. Most economic activity takes place in the informal, cash-based financial sector; and informal remitters and other money and value transfer services are widespread.

With porous borders and a large, under-governed territory, Niger provides an ideal transit point for various criminal organizations and terrorist groups. Money laundering and financial crimes are commonplace in Niger. Illegal proceeds derive from trafficking of drugs, small arms, people, and everyday commodities across the Algerian and Libyan borders in the sparsely-populated north of the country. The regional smuggling of huge quantities of cigarettes across the Sahel is also very lucrative for traffickers in Niger. Cigarettes from counterfeit plants, mainly from Nigeria, are distributed in the region, the Maghreb, the Middle East, and Europe. Kidnapping for ransom is a significant fundraising method for terrorist groups. Other factors affecting security are the continuing rise in regional instability, including continued threats to security posed by al-Qaida and its affiliates, the Islamic State of Iraq and the Levant (ISIL), Malian jihadist groups, and the Nigeria-based terror group Boko Haram, which has attacked communities in Niger's Diffa region on many occasions since the beginning of the year.

In October 2014, the National Assembly President Hama Amadou, a leading opposition figure, fled Niger to avoid being arrested on criminal charges. He returned to the country in November 2015 and was immediately arrested. As of November 2015, the political climate in Niger is contentious. Opposition groups have demonstrated to protest the continued detention of Amadou, a perceived failure of the state to provide basic services, and perceived restrictions on freedom of speech and expression. Meanwhile, national and local elections are scheduled to take place in February and May 2016, respectively.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Public Treasury and State Savings Deposit institutions; BCEAO; banks, microfinance institutions, and money exchanges; insurance companies and brokers; securities exchanges or brokers; post office; mutual funds and fixed capital investment companies; lawyers, asset or fund custodians, and management and intermediation firms; business brokers for financial entities, auditors, and real estate agents; sellers of high-value items, fine arts, or precious stones; fund carriers; casinos; travel agencies; and nongovernmental organizations (NGOs)

REPORTING REQUIREMENTS:

Number of STRs) received and time frame: 26 in 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Public Treasury and State Savings Deposit institutions; BCEAO; banks, microfinance institutions, and money exchanges; insurance companies and brokers; securities exchanges or brokers; post office; mutual funds and fixed capital investment companies; lawyers, asset or fund custodians, and management and intermediation firms; business brokers for financial entities, auditors, and real estate agents; sellers of high-value items, fine arts, or precious stones; fund carriers; casinos; travel agencies; and NGOs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 5 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO
With other governments/jurisdictions: YES

Niger is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.giaba.org/reports/mutual-evaluation/Niger.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In spite of its severe lack of resources, Niger has made efforts to rectify the identified deficiencies in its AML/CFT regime and increase its capacity to implement that regime. Despite those efforts, the Government of Niger's AML/CFT laws are not in full compliance with international standards. Although addressed in the AML/CFT laws, customer due diligence procedures for designated non-financial businesses and professions (DNFBPs) have not been implemented.

The National Center for the Treatment of Financial Information (CENTIF), Niger's financial intelligence unit (FIU), submitted five reports to the Ministry of Justice for legal action in 2014. CENTIF works with other FIUs in the region to provide technical assistance and outreach to stakeholders. In addition, Nigerien authorities cooperate with law enforcement efforts, mutual legal assistance, and asset sharing groups within the region. The Government of Niger has an AML/CFT inter-ministerial committee.

In 2014 Niger joined the Partnership on Illicit Finance, an initiative that brings like-minded African countries together to jointly address the generation and movement of proceeds from corruption and other financial crimes. It includes two main objectives: to examine illicit financial flows from Africa and to develop national action plans to improve transparency and accountability in the public and private sectors.

The Government of Niger should continue to improve its AML/CFT regime in conjunction with regional partners and international donors. Border security is of paramount concern. The government should ensure its laws are fully implemented, to include the enforcement of KYC and reporting requirements for all DNFBPs.

Nigeria

Nigeria is a major drug transshipment point and a significant center for criminal financial activity. Corrupt officials and businessmen, criminal and terrorist organizations, and internet fraudsters take advantage of the country's location, porous borders, weak laws, endemic corruption, inadequate enforcement, and poor socioeconomic conditions to launder the proceeds of crime. Criminal proceeds laundered in Nigeria derive largely from foreign drug trafficking and criminal activity rather than domestic activities. Drug traffickers reportedly use Nigerian financial institutions to conduct currency transactions involving U.S. dollars derived from the sale of illicit drugs.

Proceeds from illegal oil bunkering; bribery and embezzlement; contraband smuggling; theft, including bank robberies; and financial crimes, such as bank fraud, real estate fraud, and identity theft, also constitute major sources of illicit proceeds in Nigeria. International advance fee fraud, also known as "419 fraud" in reference to the fraud section in Nigeria's criminal code, remains a lucrative financial crime that generates hundreds of millions of illicit dollars annually.

Money laundering in Nigeria takes many forms, including investment in real estate; wire transfers to offshore banks; political party and campaign financing; deposits into foreign bank accounts; abuse of professional services, such as lawyers, accountants, and investment advisers; reselling imported goods, such as luxury or used cars, textiles, and consumer electronics purchased with illicit funds; and bulk cash smuggling. Cybercriminals increasingly use more

sophisticated techniques, such as e-mail hacking, intrusions, and the use of social media. There also have been a number of cases in which subjects located in Nigeria have owned and operated botnets through which they have conducted denial of service attacks. Nigerian criminal enterprises are often adept at evading detection and subverting international and domestic law enforcement efforts.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, investment and securities broker/dealers, and discount houses; insurance institutions; debt factorization and conversion firms, money exchanges, and finance companies; money brokerage firms whose principal business includes factoring, project financing, equipment leasing, debt administration, fund management, private ledger service, investment management, local purchase order financing, export finance, project and financial consultancy, or pension funds management; dealers in jewelry, cars, and luxury goods; chartered accountants, audit firms, and tax consultants; clearing and settlement companies and legal practitioners; hotels, casinos, and supermarkets

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,468: January 1 – September 30, 2015
Number of CTRs received and time frame: 1,451,046: January 1 – September 30, 2015
STR covered entities: Banks, investment and securities broker/dealers, and discount houses; insurance institutions; debt factorization and conversion firms, money exchanges, and finance companies; money brokerage firms whose principal business includes factoring, project financing, equipment leasing, debt administration, fund management, private ledger service, investment management, local purchase order financing, export finance, project and financial consultancy, or pension funds management; dealers in jewelry, cars, and luxury goods; chartered accountants, audit firms, and tax consultants; clearing and settlement companies and legal practitioners; hotels, casinos, and supermarkets

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 33: January 1 – September 30, 2015
Convictions: 2: January 1 – September 30, 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Nigeria is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.giaba.org/reports/mutual-evaluation/Nigeria.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The current administration, specifically the Economic and Financial Crimes Commission, (EFCC), has made progress in recent months in the fight against Nigeria's pervasive corruption. In 2015, Nigeria also made limited progress towards the passage of several pieces of legislation intended to address strategic deficiencies in the country's AML/CFT regime. The Nigerian Financial Intelligence Centre (NFIC) Bill, which would make the Nigerian Financial Intelligence Unit (NFIU) a stand-alone agency, and the Proceeds of Crime (POC) Bill have both passed the National Assembly (in 2014 and 2015, respectively) but have not yet been signed into law. Meanwhile, there has been little movement on a draft mutual legal assistance bill, which has not yet passed the National Assembly.

Nigerian financial institutions appear generally conscientious in submitting currency transaction reports (CTRs) to the relevant authorities, although the 2015 volume of such reports declined approximately 60 percent over the same period in 2014. The volume of those reports combined with the fact that many, if not most, are likely to be legitimate transactions, given the cash-based nature of the Nigerian economy, make it particularly difficult for the government to detect suspicious activity.

Nigeria's oil industry, which generates up to 70 percent of government revenues, has long been mired in corruption and mismanagement under successive governments. In 2015, the National Resource Governance Institute (NRGI) investigation into Nigeria's oil industry noted opaque transactional practices and overall mismanagement. The former minister of petroleum was later arrested in London after an investigation into massive bribery and money laundering. Nigerian authorities recently created and instituted a Treasury Single Account that requires the Nigerian National Petroleum Corporation to remit all earnings and should dramatically improve transparency in the oil sector over time.

The State Security Service (SSS), also known as the Department of State Services (DSS), is the primary investigating agency for terrorism cases, but some agencies have asserted it does not have the capacity to investigate terrorism financing or money laundering and that it does not share case information with other agencies that conduct financial investigations. There remain general questions as to the role of the SSS/DSS versus that of the EFCC in the investigation of terrorism financing. The ongoing inability and/or unwillingness of Nigeria's law enforcement agencies to share information or conduct joint investigations significantly hinder the government's efforts to combat money laundering. This issue is especially important with regard to terrorism financing.

Pervasive corruption, a lack of investigative capacity, inadequate legislative authority, and interagency dysfunction have hindered or blocked numerous prosecutions and investigations related to money laundering. Nigeria should ensure the EFCC and the NFIU are able to perform their functions without undue influence and free from political pressure. Additionally, Nigeria

should work to thwart corruption at all levels of government and ensure the agencies that pursue money laundering-related and asset recovery cases, including the EFCC, Nigerian Drug Law Enforcement Agency, Independent Corrupt Practices and Other Related Offenses Commission, Nigerian Agency for the Prevention of Trafficking in Persons, Special Control Unit against Money Laundering, Nigerian Customs Service, and National Police Force, have the resources, support, and capacity to function as investigators or investigative partners in such cases.

Nigeria should continue working to pass and implement effective legislation that ensures the operational autonomy of its FIU, promotes the efficient recovery of criminal proceeds, and provides for mutual legal assistance in accordance with international standards. Nigeria should work to ensure law enforcement agencies cooperate effectively when investigating suspected money laundering. Nigeria should review its safe harbor provisions to protect STR reporting entities and their employees to ensure they are in line with international standards. It also should consider developing a cadre of specially trained judges with dedicated portfolios in order to process financial crimes cases as quickly and effectively as possible. Nigeria also should strengthen and support its Central Authority for international cooperation, which is a component of the Office of the Attorney General.

Niue

Niue is not a regional financial center and has no free trade zones. Niue is a self-governing democracy, operating in free association with New Zealand. The Government of Niue relies heavily on New Zealand to assist with external and economic affairs. The country has experienced a significant decline in population, largely from the emigration of its population to New Zealand.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks; safe deposit box services, trust and company service providers, and individual funds trustees; insurers and insurance intermediaries; securities dealers, futures brokers, money exchangers and remitters; issuers, sellers, or redeemers of traveler's checks, money orders, or similar instruments; payroll and payroll funds delivery businesses; dealers in precious metals and stones; real estate agents; casinos and gaming houses (including internet gaming); lawyers, notaries, and accountants engaged in real estate,

client financial management, and the creation, operation, and management of companies; and legal persons and arrangements

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks; safe deposit box services, trust and company service providers, and individual funds trustees; insurers and insurance intermediaries; securities dealers, futures brokers, money exchangers and remitters; issuers, sellers, or redeemers of traveler's checks, money orders, or similar instruments; payroll and payroll funds delivery businesses; dealers in precious metals and stones; real estate agents; casinos and gaming houses (including internet gaming); lawyers, notaries, and accountants engaged in real estate, client financial management, and the creation, operation, and management of companies; and legal persons and arrangements

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014
Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Niue is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.apgml.org/documents/search-results.aspx?keywords=Niue

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In recent years Niue has tightened its legislation to comply with international standards against money laundering and terrorist financing. The financial intelligence unit (FIU) exchanges financial intelligence related to money laundering and financing of terrorism with the New Zealand FIU.

Niue is not a member of the UN. It generally complies with international AML/CFT standards, and AML/CFT legislation includes the 2004 United Nations Sanctions Regulations (Terrorism Suppression and Afghanistan Measures). A Mutual Assistance in Criminal Matters (Amendment) Bill and a Terrorism Suppression and Transnational Crime (Amendment) Bill have been pending before Niue's Parliament for at least three years.

The FIU should make publicly available the number of financial intelligence reports it receives so as to better evaluate the effectiveness of its AML program. The Government of Niue should become a party to the United Nations Convention against Corruption.

Niue is not a member of the UN. It generally complies with international AML/CFT standards, and AML/CFT legislation includes the 2004 United Nations Sanctions Regulations (Terrorism Suppression and Afghanistan Measures). A Mutual Assistance in Criminal Matters

(Amendment) Bill and a Terrorism Suppression and Transnational Crime (Amendment) Bill have been pending before Niue's Parliament for at least three years.

The FIU should make publicly available the number of financial intelligence reports it receives so as to better evaluate the effectiveness of its AML program. The Government of Niue should become a party to the United Nations Convention against Corruption.

Norway

Although it is a high income country, Norway is not considered a regional financial center. Norway's significance in terms of money laundering is low. There are illicit proceeds related to narcotics sales and production, prostitution, robberies, smuggling, and white collar crimes, such as embezzlement, tax evasion, and fraud. Criminal proceeds laundered in the jurisdiction derive primarily from domestic criminal activity, often by foreign criminal gangs or guest workers who in turn remit the proceeds home. The main money laundering techniques used in Norway are cash deposits and withdrawals, the use of professional facilitators such as lawyers and accountants, the buying and selling of high-value assets, and the use of cash couriers and money or value transfer services to move funds out of the country. Money and value transfer services pose risks in Norway due to the nature of the activity, combined with limited supervision of the sector.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, the central bank, finance companies, e-money institutions, pension funds, postal operators, auditors, asset managers, securities dealers, credit agents, money exchangers, insurance companies, accountants, lawyers, notaries, auction houses, realtors, money transporters, clearing houses, and dealers in autos and high-value goods

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 4226: January – November, 2015
Number of CTRs received and time frame: Not available
STR covered entities: Banks, the central bank, finance companies, e-money institutions, pension funds, postal operators, auditors, asset managers, securities dealers, credit agents,

money exchangers, insurance companies, accountants, lawyers, notaries, auction houses, realtors, money transporters, clearing houses, and dealers in autos and high-value goods

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Norway is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found at: http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/Mutual-Evaluation-Report-Norway-2014.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In October 2014, the Government of Norway announced the establishment of a "national contact forum" to improve coordination in the fight against money laundering and terror finance. The interagency group is working on a joint enforcement strategy.

The Norwegian financial intelligence unit (FIU) continues to voice concern over the low number and poor quality of reports from certain reporting entities. The total number of submitted suspicious transaction reports (STRs) fell from 2009 to 2013, increased in 2014, and fell again in 2015. Since the overall monetary transaction volume is high, the FIU suspects considerable underreporting. Significant variations in year-on-year reporting from the same entities, or differences between entities of similar size, indicate room for improvement. The FIU seeks to improve the quality of STR reporting through regular visits to covered entities; it recently trained 23 out of 27 police districts on how to use financial intelligence. Ongoing police reform, which will reduce the number of police districts from 27 to 12 in 2016, will lead to more robust financial investigatory units in the districts, allowing better investigative and enforcement capacity.

Norway has a good legal foundation and sound institutional structure for investigating and prosecuting money laundering, and for seizing and confiscating criminal proceeds. However, money laundering is not a high priority for law enforcement agencies, primarily due to the focus on the predicate offense, thus leading to few money laundering prosecutions and convictions. The Ministry of Finance appointed a working group in February 2015 tasked with drafting a new AML law. The group presented its interim report with the first proposals in November 2015, and is due to deliver its final report in August 2016.

The Government of Norway should develop and maintain statistics related to its AML/CFT regime, including the numbers of prosecutions and convictions and the volume of seized and forfeited assets. Such data is beneficial in both the analysis of the efficacy of Norway's AML/CFT regime and the development of appropriate AML/CFT policies and programs.

Oman

Oman is not a regional or offshore financial center and does not have significant money laundering or terrorism financing concerns. Due to its location on the tip of the Strait of Hormuz, Oman is home to a small number of smugglers operating between Musandam, the northern-most exclave of Oman, and Iran. Omani authorities are aware that growing Iranian overtures toward Oman for increased trade and engagement, particularly in light of potential sanctions relief, may create conditions for money laundering/terrorism financing activity. Trade is generally financed with small amounts of cash and mostly comprises consumer goods. Oman is a regional transit point for narcotics from Afghanistan, Pakistan, Iran, and Tanzania, although the government is proactive in tracking and prosecuting drug traffickers. Sources of illegal proceeds are generally limited and derived from smuggling or drug trafficking activities. Smugglers and drug traffickers are generally expatriates.

Corruption, primarily in the form of cronyism or insider operations, remains a concern. Since 2013, the government has been taking legal action against senior officials in the housing sector and senior executives of partially state-owned enterprises accused of corrupt practices in the oil and gas sector.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks; foreign exchange companies; investment and credit companies; insurance companies; companies and individuals providing financial services; stock and securities brokers; real estate brokers; dealers in precious metals and stones; notaries public; lawyers; and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks; foreign exchange companies; investment and credit companies; insurance companies; companies and individuals providing financial services; stock and securities brokers; real estate brokers; dealers in precious metals and stones; notaries public; lawyers; and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:
With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO
With other governments/jurisdictions: YES

Oman is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.menafatf.org/images/UploadFiles/Mutual_Evaluation_Report_of_the_Sultanate_of_Oman.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In response to corruption issues, the Government of Oman empowered the State Financial and Administrative Audit Institution (SFAAI) with greater investigatory power. Oman's crackdown on corruption led to several high-profile convictions in early 2014. Subsequent to convictions on charges of bribery, prominent businessmen and high-level government employees within the Ministry of Finance and the partially government-owned Petroleum Development of Oman were given heavy fines and prison sentences. There have been no high profile arrests or convictions to date in 2015.

In 2015, Oman issued a series of recommendations for advancing its AML legislation and developing additional training for the Royal Oman Police's Financial Intelligence Unit (FIU), particularly in the area of risk management. The Omani government is exploring additional legislation to strengthen KYC regulations. A new draft of the existing Law of Anti-Money Laundering and Combatting of Terrorism Financing (No. 79/2010) is expected in 2016.

The FIU has access to daily transaction flows via the Central Bank of Oman database, which monitors all banks operating in Oman. The FIU lacks sufficient cooperation mechanisms with other government financial or law enforcement entities involved in AML/CFT activities, but the National Committee on Anti-Money Laundering continues to examine opportunities to increase information sharing and coordination among government agencies. The FIU recognizes its lack of capacity in forensic analysis, compromising its ability to analyze financial data and seriously pursue AML cases.

Oman has a declaration system for bulk cash, bearer negotiable financial instruments, and precious metals and stones; however, Omani authorities have no central database to track declarations. There are more than 70 databases with no current capacity to share or transfer information.

To enhance their operational capabilities, the Omani authorities should fully empower the FIU and law enforcement authorities. Oman should take action to improve analytical and investigatory capacity. The government should enhance and integrate its databases to ensure access by the relevant Omani authorities to pertinent information, and strengthen cooperation and capacity between the FIU and the Royal Oman Police Customs Directorate to interdict illicit cross-border financial transactions and identify trade-based value transfer schemes. The Government of Oman should require enhanced due diligence procedures for politically exposed

persons (PEPs). The government should release timely statistics on the number of financial intelligence reports filed and money laundering prosecutions and convictions so as to better gauge the effectiveness of its AML/CFT regime.

Pakistan

Pakistan is strategically located at the nexus of south, central, and western Asia, with a coastline along the Arabian Sea. Its porous borders with Afghanistan, Iran, and China facilitate the smuggling of narcotics and contraband to overseas markets. The country suffers from financial crimes associated with tax evasion, fraud, corruption, trade in counterfeit goods, contraband smuggling, narcotics trafficking, human smuggling/trafficking, and terrorism. The black market economy generates substantial demand for money laundering and illicit financial services.

Common methods for transferring illicit funds include fraudulent trade invoicing, money service providers, hundi/hawala, and bulk cash smuggling. Criminals utilize import/export firms, front businesses, and the charitable sector to carry out such activities. Pakistan's real estate sector is another common money laundering vehicle, since real estate transactions tend to be poorly documented and cash-based. Pakistan's national savings schemes appear vulnerable to money laundering, and laws providing certain immunities to foreign currency remittance accounts seem to provide an avenue for both money laundering and tax evasion.

Money laundering in Pakistan affects both the formal and informal financial systems. Pakistan does not have firm control of its borders, which facilitates the flow of illicit goods and monies into and out of Pakistan. From January through October 2015, the Pakistani diaspora remitted approximately $16 billion back to Pakistan via the formal banking sector. Though it is illegal to change foreign currency without a license, unlicensed hawala/hundi operators are prevalent throughout Pakistan. Unlicensed hawala /hundi operators are also common throughout the region and are widely used to transfer and launder illicit money. Some support the financing of terrorism. UN-designated groups continue to be able to solicit donations openly without apparent government reaction.

Additionally, the Altaf Khanani money laundering organization (Khanani MLO), a transnational organized crime group, is based in Pakistan. The group facilitates illicit money movement between, among others, Pakistan, the United Arab Emirates (UAE), United States, UK, Canada, and Australia, and is responsible for laundering billions of dollars in organized crime proceeds annually. The Khanani MLO offers money laundering services to a diverse clientele, including Chinese, Colombian, and Mexican organized crime groups and individuals associated with Hizballah and designated terrorist organizations. The Khanani MLO also has been involved in the movement of funds for the Taliban, and Altaf Khanani, the group's leader, is known to have had relationships with Lashkar-e-Tayyiba, Dawood Ibrahim, al-Qaeda, and Jaish-e-Mohammed.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN

THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES ***Domestic:*** YES
KYC covered entities: Banks, developmental financial institutions (DFIs), and exchange companies; mutual funds, asset management companies, investment banks, and leasing companies; modarabas—a kind of partnership in Islamic finance, wherein one party provides finance to another party for the purpose of carrying on a business; pension funds, stock exchanges and brokers; insurance and reinsurance companies, insurance brokers, and insurance surveyors

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,919: July 2014 - May 2015
Number of CTRs received and time frame: 360,940: July 2014 - May 2015
STR covered entities: Banks, DFIs, exchange companies, mutual funds, asset management companies, investment banks, leasing companies, modarabas, pension funds, stock exchanges and brokers, insurance and reinsurance companies, insurance brokers, and insurance surveyors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 2 in 2015
Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO
With other governments/jurisdictions: YES

Pakistan is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=8fc0275d-5715-4c56-b06a-db4af266c11a

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Following the December 16, 2014 attack against the Army Public School by Tehrik-i-Taliban Pakistan, in January 2015, Pakistan established its 'National Action Plan' (NAP), a National Apex Committee to implement the plan, the National Terrorists Financing Investigation Cell to curb terrorist financing, and an overarching commitment to "choke the finances" of terrorists and terrorist organizations in the country. According to the National Counter Terrorism Authority, provisions of the NAP include obstructing financing for terrorists and terrorist organizations, ensuring against the re-emergence of proscribed organizations, and measures to stop the abuse of internet and social media for terrorism. The Government of Pakistan has taken a wide variety of steps under the auspices of the NAP, and implementation of the plan has yielded mixed results;

often due to the lack of institutional capacity and capability, some aspects of the plan have seen minimal progress while others have garnered notable results.

Increasing awareness of, and training for, AML/CFT issues is critical to the judicial and law enforcement sectors. Lack of consistent and uniform implementation will continue to stymie Pakistan's AML/CFT regime. Pakistan does not fully implement UN sanctions obligations uniformly against all designated parties. Unlicensed hawaladars continue to operate illegally throughout Pakistan, particularly in Peshawar and Karachi; however, Pakistan has reportedly been pursuing illegal hawala/hundi/exchange houses under the NAP. The currency transaction reporting (CTR) threshold was brought down to Rs 2 million (approximately $18,800) from Rs 2.5 million (approximately $23,500) through a Gazette notification issued on January 21, 2015, under the AML Act, 2010.

Pakistani authorities should investigate and prosecute money laundering and terrorism financing in addition to the predicate offense creating the laundered proceeds. The Government of Pakistan should address all cases of terrorist financing; indiscriminately target terrorist and sectarian organizations; resolve remaining legal inadequacies related to the criminalization of money laundering; demonstrate effective regulation over exchange companies; create an assertive and transparent sanctions regime; implement effective controls for cross-border cash transactions; and develop an effective asset forfeiture regime. Pakistan should also design and publicly release metrics that track progress in combating money laundering and terrorism financing, such as the number of financial intelligence reports received by its financial intelligence unit and the annual number of money laundering prosecutions and convictions.

Pakistani law enforcement and customs authorities should address trade-based money laundering and value transfer, particularly as it forms the basis for account-settling between hawaladars. A crack-down on massive trade and customs fraud, including within the framework of the Afghan Transit Trade, would also translate to needed revenue for the Government of Pakistan.

Palau

Palau is not a regional or offshore financial center. The primary sources of illegal proceeds are illegal drugs and prostitution. Corruption in the governmental sector includes the misuse of government funds and cronyism, in part due to Palau's small size and extensive family networks. Palau is a low-risk jurisdiction for organized crime and terrorism financing.

Palau has one free trade zone, the Ngardmau Free Trade Zone (NFTZ). A public corporation, Ngardmau Free Trade Zone Authority, oversees the development of the NFTZ and issues licenses for businesses to operate there. NFTZ licensing exempts businesses from Foreign Investment Act requirements and certain import and export taxes. To date, no development has taken place within the designated free trade zone area, and the NFTZ directors continue to search for developers and investors.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks, credit unions, money remitters, casinos, real estate agents, dealers in precious metals, lawyers, and trust company providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, credit unions, money remitters, and non-governmental organizations

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Palau is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.apgml.org/documents/search-results.aspx?keywords=Palau

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Money Laundering Prevention and Control Act does not include all predicate crimes prescribed in the international standards and currently lacks implementing regulations. The Palau National Code Annotated (PNCA), with particular reference to Title 17, was ratified by the President of Palau on April 24, 2014. The PNCA strengthens record-keeping requirements and expands the definition of DNFBPs to include casinos, real estate agents, dealers in precious metals, lawyers, and trust company providers. However, regulations to implement customer due diligence (CDD) procedures for these entities have not been adopted. Significant deficiencies remain in the areas of CDD, monitoring of transactions, and supervision. Regulations to correct deficiencies in CDD have been pending since 2012, including regulations to establish enhanced due diligence procedures for both domestic and foreign politically exposed persons (PEPs). The Financial Institutions Commission is the AML/CFT supervisor; however, it does not have the resources to issue any regulations nor to ensure compliance.

The Palau financial intelligence unit (FIU) operates under very limited budget and staff constraints. The FIU has a database of financial information, with a mechanism for electronic report submission, in order to increase the effectiveness of the FIU. Unfortunately, reporting institutions continue to send reports in hard copy, which causes hardship for the FIU, which already operates at a deficit due to the lack of resources.

The government continues to have in place a multi-agency suspicious transaction report (STR) review team to analyze the reports to help identify and initiate investigations, but it has not been active in recent years. Historically, the multi-agency approach has enabled the FIU to function and has fostered information sharing and joint investigations among the relevant law enforcement agencies. However, the meetings seldom occur and there are no joint investigations currently.

The Cash Courier Disclosure Act is used by Palau Customs and Security to make bulk cash currency seizures at the airport. There have been a number of instances of undeclared bulk cash coming in via foreign nationals at the airport. When questioned after finding reportable cash in their luggage, passengers often claim they do not speak English and do not understand the customs form. Current customs legislation and low penalties for failure to declare are not sufficient deterrents to curb this activity.

Palau's Counter-Terrorism Act does not adequately address provisional measures for seizing of evidence and property, or the freezing of capital and financial transactions related to the financing of terrorism.

The Government of Palau should remedy the shortfalls in the AML legislation, adopt its pending CDD regulations, and bolster its supervision regime. Palau should also dedicate additional funds and permanent staff to the FIU. The FIU should release statistics, including the annual numbers of reports filed. The government should extend its effective monitoring of the airport to all its border points of entry and exit to protect against the smuggling of bulk cash, narcotics, and other contraband and review its penalties for cash smuggling to determine if they are adequate deterrents. Palau should strengthen its ability to freeze and confiscate assets related to terrorism financing, including by circulating the UNSCR 1267 Sanctions Committee's consolidated list of terrorist entities. Palau also should become a party to the 1988 UN Drug Convention and the UN Convention against Transnational Organized Crime.

Panama

Panama's strategic geographic location; dollarized economy; status as a regional financial, trade, and logistics center; and lax regulatory system make it an attractive target for money launderers. Money laundered in Panama is believed to come in large part from the proceeds of drug trafficking due to the country's location along major drug trafficking routes. Tax evasion, financial fraud, and corruption also are believed to be major sources of illicit funds. Numerous factors hinder the fight against money laundering, including the existence of bearer share corporations, a lack of collaboration among government agencies, lack of experience with money laundering investigations and prosecutions, inconsistent enforcement of laws and regulations, and a weak judicial system susceptible to corruption and favoritism. Money is laundered via bulk cash and trade by exploiting vulnerabilities at the airport, using commercial cover and free

trade zones (FTZs), and exploiting the lack of regulatory monitoring in many sectors of the economy. The protection of client secrecy is often stronger than authorities' ability to pierce the corporate veil to pursue an investigation.

Panama has 16 FTZs, including the Colon Free Zone (CFZ), the second-largest FTZ in the world.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, savings cooperatives, savings and mortgage banks, and money exchanges; investment houses and brokerage firms; insurance and reinsurance companies; fiduciaries; casinos; FTZ companies; finance companies; real estate brokers; and lawyers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,005 in 2014
Number of CTRs received and time frame: 554,879 in 2014
STR covered entities: Banks, cooperatives, money exchanges, money transfer companies, casinos, betting and gaming companies, fiduciaries, insurance and insurance brokerage companies, the national lottery, investment and brokerage houses, real estate brokers, construction companies, precious metals and mining companies, pawnshops, and FTZs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 295 in 2015
Convictions: 251 in 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Panama is a member of the Financial Action Task Force of Latin America (GAFILAT). Its most recent evaluation can be found at: http://www.imf.org/external/pubs/ft/scr/2014/cr1454.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In June 2014, in response to continued criticism, Panama developed an action plan to address its AML deficiencies, and the Government of Panama offered a high-level commitment to implement the necessary actions. In 2015, the government approved and passed legislation to criminalize money laundering, address countering the financing of terrorism (CFT), and cover designated non-financial businesses and professions (DNFBPs). A key factor contributing to Panama's vulnerability to money laundering was that not all financial and non-financial sectors were subjected to regulations and supervision, which has now been addressed in legislation. Government agencies responsible for AML issues are under-resourced and often lack the personnel and training to investigate and prosecute complex money laundering schemes.

In 2015, Panama strengthened its legal framework, amended its criminal code, and passed a new AML/CFT law and other legislation enhancing the framework for international cooperation. Panama is beginning to develop an adequate legal framework for freezing terrorist assets and effective measures for customer due diligence to improve transparency. Panama passed a series of laws, which brought its legal regime more in line with international standards. Law 10 and Law 34 amend the criminal code by adding predicate offenses that typify terrorist financing and money laundering. Law 11 addresses provision of international legal cooperation and assistance in criminal matters. Law 23 of 2015 includes many new reporting entities, in particular a broad array of DNFBPs as well as money service businesses. For the banking sector, the law sets out key customer due diligence requirements. The government also amended or adopted new regulations pertaining to the identification of suspicious activity by banks and other entities. Additionally, Panama's financial intelligence unit, the UAF, has significantly improved its analytical capacity under the leadership of its new director. Panama has started to implement the various AML/CFT laws; however, implementation efforts are in early stages.

Panama's Law 18, 2015, which came into effect in December 2015, provides for the custody of bearer shares. The law will severely restrict the use of bearer shares; companies still using these types of shares must appoint a custodian and maintain strict controls over their use. Bearer shares issued before the law was approved must be replaced with nominative shares or handed over to a custodian by December 2015. Until the law is fully implemented, financial institutions face a risk associated with clients who maintain bearer share companies. Additionally, only banks have enhanced due diligence procedures for foreign and domestic politically exposed persons (PEPs).

The judicial branch's capacity to successfully prosecute and convict money launderers remains weak and judicial branch employees remain susceptible to corruption. Panamanian officials have given assurances they will complete the transition to a U.S.-style accusatory judicial system in all provinces, which began in September 2010, by 2016. All known money laundering convictions are tied to bulk cash cases with an obvious connection to a predicate crime. Panama does not adequately track criminal prosecutions and convictions specifically related to money laundering. The numbers of prosecutions and convictions shown in this report represent partial figures from the drug and anti-corruption prosecutors for 2015, because not all provinces reported figures.

The Panama Customs Authority's collaboration with U.S. agencies increased passenger scrutiny and notable seizures of undeclared cash at Tocumen International Airport. However, regional airports are undergoing renovation and gaining prominence and could be new channels of access

for money launderers. Although Panamanian Customs can identify potential trade-based money laundering with information from the Trade Transparency Unit, a regional trade data-sharing entity, it can only levy fees for customs tax evasion.

The CFZ remains vulnerable to illicit financial activities and abuse by criminal groups, due primarily to weak customs enforcement and limited oversight of trade and financial transactions. Bulk cash remains easy to introduce into the country by declaring it is for use in the CFZ, but no official verification process exists to confirm its end use for lawful business in the free zone. The lack of integration of the CFZ's electronic cargo tracking system with Panamanian Customs hinders timely analysis. The CFZ administrator, appointed in July 2014 by the president, has reinstated the CFZ's Office of Money Laundering Prevention and is aiming to expand its control over CFZ businesses and transactions. Under Law 18, 2015, the CFZ comes under the supervision of the Intendencia, the body within the Ministry of Finance that supervises DNFBPs.

On October 22, 2013, the Government of Panama signed a case-sharing agreement with the United States, creating a bilateral committee to manage $36 million of forfeited assets for use by the Panamanian government to strengthen AML practices. However, there is limited cooperation and communication among the various government agencies to propose and approve projects to use the funds, and the Government has not finalized a process to disburse the funds. The U.S. and Panamanian governments jointly administer these shared funds to address AML issues.

Panama must continue to strengthen the prosecutor's office and the judicial system, increase transparency in financial and trade networks, and enforce the legal framework approved to freeze terrorist assets. The government should criminalize tipping off to ensure the integrity of STR reporting. Panama should also work diligently to fully implement its new laws and regulations and ensure all relevant agencies and departments have adequate resources to effectively fulfill their responsibilities. The government's action plan is providing a roadmap for Panama to achieve these goals.

Papua New Guinea

Papua New Guinea (PNG) is not considered a major financial center. It has a relatively stable banking system closely integrated with the financial systems of Australia and New Zealand. Smuggling and public corruption are significant problems in PNG.

Corruption is one of the main sources of illegal proceeds, especially related to misappropriation of public funds linked to the extraction industries and related licensing procedures, and through fraudulent compensation claims. The risk of domestic corruption continues, fueled by large-scale foreign investment in the mining and petroleum sectors. Corruption is also a serious issue in party politics. Misappropriation of government funds occurs via government payments which, according to the authorities, are generally placed through the banking sector and used to purchase real estate or high-value vehicles, distributed in cash, or moved offshore.

The techniques to launder proceeds from other large-scale crimes in PNG, such as illegal logging, arms trafficking, and fraud, are less clear. The financial intelligence unit (FIU) reports that criminals continue to use corporate entities to hide funds and move them offshore. Additional risks stem from the transshipment of drugs and other illegal goods en route to

Australia, limited PNG capacity in border control, and the presence of organized criminal groups. PNG relies on assistance from Australia to deter illegal cross-border activities, including illegal narcotics trafficking, primarily from Indonesia.

In PNG, the financial sector is small and provides little reach to the very large informal, rural, and self-employed segments of the population. The great majority of the adult population lacks access to the formal sector. The financial sector is in development and trying to increase its outreach to rural areas.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, finance companies, savings and loans, and microfinance entities; superannuation funds; insurance and securities companies; gaming houses, casinos, and lotteries; lawyers and accountants; dealers of precious metals and stones; real estate agents; and money changers and remitters

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, finance companies, savings and loans, and microfinance entities; superannuation funds; gaming houses, casinos, and lotteries; investment managers and insurance companies; real estate agents; dealers in precious metals and stones; money exchanges and remitters; lawyers; and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 21: July 2014 – July 2015
Convictions: 0: July 2014 – July 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Papua New Guinea is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.apgml.org/members-and-observers/members/details.aspx?m=3f87fdab-7836-49ec-85de-62ceb17b97f1

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Papua New Guinea's Parliament passed four major pieces of AML/CFT-related legislation in 2015: the Criminal Code (Money Laundering and Terrorist Financing) Bill, 2015 criminalizes money laundering and terrorist financing in accordance with international standards; the United Nations Financial Sanctions bill establishes the legal framework to freeze funds used for terrorism without delay, including an automatic adoption by PNG of UN designations; the Anti-Money Laundering and Counter Terrorism Financing Bill, 2015 (AML/CFT Act 2015) establishes customer due diligence obligations for all financial institutions, including the insurance and securities sectors; and the Proceeds of Crime (Amendment) Act establishes a cross-border declaration regime consistent with international standards. As of year-end 2015, the government had yet to implement these new laws.

Papua New Guinea's FIU believes close to half of the PNG budget is lost to fraud and laundered through the country's banks. There is little attempt to hide the source of the funds because of the low perceived risk of penalty. The FIU has adopted a proactive approach to combating this activity, focusing its efforts on crime prevention using financial intelligence. The FIU remains inadequately staffed and resourced to fully address money laundering in PNG. When it enters into force, the AML/CFT Act 2015 aims to formally re-establish the FIU under the Bank of PNG with additional resources, power, and capabilities.

There appears to be no clear political-level commitment to use financial intelligence to tackle corruption and other crimes, and no demonstrated commitment by financial sector regulators to regulate and supervise AML obligations, which severely hampers the authorities' ability to tackle financial aspects of corruption. There have been no money laundering prosecutions since 2010, although in 2014 - 2015, 21 arrests were made under money laundering charges. The ease with which allegedly corrupt PNG officials and businessmen can transfer money to Australia is of continued concern to law enforcement officials in both countries. The Australian Federal Police estimates $200 million of PNG illicit proceeds is laundered in Australia every year. Although progress has been made, there have been difficulties recovering stolen government funds in Australian bank accounts or invested in Australian real estate.

The Government of Papua New Guinea should continue to build the capacity of the FIU. The government should ensure the FIU, police, customs, and the National Fraud and Anti-Corruption Directorate are sufficiently resourced to be able to gather data and evidence, mount investigations, and bring charges. The Government of Papua New Guinea should effectively implement its new laws and crack down on the pervasive corruption that permeates government and commerce at all levels.

Papua New Guinea should become a party to the UN Convention against Transnational Organized Crime and the 1988 UN Drug Convention.

Paraguay

Paraguay is a major drug transit country and money laundering center. A multi-billion dollar contraband trade, fed in part by endemic institutional corruption, occurs in the tri-border region shared with Argentina and Brazil and facilitates much of the money laundering in Paraguay. While the Government of Paraguay believes proceeds from narcotics trafficking are often laundered in the country, it is difficult to determine what percentage of the total amount of laundered funds is generated from narcotics sales or is controlled by domestic and/or international drug trafficking organizations, organized crime, or terrorist groups. Weak controls in the financial sector, porous borders, bearer bonds, casinos, unregulated exchange houses, lax or no enforcement of cross-border transportation of currency and negotiable instruments disclosures, ineffective and/or corrupt customs inspectors and police, trade-based value transfer, underground remittance systems, and minimal enforcement activity for financial crimes allow money launderers, transnational criminal syndicates, and possibly terrorism financiers to take advantage of Paraguay's financial system.

Ciudad del Este, on Paraguay's border with Brazil and Argentina, and nearby Salto del Guairá, and Pedro Juan Caballero represent the heart of Paraguay's "informal" economy, and trade-based money laundering occurs in the region. The area is well known for arms and narcotics trafficking, document forging, smuggling, counterfeiting, and violations of intellectual property rights, with the illicit proceeds from these crimes a source of laundered funds. Paraguay accounts for over 10 percent of the world's contraband cigarette trade. There are estimates that up to 90 percent of cigarettes produced in Paraguay, approximately $1 billion worth, is smuggled annually across borders, largely to Brazil, Argentina, and Uruguay. Cigarette smuggling is used for money laundering purposes and the cigarette supply chain enriches criminal organizations and corrupt officials. In the past, terrorist organizations have received some proceeds from these illicit activities.

Paraguay does not have an offshore sector. Paraguay's port authority manages free trade ports and warehouses in Argentina (Buenos Aires and Rosario); Brazil (Paranagua, Santos, and Rio Grande do Sul); Chile (Antofagasta and Mejillones); and Uruguay (Montevideo and Nueva Palmira).

Money laundering occurs in both the formal financial sector and the non-bank financial sector, particularly in exchange houses. Both sectors move illicit proceeds into the U.S. banking system. Large sums of dollars generated from normal commercial activity and suspected illicit commercial activity are also transported physically from Paraguay to Uruguay and Brazil, with onward transfers likely to destinations that include banking centers in the United States.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Banks, credit and consumer cooperatives, and finance companies; insurance companies; exchange houses, stock exchanges, securities dealers, investment and trust companies; mutual and pension fund administrators; gaming entities; real estate brokers; non-governmental organizations (NGOs); pawn shops; and dealers in precious stones, metals, art, and antiques

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 2,238: January – November 2015

Number of CTRs received and time frame: 166: January – November 2015

STR covered entities: Banks, credit and consumer cooperatives, and finance companies; insurance companies; exchange houses, stock exchanges, securities dealers, investment and trust companies; mutual and pension fund administrators; gaming entities; real estate brokers; NGOs; pawn shops; and dealers in precious stones, metals, art, and antiques

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 7 in 2015

Convictions: 3 in 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Paraguay is a member of the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.gafilat.org/UserFiles/documentos/es/evaluaciones_mutuas/Paraguay_3era_Ronda_2008.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although the Government of Paraguay is making progress in improving its AML/CFT regime, concerns remain regarding the country's ability to identify, investigate, and prosecute money laundering and related crimes effectively. Concerns remain about the willingness of the banking sector to engage in combatting AML/CFT. The lack of data on prosecutions and convictions makes tracking government effectiveness difficult. Available information is inconsistent. Paraguayan authorities recognize the lack of data centralization as a persistent weakness. The Government of Paraguay, through long-term engagement of subject matter experts from international donors, is working to improve its AML/CFT regime. Understanding that illicit narcotics trade proceeds often finance further illicit trafficking, corruption, and terrorism, the National Anti-Narcotics Secretariat (SENAD) has sought assistance from the international law enforcement community to train and coordinate with SENAD AML investigators.

Pursuant to new legislation passed on September 7, 2015 (Resolution 345/15), Paraguayan banks, financial institutions, and insurance companies must abide by AML/CFT regulations to identify financial beneficiaries. The law requires clients of financial institutions to convert

bearer shares into registered shares or, alternatively, to immobilize their bearer shares in a Paraguayan financial institution. Beginning in 2016, the Central Bank of Paraguay will keep a registry of immobilized bearer shares.

In 2015, the Inter–American Development Bank published the National Risk Assessment of Paraguay, which identifies the most relevant AML/CFT threats and vulnerabilities. Paraguayan officials report they are updating their AML Strategic Plan and allocating resources more efficiently as a result.

The Secretariat for the Prevention of Laundering of Money or Assets (SEPRELAD) - the financial intelligence unit (FIU) - is Paraguay's AML authority. SEPRELAD has Minister-level leadership that reports directly to the President. In 2015, the Attorney General's Office (AGO) also established a money laundering unit and appointed a specialized AML prosecutor, based in Asuncion, to handle all cases and centralize country-wide efforts. Plans are underway to increase staff and provide additional resources.

Prosecutors handling financial crimes have limited resources to investigate and prosecute. In addition, the selection of judges, prosecutors, and public defenders is largely based on politics, nepotism, and influence peddling. Interagency cooperation continues to improve but remains an impediment to effective enforcement, prosecution, and reporting efforts. Although the AGO's Economic Crimes Office is responsible for prosecuting money laundering cases, other offices often prosecute money laundering charges in cases involving other charges, such as narco-trafficking. Paraguay does not have a formal system for tracking money laundering cases, which makes collecting data on cases prosecuted by other offices or by local prosecutors outside of Asuncion difficult. Higher numbers of prosecutions and convictions in 2014 and 2015 indicate increased willingness and capability to address money laundering.

The non-bank financial sector operates in a weak regulatory environment with limited supervision. The autonomous government institution responsible for regulating and supervising credit unions, the National Institute of Cooperatives, lacks the capacity to enforce compliance. Credit unions respond to central bank ad hoc requests for money laundering indicators, even though they do not fall under the central bank's formal oversight. Currency exchange houses are another critical non-bank sector where enforcement of compliance requirements remains limited.

Customs operations at airports and overland entry points provide little control of cross-border cash movements. Customs officials are often absent from major border crossings, and required customs declaration reports are seldom checked. Paraguay has yet to put in place an effective framework for disposing of bulk cash seized in connection with undeclared or suspicious movements.

Some Paraguayan businesses in perceived high-risk sectors (including gun dealers, jewelers, and casinos) encountered difficulties in sending money to and receiving money from banks in other countries. SEPRELAD reports it has not prohibited such transactions and has committed to working with individual banks as well as banking consortiums to clear up any misunderstanding or overly strict interpretation of AML regulations.

The Government of Paraguay should address the pervasive corruption in the country. Authorities should take additional steps to provide the training, resources, and will to effectively combat the laundering of illicit funds and value transfer.

Peru

Peru is neither a major regional financial center nor an offshore financial center. Peru remains one of the world's top producers of cocaine. Money laundering is often used as a tool to integrate significant illegal earnings from drug trafficking and other transnational organized criminal activity into the Peruvian economy. As the Peruvian economy grows, financial crimes also increase. The most common methods of money laundering in Peru are believed to be illegal mining, the illicit gold trade, illegal logging, real estate sales, casinos, business investments, high-interest loans, construction, export businesses, money exchange, and investments in hotels and restaurants. Other factors which facilitate money laundering include Peru's cash-based and heavily-dollarized economy, a large informal sector (estimated to be 70 percent of GDP), and deficient regulatory supervision of designated non-financial businesses and professions (DNFBPs), such as informal money exchanges and wire transfer services.

A large black market for pirated and smuggled goods exists, exacerbated by cash transactions. Pervasive corruption remains an issue of serious concern in Peru. There are reports that illicit funds may make up 3.5 percent of Peru's GDP.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, insurance companies, stock funds and brokers, stock and commodities exchanges, credit and debit card companies, money exchange houses, mail and courier services, travel and tourism agencies, hotels and restaurants, notaries, the customs agency, casinos, auto dealers, construction or real estate firms, and dealers in precious stones and metals

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 5,831: January 1 - September 30, 2015
Number of CTRs received and time frame: 47.3 million: January 1 - September 30, 2015

STR covered entities: Banks; casinos; investment houses; dealers of arms, antiques, art, pawned goods, jewelry, and precious metals and stones; warehouses, construction, and real estate firms; financial and insurance companies; travel agents; vehicle dealerships, import and export agents; credit card companies; courier and postal services, money lenders, and money exchanges; the customs agency; mining companies; individuals and enterprises that manufacture and commercialize explosives or chemical components used in drugs and explosives; public entities that receive funds from other than the national treasury; traders and/or rental agents of machinery and equipment that can be used for illegal mining and/or logging; and non-governmental organizations that receive donations

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 531: January - September 2014
Convictions: 2: January - September 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Peru is a member of the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.gafilat.org/UserFiles/documentos/es/evaluaciones_mutuas/Peru_3era_Ronda_2008.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2015, the Government of Peru continued the implementation of the "National Plan to Combat Money Laundering and Terrorist Financing" (National Plan). On July 1, 2015, the Peruvian Congress extended special legislative powers to the Executive branch to write legislation on economic, administrative, and security matters. Under this authority, regulations were established that will reinforce criminal investigations, including the creation of the National Registry of Mobile Phones Terminals, which will be available to the National Police, and creation of an evidence database that will assist in identifying patterns of organized crime.

On October 28, 2014, the Financial Intelligence Unit (FIU) published regulations to strengthen controls and reporting requirements for money changers. The regulations require individuals or companies that purchase or sell foreign currency to implement a ML/TF prevention system, develop an ethics code, and appoint a compliance officer. The entities are also required to follow KYC rules, register transactions of over $5,000, and submit suspicious transaction reports (STRs) as necessary. Despite the above improvements, supervision of the DNFBP sector is weak.

The National Superior Prosecutor and Coordinator (NSP/C) for Money Laundering and Asset Forfeiture (ML/AF) leads the office that has responsibility for all complex money laundering cases with national or international import where illicit activities involve more than one judicial district. The NSP/C can also assume jurisdiction for money laundering cases that involve organized criminal organizations. Since November 2014 there have been four different Coordinators of the Public Ministry's Anti-Money Laundering office. This frequent leadership change stalled progress on several key projects. Although constrained by a lack of institutional

cooperation, the special prosecutor's office secured the November 5, 2015 conviction of two defendants accused of laundering narcotics-related funds. The NSP/C's most noteworthy case is the ongoing investigation into a former president for money laundering and conspiracy in connection with a series of multi-million dollar real estate deals. An ongoing investigation also is examining the First Lady's finances due to alleged irregularities during the 2011 campaign of President Humala.

The National Commission for Seized Assets (CONABI) has held nine auctions (three per year since 2013), which has garnered nearly $6.5 million. Most of the proceeds support CONABI's budget, with the Office for ML/AF and National Superior Criminal Court also receiving funding. CONABI is currently administering assets including real estate, vehicles, jewels, and bars of gold.

Casinos remain an area of money laundering concern. Much of this concern relates to the casinos' supervisory authority. The Ministry of Foreign Commerce and Tourism (MINCETUR) is the principal regulator of casinos. The FIU cannot monitor or investigate casinos for money laundering independent of MINCETUR. MINCETUR is a participant in the National Plan and provides information to the FIU by requiring casinos to report suspicious transactions.

Peru's Superintendent of Banking and Insurance (SBS) believes that 44 percent of suspicious financial transactions since 2010, amounting to $4.35 billion, are linked to gold mining. In contrast, 31 percent are connected to drug trafficking (approximately $3 billion) and 7 percent to corruption (approximately $700 million).

Currently, businesses involved in the transfer of funds only need prior authorization by the SBS while cash couriers need a signed agreement with the Ministry of Transportation and Communication. Informal remittance businesses, including travel agencies and small wire transfer businesses, remain unsupervised and vulnerable to money laundering. Peru would benefit from expanded supervision and regulation of financial institutions and DNFBPs; however, the FIU needs additional resources to deal with its monitoring responsibilities.

Even with the existence of the Specialized Office for ML/AF, weaknesses continue in the capacity of the prosecutorial system. Prosecutors continue to complain they cannot understand the format or language of many of the FIU's investigative results; and the lack of financial experts to decode the FIU's reports makes it difficult for prosecutors to investigate the results within the required 120-day time frame. Compounding the problem, many judges lack adequate training to manage the technical elements of money laundering cases, and banks often delay providing information to judges and prosecutors. Convictions tend to be for lesser offenses or predicate crimes, such as tax evasion or drug trafficking, which are easier offenses to prosecute successfully. Frequently judges require prosecutors to develop parallel cases for predicate crimes, essentially discounting the money laundering investigation.

Peru's bank secrecy law remains a primary obstacle to effective investigation and enforcement. The National Plan emphasizes the importance of adopting legislation that allows the SBS and FIU to have greater access to bank and tax records, but two important bills have been pending before the Peruvian Congress's Banking, Finance, and Financial Intelligence Committee since 2012. On February 16, 2015, Resolution SBS 1132-2015 was published as a measure to speed the response times of financial institutions to FIU requests. The resolution

establishes a designated authority to issue and receive the requests, mandates the process and response times, and outlines sanctions for institutions for non-compliance.

There is no common database tracking money laundering convictions, and the FIU, police, and prosecutors often have different figures on money laundering convictions. Many convictions are registered under a predicate crime rather than money laundering, which explains, in part, the low number of convictions during the reporting period. The Government of Peru lacks consolidated statistics on money laundering investigations. Different official sources show inconsistencies in their figures. Although the number of prosecutions increased in 2015, according to the Peruvian Judiciary's International Affairs and Technical Cooperation Office, there were only two money laundering convictions for the first nine months of 2015.

While taking welcome steps to implement the National Plan, Peru should publicly recognize the growing threat of money laundering and associated crimes in the country. A workable AML/CFT infrastructure exists; however, supervision of the DNFBP sector should be strengthened. Sufficient resources must be allocated to the regulatory, enforcement, and prosecutorial arms. Most importantly, the political will must be developed to aggressively identify, investigate, and prosecute money launderers.

Philippines

The Republic of the Philippines is integrated into the international financial system but is not a regional financial center. The Philippines is increasingly becoming an important financial player in Asia, with an economy growing steadily at 6 percent annually. Money laundering is a serious concern due to the Philippines' international narcotics trade, high degree of corruption among government officials, trafficking in persons, and the high volume of remittances from Filipinos living abroad. The Philippines faces challenges from sophisticated transnational drug trafficking organizations (DTOs), such as the "Hong Kong triads," who use the Philippines as a drug transit country for cocaine and methamphetamine. These DTOs use the Philippine banking system, commercial enterprises, and particularly casinos, to transfer drug proceeds from the Philippines to offshore accounts. Other transnational criminal organizations, including groups based in Africa, are expanding their presence throughout East Asia and will likely continue to exploit the Philippine financial system to launder and transfer drug trafficking proceeds. Insurgent groups in the Philippines' south engage in money laundering through ties to organized crime, deriving funding from kidnapping for ransom and arms trafficking, and potentially narcotics.

The Philippine Amusement and Gaming Corporation (PAGCOR), a government-owned entity, issues licenses to operators and regulates the rapidly expanding Philippine gaming industry. PAGCOR uniquely operates its own casinos in addition to serving as the industry's overseer. PAGCOR reported gross revenues equivalent to about $920 million for calendar year 2014. Regionally, organized crime groups, such as Chinese triads, have infiltrated casino operations and have facilitated prostitution, narcotics trafficking, loan-sharking, and suspect junket and VIP gaming tours. International experts and observers note that the Philippine casino industry is a weak link in the country's AML/CFT regime.

The high volume of formal and informal remittances from overseas Filipinos provides a channel for money laundering. Cash remittances, from the more than 10 million Filipinos working

and/or residing abroad, are equivalent to 8 to 9 percent of the gross domestic product (GDP) of the Philippines. Improvements in the financial services industry now enable banks and official money remitters to capture approximately 90 percent of the remittances sent by the diaspora.

The Philippines is a leader in the use of cell phone technology for funds transfers. The Government of the Philippines uses this technology for government-to-persons payments, such as its Conditional Cash Transfer Program, and supports its development for broader financial inclusion efforts. The technology systems that telecommunications firms use to facilitate financial transfers are subject to Philippine Central Bank study and approval.

The Philippine Economic Zone Authority (PEZA) regulates about 326 economic zones throughout the country (216 of these are classified as "IT Parks and Centers" due to the Philippines' status as a haven for call centers). Local governmental units, the government-owned Bases Conversion Development Authority, and the Subic Bay Metropolitan Authority regulate a handful of other zones. The PEZA economic zones are well regulated; however, smuggling is a concern for the locally-regulated zones. In addition, the Philippine Central Bank exercises regulatory supervision over three offshore banking units and requires them to comply with reporting provisions and other banking rules and regulations.

According to Global Financial Integrity, the Philippines is ranked number eight in the world regarding the amount of illicit outflows primarily due to abusive trade mis-invoicing, a form of trade-based money laundering (TBML). Under-invoicing or undervaluation of imports is also a significant problem in the Philippines. Recently, there also have been instances of over-valuation of imports in the Philippines.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Universal, commercial, thrift, rural, and cooperative banks; offshore banking units and quasi-banks; pawn shops and dealers in precious metals and stones; insurance, reinsurance, and pre-need companies, agents, and brokers; mutual benefit associations and holding companies controlling any authorized insurer; trust funds/entities; securities broker/dealers, sales representatives, consultants, and managers; investment houses and mutual funds; foreign exchange dealers, money changers, remittance/transfer agents, and electronic money issuers; entities dealing in currency, financial derivatives, cash substitutes, and similar monetary instruments; and lawyers and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 133,046: January 1 - October 31, 2015
Number of CTRs received and time frame: 30,844,366: January 1 - October 31, 2015
STR covered entities: Universal, commercial, thrift, rural, and cooperative banks; offshore banking units and quasi-banks; pawn shops and dealers in precious metals and stones; insurance, reinsurance, and pre-need companies, agents, and brokers; mutual benefit associations and holding companies controlling any authorized insurer; trust funds/entities; securities broker/dealers, sales representatives, consultants, and managers; investment houses and mutual funds; foreign exchange dealers, money changers, remittance/transfer agents, and electronic money issuers; entities dealing in currency, financial derivatives, cash substitutes, and similar monetary instruments; and lawyers and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0: January 1 - October 31, 2015
Convictions: 0: January 1 - October 31, 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

The Philippines is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.fatf-gafi.org/countries/n-r/philippines/documents/mutualevaluationofthephilippines.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Anti-Money Laundering Council (AMLC), the Philippines' financial intelligence unit, continued its efforts throughout 2015 to secure passage of an amendment to include casinos in the Anti-Money Laundering Act (AMLA). Progress has been slow as national elections near and because of extensive lobbying from the casino industry. Considering unsuccessful attempts in the past, the inclusion of casinos under the Philippines' AML/CFT regime may not occur absent sustained international pressure.

The Philippine Congress did not approve the inclusion of real estate agents in the expanded list of covered institutions under amendments to the AMLA. Instead, a provision authorizes the AMLC to require reports and other documents from the government's Land Registration Authority and the Registries of Deeds. The AMLC and the government agencies concerned have yet to finalize operational and technical details/arrangements to implement reporting of real estate transactions.

The AMLC has pursued efforts to collect additional information from dealers of precious stones and metals. However, despite inclusion as covered entities in the 2013 AMLA amendments, these dealers have not begun sending reports to AMLC. There is no single government authority regulating jewelry dealers. The industry's current status poses challenges for coordinating, monitoring, and enforcing their obligations under the AMLA. AMLC continues to consult with the industry association on operational and technical details/arrangements to implement reporting and other requirements.

As a form of customs fraud, TBML severely impacts revenue collection. TBML is also commonly used around the world in various forms of underground financial systems. According to a 2015 survey, the Philippines Bureau of Customs is believed to have major corruption issues. Corruption undoubtedly enables some fraudulent trading practices. The Philippines has a new Trade Transparency Unit (TTU) that uses data and analytics to spot anomalies in trade that could be used to trigger TBML investigations.

The Bureau of Customs remains a paper-driven organization. The Bureau of Customs' lack of automation for import transactions continues to foster an organization rife with corruption. The customs brokers operate within the seaport facility with impunity. Change within the Bureau of Customs has been slow as there are underlying forces, both internal and external, to prevent any substantive changes.

The non-profit sector remains without effective oversight as there is no single supervisory authority. Consequently, monitoring is weak due to insufficient coordination and limited resources of regulatory bodies.

Limited human and financial resources coupled with corruption and lack of will constrain enforcement. Only 49 AML cases have been filed since the AMLC began operating in 2001. Historically, the volume of prosecutions and convictions has been virtually nil, and once again in 2015, there were no prosecutions or convictions. Philippine agencies charged with AML/CFT authority continue to receive assistance to build institutional and technical capabilities for monitoring, investigation, prosecution, and enforcement. The Government of the Philippines should demonstrate its political will to advance its AML/CFT regime by enforcing its laws, including by taking steps to enforce reporting and other AML/CFT requirements for real estate agents, precious metals and stones dealers, and jewelers. The government should include casinos and other forms of gaming in its AMLA. The Philippines also should provide effective supervision of non-profit organizations. The Government of the Philippines should combat corruption within customs and provide the necessary resources and mandate to its TTU.

Poland

Poland is a high-income economy according to World Bank definitions and the eighth largest economy in the European Union. Poland lies directly along one of the main routes used by narcotics traffickers and organized crime groups between the former Soviet Union republics and Western Europe. However, Poland is not considered a regional financial center, nor is it considered a particularly important international destination for money laundering.

According to the Government of Poland, evasion of customs duties and taxes by organized Polish criminal elements and others remains the largest source of illegal funds. Authorities identified virtual currencies, specifically bitcoin, as an increasingly significant avenue for money laundering. Authorities continue to report that Asian (primarily Chinese and Vietnamese) organized criminal elements are increasingly remitting profits from tax evasion and the sale of counterfeit goods via money transfers and couriers. The majority of Asian organized crime activity occurs at the Chinese Trade Center located in Wolka Kosowska, approximately 25 kilometers from Warsaw. There are also smaller Asian shopping centers located in Rzgow (near

Lodz) and Jaworzno (near Katowice) where organized crime activity is suspected. The principal scheme involves the extreme undervaluing of imported goods through the falsification of invoices, which are used to determine the customs value of products and the applicable value added tax (VAT). The authorities also suspect the sale of counterfeit goods and illegal drug trafficking at these markets.

Local companies and organized crime groups use fuel and cigarette smuggling to avoid excise taxes and as a major source of laundered proceeds. The practice is particularly significant along the Kaliningrad border. Money laundering through trade in scrap metal and recyclable material continues to be a growing trend, as is organized criminal activity in the financial services area through internet banking, credit cards, and electronic systems for money transfers. The Finance Ministry maintains the effectiveness of actions against money laundering involving transfer of money to tax havens is improving due to the increase in cooperation agreements concluded with counterparts in such countries, including Russia. Authorities believe some money laundered in Poland originates in Russia or other countries of the former Soviet Union. The nation's banks, insurance companies, brokerage houses, and casinos are also major venues of money laundering.

Poland is an increasingly important international center for business email compromise (BEC) money laundering scams, in which sophisticated cybercriminals target businesses working with foreign suppliers or those who regularly perform wire transfer payments. In these scams, cybercriminals compromise legitimate business email accounts through social engineering or computer intrusion techniques to conduct unauthorized fund transfers. The criminals then launder the money through Polish banks before transferring the funds to their final destinations.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATEDTO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES INTHE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, financial leasing and factoring companies, currency exchanges, investment companies and funds, the National Depository for Securities, gaming institutions, insurance companies, the National Bank of Poland, the Polish Post, foreign legal entities carrying out brokerage activities, electronic money institutions, credit unions, notaries, foundations, auctioneers, pawnshops, and dealers of high-value goods and precious metals and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 24,868 in 2014

Number of CTRs received and time frame: Not available
STR covered entities: Banks, financial leasing and factoring companies, currency exchanges, investment companies and funds, the National Depository for Securities, gaming institutions, insurance companies, the National Bank of Poland, the Polish Post, electronic money institutions, credit unions, brokerage houses, bookkeeping services, notaries, foundations, real estate agents, lawyers, auctioneers, pawnshops, dealers of high-value goods and precious metals and stones, and new payment services entities and agents

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 269 in 2014
Convictions: 121 in 2014

RECORDS EXCHANGE MECHANISM:
With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Poland is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent evaluation can be found at:
http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Poland_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Poland continues to strengthen and align its AML/CFT tools and institutions with international standards. Poland continues to strengthen its autonomous office on terrorism financing. The financial intelligence unit (FIU) also is continuing to seek ways to upgrade analytical tools in order to be able to process data more comprehensively and efficiently. Cooperation among relevant authorities and institutions has increased; however, work remains to ensure effective implementation. There is good and improving cooperation with international law enforcement agencies. In 2014, criminal asset forfeiture cases totaled 14,076,315 PLN (approximately $3,450,000). Poland does not have non-conviction-based forfeiture.

Police and customs officials, in particular, should continue efforts to recognize diverse money laundering and terrorism financing methodologies, including trade-based money laundering, as well as informal value transfer systems, such as hawala and the Chinese “flying money” system or *fei-chien*. The threat of money laundering by and for cyber criminals is growing rapidly as well and will likely continue to evolve. Poland should ensure regulations are fully effective. The government should promote additional capacity building in the private sector and continue to improve communication and coordination among the FIU and relevant law enforcement agencies.

Portugal

Portugal is a transit point for narcotics entering Europe, and Portuguese officials indicate the majority of money laundered in the country is narcotics-related. Portugal’s long coastline, vast territorial waters, and privileged relationships with countries in Latin America and Africa make it

a gateway country for Latin American cocaine and a transshipment point for drugs coming to Europe from West Africa.

Authorities have noted significant criminal proceeds from corruption, traffic in works of art and cultural artifacts, extortion, embezzlement, tax offenses, smuggling, prostitution, organized crime, and aiding or facilitating illegal immigration. Portuguese authorities also have detected criminal funds being placed into the financial system from smuggled commodities, particularly tobacco products. Suspect funds from Angola are used to purchase Portuguese businesses and real estate. Currency exchanges often are used for laundering criminal proceeds.

There are 11 casinos in Portugal managed by eight public cooperatives licensed by the Ministry of Economy. Business interests from China (Macau) have significant involvement in some of the cooperatives. The State Secretary for Tourism supervises and monitors casinos. Portuguese authorities legalized online casinos in the past year.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, credit institutions, and investment companies; financial leasing, factoring, and mutual guarantee companies; electronic money institutions; life insurance, pension fund management, and credit securitization companies; venture capital and venture capital funds management companies; collective investment entities; postal service entities; casinos and lotteries; property dealers; lawyers, accountants, and auditors; and dealers in high-value goods

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks and credit institutions; investment companies; life insurance companies; financial leasing, factoring, and mutual guarantee companies; electronic money institutions; pension fund management, credit securitization, venture capital and venture capital funds management companies; collective investment entities; postal service entities; casinos and lotteries; property dealers; lawyers, accountants, and auditors; traders in high-value goods

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:
With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Portugal is a member of the FATF. Its most recent mutual evaluation can be found at: http://www.fatf-gafi.org/countries/n-r/portugal/documents/mutualevaluationofportugal.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although the general legal principle in Portugal is that only individuals are subject to criminal liability, there are exceptions. Paragraph 2 of Article 11 of the Criminal Code provides for criminal corporate liability for white-collar crimes, money laundering, crimes against public health, cybercrime, and certain other crimes.

The Portuguese Judicial Police made a number of high-profile arrests of current and former senior Portuguese government officials and their associates in 2014 and 2015, resulting from multiple, corruption-related investigations. One such investigation targeted officials and a number of Chinese-national accomplices in a bribery scheme associated with Portugal's investor visa program known as "Golden Visa." Operation Labyrinth, as the investigation is known, resulted in the Public Prosecutor charging 17 senior government officials with corruption charges -- among them the then-head of the Immigration and Border Service, an Interior Minister, and a former Secretary General in the Ministry of Justice. A judge is expected to indict or acquit the defendants in 2016.

The Government of Portugal should continue to be concerned about many suspicious and large scale Angolan investments in Portuguese luxury real estate, businesses, and financial institutions. There are allegations Portugal serves as a hub for laundering illicit funds for Angola's ruling class. Increased Chinese efforts to establish political and economic influence also warrant monitoring.

The Government of Portugal should continue to be concerned about many suspicious and large scale Angolan investments in Portuguese luxury real estate, businesses, and financial institutions. There are allegations Portugal serves as a hub for laundering illicit funds for Angola's ruling class. Additionally, increased Chinese efforts to establish political and economic influence also warrant monitoring; the Chinese account for 80 percent of the Golden Visa market.

Qatar

Qatar has become an increasingly important banking and financial services center in the Gulf region. Despite the growth of the banking sector and increasing options for financial services, Qatar still has a largely cash economy. The expansion of the financial and trade sectors, the large number of expatriate laborers who send remittances to their home countries, the liberalization and growth in the real estate sector, uneven corporate oversight, and Iran's efforts

to bypass sanctions through Gulf economies make Qatar increasingly vulnerable to the threat of money laundering. The exploitation of charities and private donations to finance terrorism continues to be a concern, as does the ability of individuals to bypass the formal financial sector for illicit financing.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, real estate brokers, dealers of precious metals or stones, lawyers and notaries, trust funds and company service providers, and non-profit organizations (NPOs)

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,901 in 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, exchange companies, finance and investment companies, insurance companies, real estate brokers, dealers of precious metals or stones, lawyers and notaries, trust funds and company service providers, and NPOs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 2 in 2015
Convictions: 1 in 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Qatar is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.menafatf.org/images/UploadFiles/QatarMER1.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The "2013-2017 Strategy: Financial Transparency to Promote Stability and Security," launched in 2012 by the Qatar Financial Information Unit, remains in place. The Charity Oversight Law Number 15 of 2014 increases government oversight of charitable donations in Qatar and forbids

the collection of donations outside of officially approved mechanisms. The charities law establishes an interagency commission headed by the General Manager of Qatari Authority of Charitable Work. The commission has the authority to monitor, license, and dissolve non-governmental charitable organizations and requires that Qatari organizations receive approval to work with foreign entities and disclose details of financial transactions. The Qatari government implemented the law in 2015 and is working to address the ongoing concern of potential abuse of the charitable sector by terrorist financiers. The government also ordered local charities to cease dealings with certain foreign charities over concerns about their activities. The commission has a representative that sits on the National Anti-Money Laundering and Terrorism Financing Committee. In 2015, Qatar's Regulatory Authority for Charitable Activities issued warnings stating that any individual or entities collecting donations for charitable or humanitarian purposes must obtain an approval from the authority as mandated by Law Number 15 of 2014, and whoever violates this warning will be subject to legal accountability.

Qatar continues to formulate a new counterterrorism strategy, led by the National Anti-Terrorism Committee. Qatar Central Bank works with financial institutions to confirm compliance of UN-designations of terrorist entities and individuals, including Qatari citizens. The government froze assets and imposed travel bans on two Qatari citizens after they were designated as terrorist financiers by the UNSC in 2015. Regarding Iran-related terrorism and proliferation transactions, the central bank ordered financial institutions to freeze any assets of entities listed in UNSCRs 1737, 1747, 1803, and 1929 and prohibited transactions with listed entities.

Bank Saderat is the only active Iranian financial entity, with two small branches in Doha. As a foreign bank, Saderat cannot open new branches or expand its activities in Qatar. Reflecting general concerns in the Gulf about Iranian financial institutions, many Qatari banks no longer clear checks for Bank Saderat, and Qatari banks have ended all correspondent relations with Saderat.

Qatar has laws in place for a cross-border currency control system, but they are contradictory, vague, and generally not enforced. For example, one resolution provides for a declaration system but no threshold amount is stated, while other legislation provides for a disclosure system.

The Government of Qatar should continue its implementation of AML/CFT laws, regulations, and procedures and should ensure the provision of sufficient resources and training to develop necessary institutional capacity, especially in the field of financial investigations. Qatar should continue to work to increase the rate of investigations and prosecutions by building capacity within its law enforcement authorities and enforcing new and existing laws. Qatar also should pursue outreach and enforcement activities to ensure terrorist financing-related suspicious transaction reporting (STR) occurs. Qatar should clarify and enforce its cross-border controls of bulk cash and negotiable instruments.

Romania

Romania's geographical location makes it a natural transit country for trafficking in narcotics, arms, stolen vehicles, and persons by transnational organized criminal groups. As a result, Romania is vulnerable to financial activities associated with such crimes, including money

laundering. Romania's economy remains to a large extent cash-based, and the size of the shadow economy is approximately 22 percent of GDP. Fiscal evasion and proceeds of crime generated in Romania are estimated to be approximately 15 percent of GDP.

Though Romania is not a major financial hub and its exposure to foreign proceeds of crime may be limited, there are nevertheless indicators suggesting that organized criminal groups from the neighboring countries and Italy invest in Romanian assets. Romanian organized criminal groups participate in a wide range of criminal activities in Europe, including prostitution, cigarette smuggling, extortion, and trafficking in narcotics, and have collaborated to establish international criminal networks for internet fraud activities and related money laundering schemes. Romania has some of the highest rates of cybercrime and online credit card fraud in the world. Studies have found Romanian servers to be the second largest source of cybercrime transactions worldwide. Although a majority of their victims reside in the United States, Romanian cybercriminals are increasingly targeting victims elsewhere in Europe as well as in Romania itself.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks; institutions issuing consumer, commercial, and specialized credit; mortgage/real estate lenders; micro-lenders; factors, forfeiture agents, and financial leasing firms; guarantors; financial investment service providers; insurers and re-insurers; securities brokers; private pension funds; accounting, consulting, audit, and law firms; notaries; casinos; persons responsible for privatizations; nongovernmental organizations (NGOs); real estate brokers; and individuals or corporate traders of goods and/or services with a minimum 15,000 euro (approximately $16,400) cash turnover

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 3,683: January 1 - October 31, 2015
Number of CTRs received and time frame: 5,791: January 1 - October 31, 2015
STR covered entities: Banks; institutions issuing consumer, commercial, and specialized credit; mortgage/real estate lenders; micro-lenders; factors, forfeiture agents, and financial leasing firms; guarantors; insurers and re-insurers; securities brokers; private pension funds; accounting, consulting, audit, and law firms; notaries; money transfer agencies; real estate brokers, retailers, and commercial service providers; NGOs; and officials in charge of the privatization process

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 96: January 1 – October 31, 2015
Convictions: 50: January 1 – October 31, 2015

RECORDS EXCHANGE MECHANISM:
With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Romania is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation report can be found at: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Romania_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2015, Romania's financial intelligence unit (FIU) established technical rules on making notifications and authorizing requests for external transfers of information. The FIU and Ministry of Justice attended capacity-building programs on asset forfeiture. The FIU faces the challenges of limited financial, human, and technical resources.

The Government of Romania should continue to improve communication between reporting and monitoring entities, as well as between prosecutors and the FIU. In order to improve the rate of money laundering prosecutions and convictions, the Romanian authorities should not become overly reliant on suspicious transaction reports (STRs) and other forms of financial intelligence, but instead should empower law enforcement and customs authorities to detect and investigate money laundering at the street level, including at borders and ports. The government should improve implementation of existing procedures for the timely freezing, seizure, and forfeiture of criminal or terrorist-related assets. Romania also should continue to prioritize combating corruption.

Russia

While Russia continues to make significant progress in improving its AML/CFT legal and enforcement framework, the prevalence of money laundering in Russia remains a major obstacle to financial sector development. Money laundering continues to cost the Russian economy billions of dollars every year. The Central Bank of Russia (CBR) estimates that $8.6 billion in 2014, and $936 million in the first half of 2015 left Russia through what the CBR terms "fictitious transactions." This definition, according to the CBR, includes payment for narcotics, bribes to government officials, and tax evasion. Domestic sources of laundered funds include organized crime, evasion of tax and customs duties, fraud, smuggling operations, and corruption. In particular, official corruption remains a significant problem at all levels of government, and is a major source of laundered funds, with proceeds frequently moved offshore. Cybercrime remains a significant problem. Russia's highly skilled hackers and traditional organized crime structures have followed the global trend of increasingly combining forces, resulting in an increased threat to the financial sector.

Russia is considered a significant transit and destination country for international narcotics traffickers. Criminal elements from Russia and neighboring countries continue to use Russia's financial system and foreign legal entities to launder money. Criminals invest and launder their proceeds in securities instruments, domestic and foreign real estate, and luxury consumer goods.

Gaming is only allowed in specified regions, with regulatory authority shared across multiple agencies, including the Ministries of Finance and Internal Affairs. The Federal Financial Monitoring Service (Rosfinmonitoring), Russia's financial intelligence unit, has been designated as the competent AML/CFT authority for casinos. Only licensed casinos in special gambling zones can register with Rosfinmonitoring, which has inspected the two registered casinos. Online gaming is prohibited.

There is a large migrant worker population in Russia. While the majority of workers likely use formal banking mechanisms, a considerable amount of transfers are believed to occur through informal value transfer systems that may pose a vulnerability for money laundering.

Executive Order (E.O.) 13660, dated March 6, 2014, imposes a travel ban and freezes any assets held in the United States of persons or entities who acted to undermine the democratic processes and institutions in Ukraine and contributed to the misappropriation of its assets. E.O. 13661, dated March 16, 2014, expands the scope of E.O. 13660 to cover the Government of the Russian Federation and its officials, the Central Bank, any state-controlled entities, those who operate in the arms sector in Russia, and seven specified individuals who are senior Russian government officials. The EU took parallel action and imposed similar sanctions in March 17, 2014, followed by Council Regulation (EU) No 692/2014 of June 23, 2014, imposing restrictions on import/export activity and financial transactions.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All crimes approach
Are legal persons covered: ***criminally:*** NO ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks and credit institutions; Russian Post; payment acceptance and money transfer services; securities, insurance, and leasing companies; investment and non-state pension funds; casinos and gaming outlets; dealers in precious metals and stones; real estate agents; pawnshops, microfinance organizations, and consumer credit cooperatives; and legal or accounting service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks and credit institutions; securities markets, investment and pension funds; Russian Post; insurance sector; leasing companies; pawnshops and dealers in precious metals and stones; casinos; real estate agents; lawyers, notaries, and legal or accounting service providers; microfinance organizations; consumer credit cooperatives; and non-commercial organizations receiving funds from certain foreign entities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: Not available
Convictions: 164 in 2014

RECORDS EXCHANGE MECHANISM:
With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Russia is a member of the FATF and two FATF-style regional bodies: the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL); and the Eurasian Group on Combating Money Laundering and the Financing of Terrorism (EAG). Its most recent mutual evaluation can be found at: http://www.fatf-gafi.org/countries/n-r/russianfederation/

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Russia continues to strengthen a number of regulatory and legal measures to combat financial crime and money laundering. During this period of economic difficulty, Russia has continued to make progress in reducing money laundering, partly as a way to lessen the amount of money that is being illegally siphoned out of the local economy. The improvement in financial legislation, while a major step forward for Russia, requires full and unbiased implementation to address Russia's reputation as a center for money laundering.

Several pieces of legislation tighten controls on the financial sector. Federal Law 110-FZ, enacted in May 2014, lowers the threshold of foreign currency transactions conducted by non-profit organizations, foreign states, and international and foreign organizations subject to mandatory controls to 100,000 rubles (approximately $1,400). Federal Law 213-FZ, passed in July 2014, regulates the opening of banking accounts and letters of credit for defense and strategic industries. In December 2014, several additional laws were passed. Federal Law 461-FZ was amended to expand the list of entities covered under the AML/CFT law to include communications providers. Federal Law 484-FZ requires individuals trading in commodity or financial markets to provide information, upon request, to Rosfinmonitoring. Federal Law 484-FZ mandates the notification to Rosfinmonitoring of the opening, closing, or changing of details of any accounts or letters of credit by companies of strategic importance to the Russian Federation.

The CBR again stepped up enforcement within the banking sector, revoking 92 banking licenses in 2014 and 93 by November of 2015. The CBR claims dubious transactions were one of the main reasons behind the revocation of licenses. The CBR tightened the criteria for suspicious transactions by reducing the quarterly transaction volume threshold from RUB 5 billion

(approximately $68.3 million) to RUB 3 billion (approximately $41 million) and the proportion of suspicious cash transactions from 5 percent to 4 percent of the debit turnover on customer accounts. The CBR also has tightened restrictions on cash payment terminals by forcing 95 percent of cash transactions to go directly to special accounts. The CBR Department of Financial Monitoring and Currency Control had estimated the aggregate value of illicit cash payments through terminals in 2015 was RUB 390 billion (approximately $5.3 billion). Over 11 million suspicious transaction reports (STRs) were filed in 2014.

In November 2015, the President signed an executive order to establish an interagency commission on preventing the financing of terrorism. The Kremlin stated that this order will be used to block money and assets belonging to organizations or individuals believed to be involved in terrorist activity. The interagency commission will process requests received by Rosfinmonitoring from other countries' relevant agencies on organizations' or individuals' possible involvement in terrorist activity (including financing terrorism). The Prosecutor's Office, Central Bank, regional and local authorities, and other state agencies and organizations have been instructed to send materials in their possession on possible involvement in terrorist activity (including financing terrorism) of organizations and individuals to the Inter-Agency Commission for Preventing the Financing of Terrorism.

Rosfinmonitoring published a draft bill in October 2015 that would require administrative liability for laundering criminal proceeds for legal persons (e.g., companies). Current Russian legislation provides for criminal liability for laundering by natural persons and penalties of up to RUB 60 million (approximately $819,500) for legal persons but only in cases of financing terrorist attacks and similar crimes, not for ordinary criminal operations.

In March 2015, Federal Law 140-FZ, also called the Capital Amnesty Law, was passed. It allows Russian citizens and legal entities to declare their offshore assets without fear of being held accountable for criminal, administrative, or tax indiscretions that may have occurred in connection with their assets prior to January 1, 2015. The amnesty was scheduled to end on December 31, 2015, but was extended until June 2016 by Presidential decree on December 29, 2015. The Capital Amnesty Law is intended to be an incentive to return capital to Russia in conjunction with the de-offshorization law, which entered into effect, after a delay, in June 2015. This legislation requires offshore entities that are at least 50 percent Russian-owned to pay tax on unallocated profits; the ownership threshold will fall to 25 percent in 2017. Russian ownership in a controlled foreign company of more than 10 percent must be reported to the Russian authorities before April 1, 2015.

In 2014, the Russian Federation undertook additional measures centered on its tax system. The plan develops a number of items of important AML legislation. Most of these steps were completed in 2014. In 2015, there was a steady improvement in efforts to reduce illicit transactions. The Federal Tax Service and Rosfinmonitoring created new interagency working groups and exchanged information databases to increase cooperation in the prevention, detection, and suppression of illegal financial transactions. Russian authorities are also using computer models to analyze trade and financial flows, as well as to model taxpayer behavior in the home appliance/electronics and precious metal markets.

In June 2014, Federal Law 173-FZ was passed to allow Russian financial institutions to improve information exchange with foreign tax authorities generally. According to this law, Russian

financial institutions may transfer information to a foreign tax authority only with the consent of the non-resident customer. If no consent is provided, the financial institution may unilaterally terminate the contract with the client. In addition, on Dec. 12, 2015, the Russian government established Decree No. 1365 requiring Russian individuals to report annually to the government on transactions on their foreign bank accounts. Russia is unable to effectively enforce foreign forfeiture orders.

There were a number of criminal prosecutions for money laundering in 2014. The most prominent was the arrest of Sergei Magin for the creation of a criminal association. The charges claimed Magin established 14 shell companies that specialized in illegal encashment transactions. It was estimated this group illegally transferred RUB 200 billion (approximately $2.7 billion) abroad. Other cases involved the misuse of state funds awarded under government contract in the amounts of RUB 5 billion (approximately $68.3 million) and RUB 9 billion (approximately $122.9 million). In 2014, there were over 1,200 criminal charges filed using Rosfinmonitoring materials, and 164 convictions on charges related to money laundering.

Qiwi, a large Russian digital payment system, has announced plans to issue a Russian crypto-currency, called the BitRuble in 2016. Qiwi is currently testing and finalizing the various platforms to ensure they comply with Russian law. While bitcoin is currently illegal in Russia, if BitRuble is able to launch, it would present challenges to law enforcement to prevent money laundering in Russia.

Although the U.S. and Russia are parties to a bilateral Mutual Legal Assistance Treaty (MLAT), cooperation under the MLAT is often not effective. Additionally, U.S. authorities have been unable to work with Russian counterparts to pursue criminal forfeiture under Russian law of millions of dollars in drug-trafficking proceeds that an international drug dealer, convicted in the U.S., admits went to purchase warehouses for the storage of drugs.

Rwanda

Rwanda is not a major or offshore financial center. The Rwandan financial system remains relatively unsophisticated, although the number of electronic fund transfers and credit card transactions is rising. Money transfers by cell phone are common. While the black market for smuggled goods is limited, the smuggling of tin, tantalum, tungsten, and gold from neighboring Democratic Republic of Congo (DRC) generates funds that may be laundered through Rwanda's financial system. The scope of this smuggling is difficult to quantify; the Mid-Term Report of the UN Group of Experts on the Democratic Republic of Congo, released in September 2015, noted continued smuggling of minerals from the DRC to Rwanda by way of Lake Kivu and the Ruzizi River.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN

THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, private legal practitioners, auditors, real estate agents, high-value traders, casino and lottery owners, mobile network operators, travel agencies, and nongovernmental organizations (NGOs)

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, private legal practitioners, auditors, real estate agents, high-value traders, casino and lottery owners, travel agencies, and NGOs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Rwanda is not a member of a FATF-style regional body (FSRB).

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Rwanda is an observer to the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FSRB. In 2014, Rwanda applied to be a full member. The application is still pending.

Rwanda's Law 48/2008, "Prevention and Suppression of Money Laundering and the Financing of Terrorism," establishes a legislative AML/CFT regime. Law 01/2012, "Instituting the Penal Code," updates the established legal framework. Under Rwandan law, all foreign currency transactions in excess of $20,000 or its equivalent are documented and reported to the Central Bank. Any transaction of any type in excess of $1 million must be reported as a suspicious transaction.

The financial intelligence unit (FIU), housed within the Rwanda National Police, continues to improve monitoring of the financial system. As preventive measures, the FIU formulated directives on record-keeping, identification of customers, and suspicious transactions reporting, which were approved at the FIU advisory board meeting of December 2, 2015. The directives indicate modalities of reporting suspicious transactions, how to identify customers, how to conduct customer due diligence and how to keep records. The FIU is studying the issue of

harmonizing cross-border currency reporting with neighboring countries. The improvements have not yet led to an increase in financial prosecutions and convictions for money laundering; however, in 2014-2015, the government prosecuted six cases related to illicit enrichment, and three cases are still pending in the courts.

In general, relevant agencies of the Government of Rwanda need further training, resources, and technical expertise to effectively investigate and enforce laws concerning money laundering and terrorist financing. Rwanda should provide safe harbor protections for its reporting entities and gatekeepers, seek to provide training and resources for its competent authorities, ensure its FIU's autonomy, and continue its efforts to become a member of a FSRB.

Samoa

The Independent State of Samoa is not known to have major organized crime, fraud, or drug problems and due to the small size of the local economy and the banking sector, Samoa has not become a haven for money laundering or terrorism financing. There is no significant evidence of large scale public corruption or black market activity. The most common financial crimes within the jurisdiction appear to be low-level fraud and theft.

According to Samoan law enforcement, criminal organizations based in Hawaii and California are involved in the trafficking of cocaine and crystal methamphetamine into Pacific island nations, including Samoa. Additionally, South American and Australian-based organizations use the South Pacific islands as transshipment locations for cocaine being shipped from South America into Australia and New Zealand.

Samoa is an offshore financial jurisdiction administered by the Samoa International Finance Authority (SIFA). For entities registered or licensed under the various Offshore Finance Centre acts, there are no currency or exchange controls, and no foreign exchange levies payable on foreign currency transactions. No income tax or other duties, nor any other direct or indirect tax or stamp duty is payable by registered/licensed entities.

There are four locally incorporated commercial banks, supervised by the Central Bank. There is one casino in operation, and one additional license the government has yet to allocate. In addition, one local lottery is in operation.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, money remitters, casinos, real estate agents, lawyers, accountants, trust and company service providers, credit unions, foreign exchange dealers, dealers of precious metals and stones, and insurance companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 10: July 1, 2014 - June 30, 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, casinos, real estate agents, lawyers, accountants, foreign exchange dealers, money remitters, credit unions, dealers of precious metals and stones, trust and company service providers, and insurance companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2015
Convictions: 2 in 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Samoa is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation report can be found at: http://www.apgml.org/mutual-evaluations/documents/default.aspx?s=date&c=8b7763bf-7f8b-45c2-b5c7-d783638f3354&pcPage=4

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Money Laundering Prevention Task Force (MLPTF) meets quarterly to advise or make recommendations to the Money Laundering Prevention Authority (MLPA), which houses Samoa's financial intelligence unit. The MLPTF is tasked to ensure close liaison, cooperation and coordination among various Government of Samoa departments and corporations. The independent and permanent Transnational Crime Unit (TCU) is responsible for intelligence gathering and analysis and investigating transnational crimes. However, it is a challenge for the TCU to gather information even from agencies in the MLPA.

Samoa became party to the UN Convention against Transnational Organized Crime on December 17, 2014. The International Companies Amendment 2015 made minor improvements to ensure the financial transparency of international companies. The Citizenship Investment Act 2015 enables foreigners to gain citizenship through an investment into the country of at least WST $4million (approximately $1.5 million) within three years of the approval of such application.

According to Section 14 (5) of the MLP Regulations 2009, every financial institution must undertake enhanced customer due diligence for higher risk customers, such as politically exposed persons (PEPs).

In late 2015, two individuals in Samoa were charged with running a pyramid scheme and were convicted of money laundering. They were first suspected by the Central Bank of Samoa when they were remitting money overseas.

While legal structures are in place to combat both money laundering and terrorism financing, resource constraints continue to limit investigatory and prosecutorial capacity. Reporting and oversight mechanisms appear to be under-funded, and the government should consider expanding their resources, particularly in light of the risks associated with the offshore sector. The addition of gaming operations and the introduction of an economic citizenship program in Samoa will require increased regulatory oversight and management to limit money laundering risk and criminal exposure. Ascertaining beneficial ownership information should be required. The Government of Samoa should become a party to the UN Convention against Corruption.

San Marino

The Republic of San Marino is an extremely small country surrounded by Italy. Stricter monitoring regulations appear to have resulted in a decrease overall in financial crimes. Money laundering occurs in both the formal and informal financial sectors, and is primarily trade-based and perpetrated by foreigners to avoid higher taxes in their home countries. There are no free trade zones or casinos in San Marino, nor is there a significant market for illegal or smuggled goods.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks and financial companies, the postal service, electronic money institutions, investment firms, insurance companies, lawyers, trust companies, accountants, auditors, gaming centers, and money exchangers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 141: January 1 – October 28, 2015
Number of CTRs received and time frame: Not available
STR covered entities: Banks and financial companies, insurance and reinsurance companies, accountants and tax advisors, real estate agents, notaries, lawyers, gaming centers, and dealers in precious stones and metals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 19 in 2014
Convictions: 4 in 2014

RECORDS EXCHANGE MECHANISM:
With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

San Marino is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/San%20Marino_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

San Marino continues to make improvements to its AML/CFT regime and to increase the transparency of its financial sector. San Marino has signed memorandums of understanding with a number of countries, including the United States. It also has signed tax information exchange agreements or double taxation agreements with 49 countries, including all major EU member states.

San Marino should become a party to the UN Convention against Corruption.

Sao Tome & Principe

Sao Tome and Principe (STP) has a small banking sector and is not a regional financial center. The economy is almost entirely cash-based, though limited automated teller machine service is available. There is no evidence that significant money laundering or illicit financial activity linked to the drug trade, contraband smuggling, or terrorism occurs in STP. The country's AML/CFT framework contains a number of strategic deficiencies.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:
"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:
Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Central bank, commercial banks, and the Public Ministry

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 20 in 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Central bank, commercial banks, the Public Ministry, insurance companies, casinos, and real estate companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 6 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO
With other governments/jurisdictions: YES

Sao Tome and Principe is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.giaba.org/reports/mutual-evaluation/Sao%20Tome%20and%20Principe.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Sao Tome and Principe's regulatory and supervisory regime is generally lacking in capacity as well as coverage. STP is vulnerable to potential money laundering and terrorism financing activities given its lack of effective, proportionate, and dissuasive sanctions against those who do not comply with national AML/CFT requirements. In 2014, the STP government created a cross border currency declaration system which requires all persons entering or leaving STP with cash valued in excess of 245 million dobras (approximately $12,430) to declare the amount to customs officials.

The Financial Information Unit (FIU) is designated as the central agency with responsibility for investigating suspect transactions. The number of suspicious transaction reports (STRs) filed dropped dramatically in 2015 in comparison to the previous reporting period. While prosecutions in 2015 matched the number in 2014, there have been no reported convictions for at least the last five years. The full implementation of legal and regulatory requirements remains a challenge given the country's scarce resources and low capacity within the government, national security forces, and the judiciary. There continues to be a significant need for capacity building. STP has limited financial resources to devote to AML/CFT enforcement. Local authorities complain about a lack of international assistance, especially from bilateral and multilateral partners. STP's government does not have enough resources to fully support the FIU. In addition, concerns about the judicial system exist as a number of cases sent by the FIU to the Public Ministry were never prosecuted.

Sao Tome and Principe should continue to work to address the remaining deficiencies in its AML/CFT regime, including by establishing and implementing a framework to freeze terrorist assets in accordance with UNSCRs 1267 and 1373 and ensuring the criminalization of all appropriate predicate crimes to money laundering.

Saudi Arabia

The Kingdom of Saudi Arabia is a rapidly expanding financial center in the Gulf region and the second largest source of remittances in the world. There is no indication of significant narcotics-related money laundering. Bulk cash smuggling and money transfers from individual donors and Saudi-based charities have reportedly been a significant source of financing for extremist and terrorist groups over the past 25 years. Despite serious and effective efforts to counter the funding of terrorism originating within the Kingdom, Saudi Arabia is still home to individuals and entities that continue to serve as sources of financial support for Sunni-based extremist groups. Saudi Arabia has publicly imposed targeted sanctions on more than 20 Hizballah-affiliated individuals and companies since May 2015. Funds are allegedly collected in secret and illicitly transferred out of the country in cash, often via pilgrims performing Hajj and Umrah. The government has responded in recent years and increased policing to counter this smuggling. Recent regional turmoil and sophisticated usage of social media have facilitated charities outside of Saudi Arabia with ties to extremists to solicit donations from Saudi donors. Some Saudi officials acknowledge difficulties in following the money trail with regard to illicit finance, in large part due to a preference for cash transactions and regulatory challenges posed by hawala networks, which are illegal and dismantled upon discovery.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks and licensed money remitters and exchangers; real estate agents; investment and insurance companies; dealers in rare commodities (e.g., antiques) and precious metals and stones; lawyers, auditors, and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 2,240: November 4, 2013 – October 25, 2014
Number of CTRs received and time frame: Not available
STR covered entities: Banks and licensed remittance and exchange companies; investment and insurance companies; dealers in rare commodities (e.g., antiques) and precious metals and stones; real estate agents, lawyers, auditors, and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:
With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

The Kingdom of Saudi Arabia is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.menafatf.org/MER/MER_SaudiArabia_English.pdf.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Money service businesses operating outside of banks and licensed money changers are illegal in Saudi Arabia. To help counteract the appeal of these types of unlicensed money services, particularly to many of the approximately 10 million expatriates living in Saudi Arabia, Saudi banks have developed fund-transfer systems that have proven capable of attracting customers accustomed to using other, non-sanctioned methods. Efforts to improve regulation of money transmitters also reportedly pushed more expatriate remittances to the formal banking system, which has facilitated greater transparency and control over such flows. The Saudis' ability to stop bulk cash smuggling has also improved, but some cash illicitly collected and transferred via pilgrims on Hajj or Umrah continues to flow.

Sweeping counterterrorism operations have demonstrated Saudi Arabia's effectiveness at disrupting terrorist financing within the Kingdom. Contributions to charities are subject to strict guidelines, and regulations forbid charities from performing certain payment and transfer activities. Nonetheless, scores of small, online charities based outside of the Kingdom have established a presence in Saudi Arabia via social media sites and have successfully solicited donations from within the Kingdom for both licit and illicit causes tied to Syria and other regional crises. The Saudi government is working to improve cooperation with neighboring jurisdictions to close down extremist charities and continue educating Saudi citizens regarding the risks of donating to unlicensed charities. In October 2015, Saudi Arabia shared global best practices for charity oversight at a regional conference designed to facilitate Gulf Cooperation Council member countries' cooperation in improving the policing of extremist charities.

Saudi Arabia's capacity to monitor compliance with and enforce its banking rules has helped stem the flow of illicit funds through Saudi financial institutions. In recent years, improvements in the quality and consistency of suspicious activity reporting have bolstered the government's ability to identify illicit financial transfers, unlicensed charitable collections, and other illegal activity.

Authorities should be vigilant in scrutinizing the regional gold trade, often used to transfer value. The government recently began publishing official criminal statistics and should continue to improve transparency regarding the number of successful money laundering prosecutions and convictions so that the effectiveness of the Kingdom's AML/CFT program can be better evaluated. The Saudi government should continue to ensure all institutions maintain consistent and strong compliance regimes.

Senegal

A regional financial center with a largely cash-based economy, Senegal remains vulnerable to money laundering even as the Government of Senegal has made gradual progress in strengthening its financial oversight and investigative capacity. Senegal is vulnerable to the activities of organized crime, drug trafficking, internet fraud, bank and deposit fraud, document forgery, and Ponzi schemes. There is continuing evidence of criminal activity by foreigners, including narcotics trafficking by Latin American groups, sale of counterfeit goods, wildlife trafficking, and transnational crime. Many foreign traffickers use Senegal and West African neighbors as transshipment points to export drugs to Europe and other destinations. Limited law enforcement capacity and inadequate enforcement of relevant laws contribute to Senegal's vulnerability to money laundering.

Most domestically-generated laundered funds derive from corruption, fraud, drug trafficking, and other forms of transnational crime. While Senegal has strengthened its anti-corruption regime since 2012, corruption remains pervasive at many levels of government and commerce. The large number of imported vehicles within West Africa is linked with trade-based money laundering (TBML) and stolen car networks within the region, a trend that may affect Senegal. Many stolen U.S. vehicles are routed to West Africa.

Due to constraints on consumer lending by the banking sector, Dakar's active real estate market is largely financed by cash. As a result, the construction industry is reputed to be a popular sector for laundering illicit funds. The continued building boom and high property prices suggest this sector remains vulnerable to money laundering. Ownership and transfer of property is not transparent.

Touba, located in the central region of Senegal, is a largely autonomous region with a special legal status under the jurisdiction of the Mouride religious brotherhood. Touba reportedly receives between $550 and $800 million per year in funds repatriated by networks of Senegalese traders abroad and is vulnerable to TBML because the government has limited authority in this region. Other areas of concern include the transportation of cash, gold, and other items of value through Senegal's airport and across its porous borders. The widespread use of cash; money transfer services; informal channels, such as hawaladars; and new payment methods also contributes to money laundering vulnerabilities. Mobile wallets cater to the needs of the unbanked Senegalese, but they are not always subject to enforcement of AML/CFT controls due primarily to resource constraints. The same applies to money transfer organizations such as Wari, Joni-Joni and Western Union.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:
Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks; money exchanges; money transfer agents; notaries; lawyers; securities and insurance brokers; auditors; real estate agents; dealers of high-value goods, such as art objects, precious stones, and metals; transporters of funds; casinos and gaming establishments, including state lotteries; travel agencies; nongovernmental organizations (NGOs); and the Public Treasury

REPORTING REQUIREMENTS:
Number of STRs received and time frame: Not available
Number of CTRs Received and time frame: Not applicable
STR covered entities: Banks; money exchanges; postal services; lawyers; securities and insurance brokers; auditors; real estate agents; dealers of high-value goods, such as art objects, precious stones, and metals; transporters of funds; casinos and gaming establishments, including state lotteries; travel agencies; and NGOs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:
With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Senegal is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.giaba.org/reports/mutual-evaluation/Senegal.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Senegal has made incremental progress in strengthening its capacity for prevention and investigation of financial crimes. Senegalese authorities are drafting legislation extending enhanced due diligence to domestic politically exposed persons (PEPs). Senegal also is continuing to work toward computerizing land registration to increase the transparency of the real estate sector.

Senegal played a leadership role in working to launch the Partnership on Illicit Finance (PIF) in 2015. The goal of the PIF is to work with other like-minded African countries to share experiences and develop national action plans on fighting illicit financing, particularly that related to corruption. In addition to Senegal and the U.S., the PIF has six other members.

With only six percent of its population using bank accounts, Senegal has a largely cash-based economy where financial transactions are difficult to monitor. The Central Bank of West Africa (BCEAO) has recently passed a rule requiring all banks in the region to use a credit bureau to verify both recipients of loans as well as the loan officers administering the loans. These

measures are intended to encourage greater participation in formal banking and reduce reliance on cash.

CENTIF, the financial intelligence unit (FIU), conducted studies in 2014 to evaluate vulnerabilities to money laundering in casinos and the extractive industries sector and planned additional studies of the real estate sector, e-payments, and mobile banking. CENTIF is improving outreach and better monitoring the non-bank financial sector, including money service businesses.

Senegalese law enforcement authorities have received training on investigating financial crimes. CENTIF, law enforcement, and Ministry of Justice authorities continue to work and train together to coordinate roles and responsibilities with regard to case investigation and assembly and to develop a deeper interagency understanding of money laundering and terrorist financing.

Enforcement of money laundering cases took a step forward in March 2015 with the conviction for "illegal enrichment" of Karim Wade, the former government minister and son of former president Abdoulaye Wade. Following an investigation beginning in 2012, Senegal's special anti-corruption court, CREI, ruled that Wade and his seven co-defendants were guilty and sentenced Wade to six years in prison with a fine of CFA 138 billion (approximately $225 million). Three of his co-defendants received sentences of five years each and large fines. Two co-defendants, who are currently fugitives, were given 10-year sentences. The court acquitted two other co-defendants.

Senegal's National Office against Fraud and Corruption (OFNAC) also supports money laundering enforcement efforts. In 2012, a sweeping anti-corruption law led to the creation of OFNAC, which is an independent government agency with its own budget. OFNAC has been tasked with promoting transparency in government, by compiling and reviewing asset declarations of government officials who are responsible for public funds over a certain amount; raising public awareness; and encouraging citizens to report suspected acts of corruption using an anonymous hotline. More importantly, OFNAC has an investigative arm, allowing it to follow up on case referrals.

One enforcement case involving suspected terrorist financing occurred in November 2015 when authorities arrested at least seven individuals suspected of providing support, including financial support, to Boko Haram in Niger.

The Government of Senegal should continue to work to bring its AML/CFT regime into full compliance with international standards. Senegal should continue to battle corruption and increase the frequency, transparency, and effectiveness of financial reviews and audits of financial institutions. The government should release the number of financial intelligence reports filed and the numbers of AML/CFT prosecutions and convictions so as to better gauge the effectiveness of its countermeasures. Senegal should establish better uniform control of the cross-border flow of currency and other bearer negotiable instruments for both residents and nonresidents.

Serbia

Although Serbia is not considered a regional financial center, it is situated on a major trade corridor, known as the Balkan route, which is used by criminal groups for various criminal activities, including narcotics trafficking and smuggling of persons, weapons, pirated goods, and stolen vehicles. While the bulk of narcotics seizures continue to be of heroin, seizures of South American cocaine transiting Serbia to Western European countries also occur. Traffickers are often Serbian organized criminal groups or transnational organized criminal groups that include Serbian citizens. Serbia has a black market for smuggled goods. Illegal proceeds are generated from drug trafficking, corruption, tax evasion, and organized crime, as well as other types of crimes. Proceeds from illegal activities are invested in real estate and businesses. Cyprus, Macedonia, Hungary, Switzerland, Austria, Netherlands, and China are also destinations for laundered funds. Trade and service-based transactions, in the form of over- and under-invoicing, are commonly used for laundering money, as are shell companies incorporated in Serbia and abroad in offshore destinations. Purchases of some private and state-owned companies have been linked to money laundering activities. According to the Council of Europe, money laundering costs the Serbian economy between three and five percent of its GDP every year.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks; licensed money exchanges and remitters; investment and pension fund management companies; financial leasing providers; insurance companies, brokers, agents, and life insurance businesses; persons dealing with postal communications and postal transmitters; broker-dealer companies; casinos and organizers of games of chance; auditors; real estate intermediaries; accountants; tax advisers; intermediaries in credit, lending, factoring, and forfeiting; guarantors; and lawyers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 4,445: January 1 – November 18, 2015
Number of CTRs received and time frame: 245,257: January 1 – November 18, 2015
STR covered entities: Banks; licensed money exchanges and remitters; investment and pension fund management companies; financial leasing providers; insurance companies, brokers, agents, and life insurance businesses; persons dealing with postal communications; broker-dealer companies; casinos and organizers of games of chance; auditors; real estate intermediaries; accountants; tax advisers; intermediaries in credit, lending, factoring, and forfeiting; guarantors; and lawyers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 36 in 2014
Convictions: 20 in 2014

RECORDS EXCHANGE MECHANISM:
With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Serbia is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Serbia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On December 31, 2014, the Serbian government adopted the National Strategy for the Fight against Money Laundering and Terrorism Funding, which covers strategic planning, coordination, and cooperation of all concerned government agencies and departments. The National Strategy covers the period until 2018 and envisages the constitution of expert teams to coordinate government actions addressing AML/CFT.

The Government of Serbia continues to take steps to strengthen its AML/CFT regime. Adoption of amendments to Serbia's Law on Prevention of Money Laundering and Terrorist Financing, finalized in 2014, is on hold pending EU adoption of new money laundering directives. This is to ensure that Serbian amendments are in accordance with the EU directives and international standards.

On March 20, 2015, the Serbian Parliament adopted the Law on Restrictions on Disposal of Property with the Aim of Preventing Terrorism. The law sets forth the process for establishing a list of designated persons and entities, and the procedure for freezing assets in line with relevant UNSCRs. The law also establishes the list of authorized entities which can initiate the proceedings, decide on seizure requests, and manage the seized assets. In July 2015, the Serbian government published the list of designated persons and entities compliant with the UN Security Council Sanctions Committee Resolution of June 26, 2015.

In October 2015, the Agency for the Prevention of Money Laundering, the Serbian financial intelligence unit, adopted and disseminated a new set of ML/TF indicators for accountants, auditors, broker-dealer companies, intermediaries in securities trading, and intermediaries in real estate sales or leases.

Serbia should continue to push for stronger enforcement of existing laws within all sectors obligated to follow AML/CFT rules. Serbia should provide those entities with sufficient guidance to ensure they understand, and are able to comply with, their responsibilities under the law. The National Bank of Serbia and other supervisory bodies, as well as investigative agencies, the Administration for the Prevention of Money Laundering and Terrorist Financing, prosecutors, and judges continue to require additional resources, in particular for building their professional capabilities. Law enforcement and prosecutors should make increased use of criminal money laundering charges.

Seychelles

Seychelles is not a major financial center, although it aspires to be. The Seychellois authorities consider drug trafficking, parallel market operations, theft, and fraud to be the major sources of illegal proceeds. Corruption is also a problem. In the past, Seychelles was negatively affected by piracy off the coast of Somalia. Seychelles is a consumer country for narcotics.

To diversify its economy beyond tourism and fisheries, and to increase foreign exchange earnings, the Government of Seychelles developed an offshore financial sector. It actively markets itself as an offshore financial and business center that allows the registration of nonresident business companies. The government is aware these activities increase the risk of money laundering. In its 2007-2017 strategic plan, the government proposed to facilitate the further development of the financial services sector through active promotion of Seychelles as an offshore jurisdiction, with emphasis on international business companies (IBCs), mutual funds, special license companies, insurance companies, and private foundations. The Financial Services Authority (FSA), which regulates and promotes the offshore non-banking financial sector, focuses solely on the licensing and regulation of the sector, while the Seychelles Investment Board engages in promotional activities. More than 100,000 IBCs are estimated to be registered with FSA. FSA must report suspicious transactions to the financial intelligence unit (FIU), which reports directly to the President.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, offshore banks, credit unions, insurance companies, trust and company service providers, casinos, real estate agents, money exchangers, notaries, lawyers, accountants, auditors, and dealers in precious metals and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 136: January 1 - November 12, 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, offshore banks, credit unions, insurance companies, trust and company service providers, casinos, real estate agents, money exchangers, notaries, lawyers, accountants, auditors, and dealers in precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 0: January 1 - November 12, 2015
Convictions: 0: January 1 - November 12, 2015

RECORDS EXCHANGE MECHANISM:
With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Seychelles is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.esaamlg.org/reports/view_me.php?id=189

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of the Seychelles is preparing a money laundering/terrorist financing National Risk Assessment with assistance from an international donor. In August, 2015, Seychelles enacted a new Prevention of Terrorism law that establishes a formal process for formulating and implementing a plan to counter the financing of terrorism.

The AML law provides for a cross-border currency declaration system. Additionally, the Central Bank must record all outgoing (foreign) transfers greater than Rs 50,000 (approximately $3,400). All money and value transfer service providers in Seychelles must notify the FIU on a weekly basis of all outbound international transfers valued between Rs 10,000 (approximately $700) and Rs 50,000 (approximately $3,400). From January 1 - November 12, 2015, 17,626 such transfers were reported. Most of these transactions were remittances sent by expatriate workers in the construction and tourist sector to their relatives overseas.

In June 2015, the FIU issued updated AML/CFT guidelines. On October 20, 2015, the Central Bank of Seychelles, the FSA, and the FIU signed a Memorandum of Understanding to improve cooperation within the three entities. It appears there is an over-reliance on the FIU as the exclusive authority for AML/CFT, as opposed to a system of shared responsibility with other agencies. Furthermore, AML/CFT authorities seem to focus on asset forfeiture rather than the development of money laundering cases. This is demonstrated by the lack of any convictions for money laundering. There is also a lack of oversight of certain obligated reporting sectors.

The Government of Seychelles should continue to improve the implementation of its AML/CFT framework, including its analysis of suspicious transaction reports (STRs) and financial crimes, investigations, and prosecutions. The sharing of information and interagency cooperation should be developed. Additionally, it should mandate enhanced due diligence procedures when appropriate, and in this regard consider extending its definition of politically exposed persons (PEPs) to persons holding prominent public positions in Seychelles itself. The government also should amend its AML laws to state explicitly that all offshore activity is regulated in the same manner and to the same degree as onshore activity, and should actively enforce its financial services regulations.

Sierra Leone

Sierra Leone is not a regional financial center. Loose oversight of financial institutions, weak regulations, pervasive corruption, and lack of financial crimes enforcement has made the country vulnerable to money laundering. Due in part to its large seaport, Sierra Leone is an attractive trans-sea shipment point for illegal drugs and other forms of illegal commerce. Smuggling of pharmaceuticals, foodstuffs, gold, and diamonds occurs across porous land borders. There is little evidence drug smuggling is a significant source of laundered money. The small-scale artisanal diamond mining industry is exploited by domestic groups and individuals rather than by transnational cartels. The trade in stolen automobiles, many originating in the United States, continues to be a concern.

Most financial transactions, including currency exchanges and remittances, are unregulated and vulnerable to money laundering. There is no indication money laundering activity in Sierra Leone is tied to the financing of terrorism. After making limited progress in this area in 2014, Sierra Leone shifted its attention and resources in 2015 almost entirely to ending the Ebola outbreak. As a result, the country's AML/CFT controls remain underdeveloped and underfunded.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks; financial leasing firms; money and currency exchanges; credit card, traveler's check, and other financial instrument dealers; investment companies; insurance, merchant, and investment banks; and securities and commodities dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 15: January - October, 2015
Number of CTRs received and time frame: 92,757: January - September, 2015
STR covered entities: Banks; financial leasing firms; money and currency exchanges; credit card, traveler's check, and other financial instrument dealers; investment companies; insurance, merchant, and investment banks; and securities and commodities dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1: January - October, 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Sierra Leone is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.giaba.org/reports/mutual-evaluation/Sierra%20Leone.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Sierra Leone made progress in 2014, when the government began work on a national AML/CFT risk assessment. However, the Ebola outbreak in 2014 caused a major shift in the government's attention, priorities, and resources. This has impeded progress on AML/CFT efforts, as it has affected virtually all government initiatives, with new competition for already scarce resources and a complete stop to field activities for the national risk assessment. Despite the significant challenges presented by the Ebola outbreak, Sierra Leone has made some additional progress. The Parliament has enacted regulations for the implementation of UNSCRs 1267 and 1373, through the Terrorism Prevention Regulation 2013, passed late in 2014.

In 2015, Sierra Leone dedicated additional resources to the Financial Intelligence Unit (FIU), notwithstanding the Ebola crisis. The FIU anticipates completing its national risk assessment by July 2016 and expects the government will then adopt a comprehensive national strategy addressing AML/CFT issues. The FIU has taken some steps to ensure that financial institutions are in compliance with AML/CFT laws, including through onsite examinations of some commercial banks. The government has also described plans to introduce AML/CFT requirements for some designated non-financial businesses and professions (DNFBPs). However, the FIU still lacks adequate staff and resources, with only 28 employees. While Sierra Leone's Directorate of Public Prosecution has given FIU personnel increased authority to prosecute certain crimes, the FIU cannot meaningfully act on that authority because its legal staff consists of only one attorney.

The country's Transnational Organized Crime Unit (TOCU) is now fully operational with 53 officers from 12 law enforcement agencies, and has investigated 84 criminal cases, resulting in the prosecution of 59 individuals for involvement in organized crime. In September 2015, Sierra Leone's Ministry of Internal Affairs broke ground on the construction of the TOCU's new headquarters building. The TOCU is authorized to undertake complete investigations and effect arrests, but general policing capacity, available technical and physical resources, and understanding of the use of financial investigations and intelligence remain low.

There is a low rate of compliance throughout the financial sector, particularly among the commercial banks headquartered in Nigeria. As it drafts a national action plan for AML/CFT issues, the FIU is considering ways to require financial institutions to identify and monitor politically exposed persons (PEPs) and to more effectively identify suspicious transactions. By relaxing its registration requirements for informal money changers, the Bank of Sierra Leone has effectively encouraged those entities to invite new regulatory oversight, which has strengthened the regulation of foreign currency transactions.

The Sierra Leone Police, National Revenue Authority, and Anti-Corruption Commission have very limited abilities to investigate money laundering crimes. The Attorney General's Office has limited investigative and arrest powers. The lack of expertise also impedes the investigation of possible abuses related to informal and unregulated financial activities, such as hawala networks, and possible ties between money laundering in Sierra Leone and Lebanese traders. Corruption is a related concern.

Sierra Leone should adopt additional AML/CFT laws and regulations to fill gaps in the current regulatory scheme, and should take steps to strengthen AML/CFT enforcement. The country should complete its national risk assessment and adopt a national AML/CFT action plan as soon as possible. As part of that plan, Sierra Leone should bolster its efforts to counter smuggling, tighten border controls, and adequately supervise those sectors most vulnerable to money laundering. The government should also fully operationalize the FIU and provide additional training for its staff. It should institute effective supervision of both DNFBPs and non-profit organizations; work to ensure foreign exchange dealers implement customer due diligence measures and comply with record-keeping requirements; and criminalize the financing of terrorism for any purpose, i.e., regardless of a link to the planning or commission of a terrorist act.

Singapore

Singapore's openness as an international financial, investment, and transport hub exposes it to money laundering and terrorist financing risks. The country's position as the most stable and prominent financial center in South East Asia, coupled with a regional history of transnational organized crime, large-scale corruption in neighboring states, and a range of other predicate offenses in those states increase the risk that Singapore will be viewed as an attractive destination for criminals to launder their criminal proceeds. Limited large currency reporting requirements and the size and growth of Singapore's private banking and asset management sectors also pose inherent risks. Among the types of illicit activity noted in the region are fund flows associated with illegal activity in Australia that transit Singapore financial service providers for other parts of Asia.

As of November 17, 2015, there were 37 offshore banks in operation, all foreign-owned. Singapore is a major center for offshore private banking and asset management. Assets under management in Singapore total approximately SGD 2.4 trillion (approximately $1.89 trillion) in 2014. As of the end of 2014, Singapore had at least SGD 1.94 trillion (approximately $1.53 trillion) in foreign funds under management. Singapore does not permit shell banks or anonymous accounts.

There are two casinos in Singapore with estimated combined annual revenue of $4.83 billion in 2014. Online gaming is illegal. Casinos are regulated by the Casino Regulatory Authority. Given the scale of the financial flows associated with the casinos, there are concerns that casinos could be targeted for money laundering purposes.

Singapore exempted the processing of gold and other precious metals from its Goods and Services Tax to attract a larger share of the trade in precious metals. Regionally, gold is often used as a commodity of choice in trade-based money laundering (TBML) schemes and is also

used frequently in the settling of accounts in underground financial systems. Singapore is located on a key global trade route and is a major transshipment port. Singapore hosts ten free trade zones which may be used for storage, repackaging of import and export cargo, assembly, and other manufacturing activities approved by the Director General of Customs, in conjunction with the Ministry of Finance. Singaporean authorities recognize the vulnerability of these areas to trade fraud and TBML.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, finance companies, merchant banks, life insurers, brokers, securities dealers, investment advisors, futures brokers and advisors, trust companies, approved trustees, and money changers and remitters

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 29,082 in 2014
Number of CTRs received and time frame: 385,496 in 2014
STR covered entities: Banks, auditors, financial advisors, capital market service licensees, finance companies, lawyers, notaries, merchant banks, life insurers, trust companies, approved trustees, real estate agents, and money changers and remitters

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 111 in 2014
Convictions: 89 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Singapore is a member of the FATF and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.fatf-gafi.org/documents/documents/mutualevaluationofsingapore.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Currency transaction reporting (CTRs) only pertains to casinos and to gem and precious metals dealers. There currently is no comprehensive requirement for mandatory reporting of all currency transactions above a certain threshold amount for all types of financial institutions or designated non-financial businesses and professions (DNFBPs), which limits the ability to track significant financial movements.

In 2015, the Monetary Authority of Singapore announced that, between April 2013 and March 2014, it conducted 83 AML/CFT inspections, issued nine supervisory warnings and reprimands, restricted the operations of six financial institutions, and revoked the licenses of two remittance agents. It also fined five financial institutions for breaches of AML/CFT requirements.

The extradition treaty between the United States and Singapore is an old style "list" treaty that enumerates the specific offenses for which the parties have agreed to extradite. The major deficiency with the treaty is that the list of offenses is woefully out of date and does not cover money laundering. Singapore has denied multiple extraditions to the United States for prosecution on money laundering offenses due to the lack of treaty coverage and Singapore has shown no interest in engaging in discussions to modernize the extradition treaty.

All mutual legal assistance granted by Singapore is based upon Singapore's domestic legal assistance statute, entitled the Mutual Assistance in Criminal Matters Act (MACMA). Singapore strictly applies the provisions of this domestic law, regardless of whether a foreign request for assistance is made pursuant to a bilateral treaty or a multilateral convention. Mutual legal assistance treaties (and extradition treaties) are not self-executing in Singapore, and therefore have no effect under Singapore law, other than to the extent the treaties are implemented by specific domestic laws. Singapore authorities interpret the MACMA very strictly, complicating the provision of assistance. Despite the stringent requirements and procedures, Singapore does provide mutual legal assistance, including in money laundering cases.

Singapore's large, stable, and sophisticated financial center may be attractive as a conduit for laundering proceeds generated by foreign criminal activities, including official corruption. The Suspicious Transaction Reporting Office and criminal investigators are encouraged to identify money laundering that originates from foreign predicate offenses and use stand-alone money laundering charges to prosecute foreign offenders in Singapore. Given that some of Singapore's more vulnerable sectors include those that are cash-intensive, Singapore also should consider the adoption of CTR reporting for all types of financial institutions and DNFBPs.

Sint Maarten

Sint Maarten is an autonomous entity within the Kingdom of the Netherlands. Sint Maarten enjoys sovereignty on most internal matters and defers to the Kingdom of the Netherlands in matters of defense, foreign policy, final judicial review, human rights, and good governance. Money laundering is primarily related to proceeds from illegal narcotics trafficking. Bulk cash smuggling and trade-based money laundering may be problems due to the close proximity to other Caribbean islands and Saint Martin, the French part of the shared island, which is also a free trade zone. Sint Maarten does not have an offshore banking industry. Many hotels operate casinos on the island, and online gaming is legal and subject to supervision.

Sint Maarten's favorable investment climate and rapid economic growth over the last few decades have drawn wealthy investors to the island. Many invested money in large scale real estate developments, including hotels and casinos. In Sint Maarten, money laundering of criminal profits occurs through business investments, purchases of real estate, and international tax shelters. Its weak government sector continues to be vulnerable to integrity-related crimes.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, lawyers, insurance companies, casinos, customs, money remitters, the Central Bank, trust companies, accountants, car dealers, administrative offices, Tax Office, jewelers, credit unions, real estate businesses, notaries, currency exchange offices, and stock exchange brokers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 4,267: January – July, 2015
Number of CTRs received and time frame: Not available
STR covered entities: Banks, lawyers, insurance companies, casinos, customs, money remitters, the Central Bank, trust companies, accountants, car dealers, administrative offices, Tax Office, jewelers, credit unions, real estate businesses, notaries, currency exchange offices, and stock exchange brokers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 2 in 2015
Convictions: 4 in 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Sint Maarten is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluation-reports/sint-maarten-1

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Sint Maarten's new Penal Code, which went into effect on June 1, better regulates crimes such as terrorism financing and money laundering, with the requisite penalties.

The National Ordinance Reporting Unusual Transactions establishes an "unusual transaction" reporting system. Designated entities are required to file unusual transaction reports (UTRs) with the financial intelligence unit (FIU) on any transaction that appears unusual (applying a broader standard than "suspicious") or when there is reason to believe a transaction is connected with money laundering or terrorism financing. If, after analysis of an unusual transaction, a strong suspicion of money laundering or terrorism financing arises, those suspicious transactions are reported to the public prosecutor's office.

In 2014, an independent auditor, commissioned by the Governor of Sint Maarten, released a report on the integrity architecture of the government. According to the report, Sint Maarten currently faces a substantial shortcoming in accountability that is largely attributable to a lack of enforcement across a full spectrum of integrity-related laws, policies, and procedures.
In July, Sint Maarten's FIU reported that hundreds of unusual financial transactions investigations are backlogged at the Sint Maarten Public Prosecutor's Office. Approximately 1,138 reports totaling $243 million have not been investigated.

The harbor of Sint Maarten is well known for its cruise terminal, one of the largest on the Caribbean islands. The local container facility plays an important role in the region. Larger container ships dock their containers in Sint Maarten where they are picked up by regional feeders to supply the smaller islands surrounding Sint Maarten. Customs and law enforcement authorities should be alert for regional smuggling and trade-based money laundering and value transfer schemes.

In March, 2015 a judge of the Court of First Instance convicted a brothel owner who is a former member of Parliament, the club's manager, and a companion on charges of money laundering, tax evasion, bribery, and trafficking in persons.

Sint Maarten has a tax information sharing network with 88 jurisdictions. In 2015, Sint Maarten made some improvements to its legal framework, which now ensures the availability, access, and exchange of information. However, there is a noted lack of oversight and enforcement of this legal framework. In practice, there is also limited use of compulsory powers.

The Mutual Legal Assistance Treaty between the Kingdom of the Netherlands and the United States extends to Sint Maarten. As part of the Kingdom of the Netherlands, Sint Maarten cannot sign or ratify international conventions in its own right. Rather, the Kingdom may arrange for the ratification of any convention to be extended to Sint Maarten. The 1988 Drug Convention was extended to Sint Maarten in 1999. In 2010, the UN Convention against Transnational Organized Crime was extended to Sint Maarten, and the International Convention for the Suppression of the Financing of Terrorism was extended to the Netherlands Antilles, and as successor, to Sint Maarten. The UN Convention against Corruption has not yet been extended to Sint Maarten.

Slovak Republic

Criminal activity in the Slovak Republic (Slovakia) is characterized by a moderate to high level of domestic and foreign organized crime, mainly originating from eastern and southeastern Europe. Slovakia is a transit and destination country for counterfeit and smuggled goods, auto theft, value-added tax (VAT) fraud, and trafficking in persons, weapons, and illegal drugs. Many of the same organized crime groups are involved in laundering funds raised from these criminal activities.

The Slovak Ministry of Interior's Financial Intelligence Unit (FIU) has identified unusual transactions suspected of perpetrating tax fraud and evasion. A common tactic is the use of shell companies to execute complex commercial transactions through a system of "carousel trading" and, ultimately, to claim either unauthorized VAT refunds or evade tax payments. The FIU also has registered increased unusual transactions suspected of disguising illicit funds in bank accounts registered to Hungarian and Chinese citizens and business entities.

Trade-based money laundering and possible terrorist financing are concerns. There are no indications that significant funds generated by public corruption are being laundered or used to finance terrorist activities. Slovakia has no offshore or free trade zones. Slovak authorities see the transfer of undeclared cash across borders as a possible money laundering vulnerability. Alternative remittance systems are not known to be widely used in Slovakia.

The FIU also has noted increased incidences of online consumer fraud, including phishing and pharming attempts. Perpetrators of online consumer fraud frequently target those interested in purchasing automobiles, industrial equipment, mobile phones, or employment assistance. Perpetrators request the prepayment of a deposit and do not provide delivery of goods or services. Investigations have revealed victims transferred funds to bank accounts often controlled by Romanian citizens. Coordinated phishing attacks to gain illegal access to bank accounts have targeted account owners located in smaller Slovak villages.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, the Export-Import Bank of the Slovak Republic, credit institutions, insurance companies, pension asset management companies, foreign currency exchanges, gaming operators, bankruptcy administrators, accountants, tax advisors, postal operators, real estate agents and intermediaries, foundations, non-profit organizations

(NPOs), non-investment funds, and other special corporations managing and distributing funds

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 3,928 in 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, the Export-Import Bank of the Slovak Republic, credit institutions, insurance companies, pension asset management companies, foreign currency exchanges, gaming operators, bankruptcy administrators, accountants, tax advisors, postal operators, real estate agents and intermediaries, foundations, NPOs, non-investment funds, and other special corporations managing and distributing funds

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 65 in 2014
Convictions: 23 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

The Slovak Republic is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at: www.coe.int/t/dghl/monitoring/moneyval/Countries/Slovakia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

To improve and expedite information sharing between the Ministry of Interior's FIU and Slovak banks, the FIU and Slovak banks have begun negotiations on a formal agreement to establish a common electronic register to share information electronically. To further expand international cooperation, the FIU is negotiating memoranda of understanding with other FIUs.

In 2015, investigators uncovered a scheme where fraudsters imported tens of thousands of liters of mineral oil from Poland and sold it as diesel fuel at petrol stations throughout Slovakia with the loss of tax revenue amounting to almost two million euros (approximately $2.2 million).

Slovenia

Slovenia is not a major drug producer, but it is a transit country for drugs moving via the Balkan route to Western Europe. The Government of Slovenia is aware that Slovenia's geographic position makes it an attractive potential transit country for drug smugglers, and it continues to pursue active counter-narcotics policies. Other predicate offenses of concern include business and tax fraud. In 2015, there were continuing efforts to continue with the privatization process.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, savings banks, money remitters, and providers of payment services; post office; investment companies, brokerage companies, and managers of pension and investment funds; insurance companies and intermediaries; electronic money services and currency exchanges; auditing firms; gaming entities and games of chance via the internet or other telecommunications services; pawn shops; providers of credit, loans, mortgages, safekeeping, and factoring; financial leasing entities; accounting and tax services; companies trading in precious metals and stones and works of art; auctioneers; real estate intermediaries; trust and company service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 423: January 1 – November 1, 2015
Number of CTRs received and time frame: 11,096: January 1 – November 1, 2015
STR covered entities: Banks, savings banks, money remitters, and providers of payment services; post office; investment companies, brokerage companies, and managers of pension and investment funds; insurance companies and intermediaries; electronic money services and currency exchanges; auditing firms; gaming entities and games of chance via the internet or other telecommunications services; pawn shops; providers of credit, loans, mortgages, safekeeping, and factoring; financial leasing entities; accounting and tax services; companies trading in precious metals and stones and works of art; auctioneers; real estate intermediaries; trust and company service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 15: January 1 – November 1, 2015
Convictions: 5: January 1 – November 1, 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Slovenia is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:
http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Slovenia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

There are no major deficiencies in Slovenia's key AML/CFT preventative standards. Weak supervision and lack of guidance to certain non-banking sectors could have an impact on the effectiveness of the AML/CFT regime.

The Government of Slovenia has systems and procedures in place to facilitate both national and international cooperation. Banks have automatic name checks and the Office of Money Laundering Prevention, Slovenia's financial intelligence unit, checks the names against global blacklists provided by the Central Bank.

In 2014, The National Assembly amended the Prevention of Money Laundering and Terrorism Financing Act to decrease the cap on cash transactions to EUR 5,000 (approximately $5,500) from EUR 15,000 (approximately $16,500). As a result, it is only possible to pay for goods and services above that amount through licensed credit and financial institutions.

Slovenia adheres to all Schengen border control requirements. In Slovenia, law enforcement can only confiscate funds or seize assets related to money laundering under criminal law.

Slovenia should ensure all pertinent non-financial entities are aware of their AML/CFT responsibilities and are adequately supervised. Slovenia should consider the adoption of a non-conviction-based asset forfeiture program.

Solomon Islands

Solomon Islands is not considered a major financial center. It has a relatively stable banking system closely integrated with the financial systems of Australia and New Zealand. In general, the risk of money laundering and terrorism financing in the Solomon Islands is very low given the country's isolated geographic location and very small community, which preclude anonymity. Corruption and fraud by government employees continues to be the main source of illegal proceeds. Smuggling, environmental crimes, and the proliferation of counterfeit goods also are problems in the country. Historically, money laundering is often associated with fraud, illegal logging and fishing, and robbery. Foreign destinations for the laundered proceeds include China, Australia, Malaysia, and Singapore. The SIFIU suspects Asian logging vessels (particularly Malaysian) bring counterfeit currency into the Solomon Islands to finance forestry operations. Customs fraud and tax evasion are also common.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Are legal persons covered: ***criminally:*** YES ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, credit institutions, credit unions, insurance and securities companies, casinos, and bullion dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, credit institutions, bullion dealers, credit unions, casinos, and insurance companies and intermediaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014
Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Solomon Islands is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF style regional body. Its most recent mutual evaluation can be found at: http://www.apgml.org/documents/search-results.aspx?keywords=Solomon+Islands

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

High level corruption remains a serious problem in the Solomon Islands and one that constitutes a high priority for the government. The SIFIU lacks capacity and continues to be understaffed, and the Royal Solomon Islands Police Force does not have the expertise and personnel to investigate sophisticated financial crimes. There has been only one successful conviction for money laundering, and no incidents of terrorism financing. The government also lacks the ability to freeze terrorist assets in accordance with UNSCRs 1267 and 1373.

The Solomon Islands should continue to develop its AML/CFT programs and procedures. The government should develop and implement a comprehensive system for the declaration or disclosure of the cross-border transportation of cash. Currently, a declarations system is in place only for passengers traveling by air. This system should be extended to passengers traveling by sea, and applied to postal cargo as well. The Solomon Islands should become a party to the UN Convention against Transnational Organized Crime and the 1988 UN Drug Convention.

Somalia

In 2013, Somalia and the international community endorsed a New Deal Compact that outlines peace and state-building goals aimed at helping Somalia become more accountable to the people of Somalia in instituting political, financial, health, and security reforms. In 2015, the Federal Government of Somalia committed itself to a slate of reforms, including improving fiscal transparency and budgeting processes. To improve fiscal transparency and build a nascent

banking sector, the Central Bank of Somalia implemented reforms, including granting interim licenses to six banks and nine money transfer organizations, installing a Treasury Single Account, and developing internal procedures for banking supervision, including on and off site inspections.

Somalia's financial system is informal, operating mostly outside of government oversight, either via the black market or unsupervised money remittance firms (hawaladars). An estimated $1.3 billion in remittances is sent to Somalia every year, primarily by the Somali diaspora that fled the country during two decades of conflict. That amount is roughly one quarter of Somalia's gross domestic product, eclipsing all international aid to the country (projected at about $1 billion in 2015). Most remittances are routed through financial centers in the Gulf. The World Bank estimates 40 percent of all Somalis depend on remittances for their basic needs.

With its long land borders and extensive coastline, the smuggling of currency and goods into and out of Somalia remains common, due mainly to customs and border security officials' lack of capacity to control points of entry. The UN Security Council reports piracy has declined significantly, with no large commercial vessels hijacked or held for ransom by Somali pirates in the last two years, resulting in a decrease of ransom payments.

Corruption is endemic, providing opportunities for rampant money laundering. For example, media and advocacy groups have reported that some government officials in Somalia's Jubbaland benefited from illegal charcoal exports and possibly helped to transfer profits to foreign destinations.

The African Union Mission in Somalia (AMISOM) and the Somali National Army (SNA) made progress clearing al-Shabaab from areas of south central Somalia. However, al-Shabaab continues to threaten Somalia and the region and raises funds through multiple sources, including public taxation and extortion of local businesses and private citizens in areas controlled by al-Shabaab; donations from Somali and non-Somali sympathizers, both inside Somalia and abroad; kidnapping for ransom; and sharing in the illicit charcoal and sugar trade in southern Somalia. Al-Shabaab also taxes charcoal production before the bags reach ports for export, and it has a stake in the market value of the cargo when it reaches its destinations in the Middle East. Al-Shabaab's revenues from the charcoal trade are declining, according to a UN report, increasing the group's focus on other revenue-generating activities. Despite the existing UN ban on the export of charcoal from Somalia, in its 2014 report, the UN Somalia and Eritrea Monitoring Group estimates al-Shabaab received an estimated $7.5 – 15 million in revenue from checkpoints on illegal charcoal exports. Al-Shabaab moves some funds via cash couriers, but a significant portion reportedly passes through hawala networks and other money or value transfer services.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: Not applicable
Are legal persons covered: ***criminally:*** Not applicable ***civilly:*** Not applicable

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: None

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not applicable
Number of CTRs received and time frame: Not applicable
STR covered entities: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0
Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO
With other governments/jurisdictions: NO

Somalia is a not a member of a FATF-style regional body (FSRB).

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While Somalia continues to stabilize politically, government institutions are weak and state capacity is severely constrained.

In December 2015, Somalia's parliament passed key AML/CFT legislation, an important step in establishing a functioning, regulated, and supervised financial system in Somalia. As of yearend 2015, this legislation is not yet signed into law. Somalia maintains very limited investigative and enforcement capacity related to predicate crimes. Somalia's penal code, based on the 1930 Italian penal code, does not include any provisions or penalties addressing money laundering or terrorist financing. This deficiency should be rectified once the new legislation becomes law. The key obstacles to implementing Somalia's new AML/CFT law include the federal government's limited control over parts of southern and central Somalia beyond Mogadishu; a lack of legal and financial expertise among Somalia's central bankers and Finance Ministry technocrats; pressing security threats to the government, including from al-Shabaab; a lack of capacity at all levels of government; and insufficient enforcement, policing, and investigative capacity. The Central Bank of Somalia is receiving technical assistance on the risk-based approach to supervision.

Somalia lacks a formal financial sector, with the exception of interim commercial banks. Somalia has no fully functioning government regulatory/supervisory agencies to oversee its financial sector, thereby allowing money transmitters and hawaladars to operate without any customer due diligence or suspicious transaction reporting requirements. Somalia imposes no financial record-keeping requirements. To the extent that international standards are applied in Somalia, they are self-imposed by money transmitters, hawaladars, and other businesses that

must abide by those standards to do business elsewhere in the world. Most money remittance companies, for example, use commercial software which flags possible name matches between customers and the individuals and entities on the UNSCR 1267 Sanctions Committee's consolidated list. Merchant's Bank in California, one of the largest banks to service Somali money transmitters in the United States, discontinued service in 2015.

Since the collapse of the state in 1991, Somalis have relied primarily on customary and sharia legal systems to adjudicate disputes. A legal system with both civilian and military courts nominally operates under the federal government, but existing laws are difficult to enforce, given the weak capacity of judicial and law enforcement institutions and general instability.

In theory, the police reportedly are responsible for investigating financial crimes. The police lack the capacity, including financial, technical, and human resources, to investigate suspected money laundering and/or terrorism financing. No government entity is charged with, or capable of, tracking, seizing, or freezing either the proceeds of crime or terrorist assets. Somalia has no laws requiring forfeiture of the proceeds of crime or terrorist assets. The federal government has called on interim regional governments to help stem the flow of terrorism financing, including requesting local governments to trace, freeze, and seize funds believed to be related to al-Shabaab financing.

During 2015, the government made public commitments and took limited steps to improve transparency in its public financial management to reduce endemic corruption. The government increased cooperation with the Financial Governance Committee, a body mandated to review concession and public procurement contracts at or above a value of $5 million. The Ministry of Finance has increased its cooperation with the international donor community to implement public financial management reforms.

Somalia has observer status to the Middle East and North Africa Financial Action Task Force, a FSRB. Although Somalia is not a party to either the UN Convention against Transnational Organized Crime or the UN Convention against Corruption, Somalia has cooperated with foreign law enforcement on investigations concerning suspected terrorists, kidnapping, and piracy and terrorist attacks committed both inside and outside Somalia. Somalia has no mechanisms in place under which to share information related to financial crimes, money laundering, and terrorism financing with other countries but has indicated an interest in collaboration. Somalia does not have a bilateral treaty with the United States concerning extradition.

Somalia should combat corruption, enhance its ability to cooperate with international partners, and take all necessary steps to become a member of an appropriate FSRB. As an urgent matter, Somalia should criminalize both money laundering and terrorism financing and sign into law the AML/CFT law passed by the Parliament. The government should work toward equipping its law enforcement and judicial authorities with the resources and capacity – staffing, budget, and training – to investigate and prosecute financial crimes. Although the government has significantly increased the amount of revenue it collects, it lacks resources necessary to effectively improve government capacity and will continue to rely heavily on donors.

South Africa

South Africa's position as the major financial center in the region, its sophisticated banking and financial sector, and its large, cash-based market may make it a target for transnational and domestic crime syndicates. The proceeds of the narcotics trade constitute the largest source of laundered funds in the country. Fraud (advance fee scams, beneficiary maintenance fraud, and deposit refund scams), theft, racketeering, corruption, currency speculation, credit card skimming, wildlife poaching, theft of precious metals and minerals, human trafficking, stolen cars, and the smuggling of goods are also sources of laundered funds. Many criminal organizations also are involved in legitimate business operations. In addition to criminal activity by South African nationals, observers note criminal activity by Nigerian, Pakistani, Andean, and Indian drug traffickers; Chinese triads; Taiwanese groups; Bulgarian credit card skimmers; Lebanese trading syndicates; and the Russian mafia. Some foreign nationals are using South African nationals, mostly women, to help them send money obtained from illegal activities out of the country. Investment clubs, known as *stokvels*, have been used as cover for pyramid schemes. In some instances, nominee structures have been exploited by criminals who intend to launder illicit funds by mixing those funds with legitimate assets held on someone else's behalf. There is a significant black market for smuggled and stolen goods.

Legislation in 2014 allows the establishment of "Special Economic Zones." The types of permissible zones include: "Industrial Development Zones (IDZs)," purpose-built industrial estates that leverage domestic and foreign fixed direct investment in value-added and export-oriented manufacturing industries and services; "Free Ports," duty free areas adjacent to a port of entry where imported goods may be unloaded for value-adding activities; "Free Trade Zones," duty free areas offering storage and distribution facilities for value-adding activities; and "Sector Development Zones," zones focused on the development of a specific sector or industry through the facilitation of general or specific industrial infrastructure, incentives, and technical and business services primarily for the export market. Currently, South Africa operates IDZs. Imports related to manufacturing or processing in the zones are duty free, provided the finished product is exported. IDZs are located in Port Elizabeth, East London, Richards Bay, Saldanha Bay, Durban Dube trade port, and Johannesburg International Airport. The South African Revenue Service implements customs controls for these zones. Other new Special Economic Zones are under development.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Banks, credit institutions, post office banks, foreign exchange dealers, securities traders and brokers, entities that issue traveler's checks, real estate agents, gaming institutions, gold dealers, attorneys, used car dealers, and money lenders

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 267,398: April 1, 2014 - March 31, 2015
Number of CTRs received and time frame: 6.7 million: April 1, 2014 - March 31, 2015
STR covered entities: Banks, credit institutions, post office banks, foreign exchange dealers, securities traders and brokers, entities that issue traveler's checks, real estate agents, gaming institutions, gold dealers, attorneys, used car dealers, and money lenders

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

South Africa is a member of the FATF and the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.fatf-gafi.org/publications/mutualevaluations/?hf=10&b=0&r=%2Bf%2Ffatf_country_en%2Fsouth+africa&s=desc%28fatf_releasedate%29

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

South Africa's AML/CFT regime represents a solid legal and regulatory framework for countering illicit finance. The Financial Intelligence Centre (FIC), South Africa's financial intelligence unit, continues to work to enhance its effectiveness. A long-pending bill to amend the FIC Act was approved by the Cabinet in April 2015. It was then introduced and debated in Parliament in November. The intent of the amendments is to require stronger customer due diligence procedures, establish a legal framework for applying and administering UNSCR financial sanctions, and move South Africa toward a risk-based approach (RBA).

During 2014/15, the FIC supported the preservation, forfeiture, or confiscation of assets valued at R2.3 billion (approximately $147 million), up from R412 million (approximately $26.2 million) in 2013/14. South Africa provides technical assistance to other countries in the region in the areas of FIU analytical capability and asset forfeiture and confiscation.

While money laundering is a specific offense under the South African penal code, it is not often charged as a stand-alone offense. Instead, prosecutors typically include money laundering as a secondary charge in conjunction with predicate offenses. Accordingly, the government does not generally keep separate statistics for money laundering-related prosecutions, convictions, or forfeited assets.

South Africa should continue to implement its initiatives to promote financial inclusion and should adopt the bill to establish a RBA program. South Africa should continue to develop

cooperation among the National Prosecuting Authority, the South African Police Service, and the FIC. The government also should work to improve its law enforcement, customs, border security, and prosecutorial capacity and ensure the relevant AML/CFT authorities generate and report statistics in line with international standards. Officials should investigate underground and informal financial systems.

South Sudan

South Sudan borders a number of jurisdictions in various states of conflict or lacking strong authorities. South Sudan continues to deal with an intra-party conflict amongst political elites, which broke out in December 2013, and developed into an internal civil war. Although the government and diverse opposition forces concluded a peace agreement in August 2015, fighting has continued in various parts of the country. The effects of the conflict on the economy will be evident for some time.

While the Republic of South Sudan had begun to develop prior to the outbreak of civil conflict, much remains to be accomplished in this fledgling state. The country has a cash-based economy, with a small, poorly developed financial system. Corruption and the flow of illicit funds; the offshoring of assets by elites; large-scale abuse and mismanagement of the extractives industry, particularly oil; financial and trade-based fraud; the convergence of licit and illicit systems; disguised beneficial ownership; and regulatory evasion have all combined to create a kleptocratic governing system. Lacking an AML/CFT regime and possessing long, porous borders, South Sudan is vulnerable to exploitation by criminals of every type, including those seeking overland routes for bulk cash smuggling, those financing terrorist activities, and those wishing to perpetrate other forms of financial crime. Reports of money laundering by Somali nationals through foreign exchange bureaus in South Sudan are persistent, though unconfirmed.

The UN, EU, and United States have imposed travel restrictions and asset freezes against six members of the government and former opposition militaries for actions that were found to undermine the peace, stability, or security of South Sudan or threaten or impede the cessation of hostilities.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Are legal persons covered: ***criminally:*** YES ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO

KYC covered entities: Banks; cash dealers; accountants; dealers in precious metals and stones; regulators; customs officers; attorneys, notaries, and other independent legal professionals; and real estate agents

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks; cash dealers; accountants, real estate agents; dealers in precious metals and stones; regulators; customs officers; attorneys, notaries, and other independent legal professionals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014
Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO
With other governments/jurisdictions: NO

South Sudan is not a member of a FATF-style regional body (FSRB).

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

South Sudan does not yet have sufficient laws, regulations, or enforcement capacity in place to address financial crime. Although the Republic of South Sudan criminalized money laundering in March 2012, no enabling regulations or steps toward implementation have been put in place. The 2012 law contains suspicious transaction reporting (STR) and KYC provisions; however, no such programs have been implemented. South Sudan's work to address capacity issues generally, including anti-corruption initiatives, has largely ceased due to donor pull-back related to the conflict. Money laundering and terrorism financing, which had only recently been part of the government's agenda, have not moved forward. On January 23, 2015, the Government of South Sudan became a party to the United Nations Convention against Corruption.

Despite the criminalization of money laundering, no dedicated law enforcement mechanisms exist with sufficient capacity and the will to combat financial crime in general. A segment of the South Sudanese security forces has been tentatively identified to investigate financial crimes, but lacks staff and training in financial investigations and law enforcement procedures. The judiciary is significantly understaffed and continues to transition, adopting a common law system and harmonizing its legal system with customary law. There are no courts or prosecutors currently assigned to work specifically on financial crimes.

The South Sudan Anti-Corruption Commission (SSACC), which is an autonomous and impartial body, has a mandate to investigate cases of corruption with a view to protecting public property and combating administrative malpractices in public institutions. However, the SSACC lacks capacity and the resources to conduct investigations and does not have authority to prosecute misconduct.

In December 2015, the Bank of South Sudan unpegged the South Sudanese pound from the dollar and allowed it to float. While this decision closed the gap between the official and parallel exchange rates, it did not eliminate it, and continuing foreign exchange shortages mean that access to foreign currency for the typical small business operator is primarily through the black market at the parallel market exchange rate, which in turn translates to the prices of imported goods being based on that rate. Similarly, the majority of the population requiring foreign currency must resort to the black market. The owners and management of banks and forex bureaus have benefitted from the parallel market. Reportedly, government officials are the biggest beneficiaries of this inefficient system.

The majority of the available foreign currency has been allocated by the government to selected private sector importers to operate under Letters of Credit by which the companies are allowed to purchase foreign currency for their planned import of essential goods (mainly fuel, food, and medication). A not-yet-published report by the National Audit Chamber on the Letters of Credit system examined the period of time from 2012 – 2015 and revealed widespread fraud, corruption, and abuse. The audit concludes that nearly $1 billion may have been scammed, the result of a system easy to manipulate, suffering from weak oversight, and lacking administrative coordination and discipline.

The Government of South Sudan should solicit AML/CFT-related technical assistance from international donors, subject itself to a mutual evaluation, and seek membership in an FSRB. The culture of corruption that permeates all levels of commerce and government should be addressed.

Spain

Spain is proactive in identifying, assessing, and understanding its money laundering risks and works to mitigate these risks. Spain is a trans-shipment point for cross-border illicit flows of drugs entering Europe from North Africa and Central and South America. The most prominent means of laundering money are through the purchase and sale of real estate, the use of complex networks of companies and legal arrangements, the exploitation of money or value transfer services, and the use of cash couriers.

The major sources of criminal proceeds are related to drug trafficking, organized crime, customs fraud, human trafficking, counterfeit goods, and financial support for terrorism. Illicit proceeds continue to be invested in real estate in the once-booming coastal areas in the south and east of the country, but criminal groups also place money in other sectors, including services, communications, automobiles, art work, and the financial sector.

Moroccan hashish and Latin American cocaine enter the country and are distributed and sold throughout Europe, with the resulting proceeds often returned to Spain. Passengers traveling from Spain to Latin America reportedly smuggle sizeable sums of bulk cash. Informal money transfer services also facilitate cash transfers between Spain and Latin America, particularly Colombia. Law enforcement authorities continue to cite an emerging trend in drugs and drug proceeds entering Spain from newer EU member states with less robust law enforcement capabilities.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks; mutual savings associations; credit companies; insurance companies; financial advisers; brokerage and securities firms; pension fund managers; collective investment schemes; postal services; currency exchange outlets; money exchangers or transmitters; realty agents; dealers in precious metals, stones, antiques, and art; legal advisors and lawyers; accountants; auditors; notaries; and casinos

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 4,637 in 2014
Number of CTRs received and time frame: 1,503,662 in 2014
STR covered entities: Banks, professional money changers, credit intermediaries, payment systems and managers, and lending firms; life insurance entities and insurance companies that provide investment services; securities and investment service companies, collective investment, pension fund, and risk capital managers; mutual guarantee companies; postal wire services; real estate brokers, agents, and developers; auditors, accountants, and tax advisors; notaries and registrars of commercial and personal property; lawyers, attorneys, or other independent professionals when acting on behalf of clients in financial or real estate transactions; company formation and business agents; trustees; casinos, gaming, and lottery enterprises; dealers of jewelry, precious stones and metals, art, and antiques; safekeeping or guaranty services; and foundations and associations

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 64 in 2014
Convictions: 186 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Spain is a member of the FATF. Its most recent mutual evaluation can be found at: http://www.fatf-gafi.org/countries/s-t/spain/documents/mer-spain-2014.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Spain has long combated both domestic and foreign terrorist organizations, and Spanish law enforcement entities have identified various threat finance vulnerabilities, including donations to finance nonprofit organizations; establishment of publishing companies that print and distribute books or periodicals for propaganda purposes; fraudulent tax and financial assistance collections; the establishment of "cultural associations;" and alternative remittance system transfers. Other outlets such as small convenience stores and communication centers often act as money service businesses (MSBs), offering wire transfer services and moving money in and out of Spain by making small international transfers for members of immigrant groups. Spanish regulators also note the presence of hawala networks in the Muslim community. While AML/CFT supervision of banks appears to be robust, significant gaps regarding the identification of unlicensed operators, and the supervision of money or value transfer services operating under EU passport rules remain.

All offenses punishable by more than three months imprisonment are predicate offenses for ML. A stand-alone terrorist financing offense was added to Spain's Penal Code in 2010 which enables terrorist financing activity to be pursued separate from any other collaboration, involvement or membership in a terrorist organization. As of 2014, no convictions have been obtained under this offense, but prosecutions are underway. The level of sanctions is standard with international norms, but in practice, prison sentences being levied against terrorist financiers are low.

In 2015, Spanish police, working with Europol, dismantled a large organized Chinese money laundering network which laundered approximately $337 million in the past six years, mostly in countries in southern Europe. The Chinese group imported counterfeit products into the EU using fake documents and sold the goods without declaring excise taxes. The group also owned several garment factories in the Madrid area where Chinese workers were allegedly exploited. The Chinese money laundering networks reportedly offered to assist other organized criminal groups launder their illicit proceeds in exchange for a percentage of the funds.

The authorities and financial institutions consider the use of large cash sums a significant risk indicator of money laundering, notably related to tax avoidance. In 2014, 39 million euros (approximately $47.1 million) were seized in 783 interventions, and 30 million euros (approximately $33 million) in penalties were imposed. Spanish law does not allow civil forfeiture, but it has recognized and enforced foreign non-conviction based confiscation judgments presented by other countries.

Spain continues to work toward implementing Article 43 of its AML/CFT Law that creates a "Financial Ownership File," a database that will have the date of account opening, the name of the account holder, the name of the beneficial owner, the name of the financial institution, and the branch location for all bank and securities accounts in Spain. The database is housed at the Bank of Spain, but will be under the control of the financial intelligence unit, and will be available to law enforcement. All specified financial institutions will be required by law to provide the prescribed database information at regular intervals. It should be fully operational by 2016.

A number of different types of money laundering cases have been prosecuted, including those involving third party money laundering, self-laundering, and laundering the proceeds of both domestic and foreign predicate offenses. Spain has had success in disabling criminal enterprises and organized criminal groups by identifying and shutting down their complex money laundering

networks of national and international companies. However, the relatively low level of sanctions actually imposed for money laundering offenses is a weakness, as is the limited capacity to handle complex money laundering cases in the judicial system in a timely fashion. Spain should take steps to identify and license all MSBs and ensure they are adequately supervised for AML/CFT.

Sri Lanka

Sri Lanka is neither an important regional financial center nor a preferred center for money laundering. Nevertheless, the lack of transparent tender mechanisms in government projects, past experience with terrorism, tax evasion, and a large informal economy make the country vulnerable to money laundering and terrorism financing. Corruption and drug-related proceeds pose the highest money laundering risks. Local authorities report that drug trafficking, primarily of heroin, is becoming an increasing problem. Terrorism financing activity, by all accounts, has diminished significantly since the end of Sri Lanka's civil war in 2009.

As a major transshipment port, Sri Lanka receives 70 percent of all vessels sailing to and from South Asia, exposing Sri Lanka to associated drug and human trafficking. Authorities believe the proceeds of drug trafficking are mostly laundered back to their source jurisdictions, and those for human smuggling, to end destinations or transit points. Overall, Sri Lanka is not considered an end destination for foreign proceeds of crime. There does not appear to be a significant black market for smuggled goods in the country.

Legal remittance flows through the formal banking system have increased sharply in recent years, reaching $7 billion in 2014. Remittances originate primarily from Sri Lanka's substantial overseas workforce. According to local authorities, these funds are processed largely through the banking system, and therefore, do not present serious money laundering concerns. The Sri Lankan government's Board of Investment regulates the 12 free trade zones (FTZs) in Sri Lanka. FTZs employ strict access and customs controls with no reported incidences of suspicious transactions.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Banks, registered finance companies, insurance companies, securities companies and brokers, money changers, casinos, real estate agents, dealers in precious metals and stones, lawyers, and trust or company service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 718 in 2014
Number of CTRs received and time frame: 5.5 million in 2014
STR covered entities: Banks, registered finance companies, insurance companies, securities companies and brokers, money changers, casinos, real estate agents, dealers in precious metals and stones, lawyers, accountants, and trust or company service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 7 in 2014
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Sri Lanka is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: file:///C:/Users/default.default-PC/Downloads/Sri%20Lanka%20MER%202015%20-%20published%20version.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The primary barriers to stronger enforcement of Sri Lanka's AML/CFT laws appear to be inadequate judicial resources and a lack of financial crime investigative experience. While about 10 money laundering and terrorist financing-related cases have been filed by Sri Lanka's Attorney General in the past few years, all cases are still pending. Reportedly, there has been only one money laundering conviction. The financial intelligence unit (FIU) is not using financial intelligence or other available information to undertake strategic analysis or to identify emerging ML/TF trends and threats.

There have been no criminal indictments which relate to money laundering facilitated by public corruption. Investigation of public corruption-related money laundering is hindered by the fact corruption cases are investigated and prosecuted by the Bribery Commission under bribery law, while money laundering charges are prosecuted by the Attorney General. The Advisory Board to the FIU coordinates AML/CFT activities in general, and the Office of the Chief of National Intelligence coordinates matters specifically relating to terrorism and terrorist financing.

The Government of Sri Lanka is concerned the Liberation Tigers of Tamil Eelam's (LTTE) international network of financial support is still functioning. In March 2014, the government issued a notification listing 16 groups and over 400 individuals, based in several countries, as terrorists connected to the LTTE. The notification states that all funds, assets, and resources belonging to these entities should be frozen. The order also prohibits Sri Lankan nationals from maintaining links or contacts with members of the proscribed organizations and prevents them from obtaining funds from them for activities in Sri Lanka.

The magnitude of alternative remittance systems is not known, but the Colombo Fraud Bureau has examined illegal money transfer agencies popularly known as *undiyals* in localities in and around Colombo. Many of these money transfer agencies have been involved in the transfer of illicit funds. *Undiyal*, meaning bills of exchange, is the Sri Lankan equivalent of hawala and uses an international network of agents.

Although AML/CFT laws cover designated non-financial businesses and professions (DNFBPs), such as casinos and gem dealers, no regulator has issued KYC or currency reporting policies covering these entities. These entities are not required to maintain customer information or report suspicious activity.

In 2015, the Sri Lankan government provided an amnesty to overseas bank accountholders as a result of the implementation of Swiss bank laws that would result in the closure of unnamed bank accounts. The Sri Lankan minister of finance stated that, as of November 2015, Sri Lankan banks received $450 million dollars from overseas accountholders. The Sri Lankan amnesty program means that depositors will not be asked questions as to the source of the funds or how the funds were earned.

Sri Lanka should develop a mechanism for its enforcement agencies to work more closely, given that corruption generates illicit funds that are laundered. The FIU should enhance its operational analysis procedures to ensure that essential and critical information, beyond what is provided in financial intelligence, is included in its initial analysis. The government should provide the necessary resources and capacity to ensure all DNFBPs are adequately supervised and adhere to KYC and reporting requirements.

St. Kitts and Nevis

St. Kitts and Nevis (SKN) is a federation composed of two islands in the eastern Caribbean. The AML/CFT legislation is at the federation level and covers both St. Kitts and Nevis; however, each island has the authority to organize its own financial structure and procedures. Therefore, in St. Kitts there are acts governing companies, limited partnerships, foundations, and trusts that are registered in St. Kitts, while in Nevis there are ordinances that govern corporations, limited liability companies, trusts, and multiform foundations. Most of the offshore financial activity is concentrated in Nevis.

Saint Kitts and Nevis remains susceptible to corruption and money laundering because of the high volume of narcotics trafficking around the islands. The growth of its offshore sector coupled with unusually strong secrecy laws also remains problematic. An inadequately regulated economic citizenship program further contributes to the federation's money laundering vulnerabilities.

SKN's monetary authority is the Eastern Caribbean Central Bank (ECCB), and the SKN's currency is the East Caribbean (EC) dollar, used by eight of the nine ECCB jurisdictions. The ECCB has direct responsibility for regulating and supervising the entire domestic sector of SKN and the offshore banks in Nevis, and for making recommendations regarding approval of

offshore banking licenses. By law, all offshore banks are required to have a physical presence in the federation; shell banks are not permitted.

There is a limited amount of information on the exact number of financial entities in the federation. Using the most detailed listing given in 2010, St. Kitts had licensed approximately 36 corporate service providers, three trust providers, 116 captive insurance companies, and over 2,100 companies and foundations. The same listing reveals that Nevis had over 11,000 international business companies (IBC), 4,200 limited liability companies, over 1,000 trusts, and over 110 insurance companies. Nevis can form an IBC in less than 24 hours, and bearer shares are allowed though "discouraged." Internet gaming entities must apply for a license as an IBC.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Money brokers, exchanges, and lenders; charities and other nonprofit organizations (NPOs); pawnshops, jewelers, and dealers of precious metals and stones; banks (domestic and offshore); real estate businesses; insurance companies; credit unions and building societies; money transmission services; venture risk capital firms; accountants; casinos; trust businesses; business corporations; and lawyers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 110: January 1 - November 1, 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Money brokers, exchanges, and lenders; charities and other NPOs; pawnshops, jewelers, and dealers of precious metals and stones; banks (domestic and offshore); real estate businesses; insurance companies; credit unions and building societies; money transmission services; venture risk capital firms; accountants; casinos; trust businesses; business corporations; and lawyers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

St. Kitts and Nevis is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=335&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The government reports no significant development in the passage of enforcement legislation or in the prosecution and conviction of money laundering cases in 2015. Law enforcement appears competent; however, there are still no guidelines to provide law enforcement the authority to conduct an investigation based on a foreign request for assistance. SKN's legislation incorporates provisions for civil penalties; however, they are applied in an unreliable manner and do not apply to all pertinent financial sectors. Bearer shares are authorized if the bearer share certificates are retained in the protected custody of persons or financial institutions authorized by the Minister of Finance. Specific identifying information must be maintained on bearer certificates, including the name and address of the bearer as well as the certificate's beneficial owner.

The economic citizenship by investment program (CIP) remains among the most lax in the world. An individual is eligible for citizenship with a $350,000 minimum investment in real estate. Alternatively, an applicant is eligible by making a contribution ranging from $200,000 to $400,000 (based on the number of the applicant's dependents) to the Sugar Industry Diversification Foundation, a special project approved for the purpose of citizenship by investment. Applicants must make a source of funds declaration and provide evidence supporting the declaration. According to the government, the Ministry of Finance has established a Citizenship Processing Unit to manage the screening and application process. There remains little or no information on the effectiveness of this unit's oversight, despite urging for increased oversight, and no obvious vetting procedures for applicants before issuing passports. Additionally, SKN has yet to appoint a new director for its CIP.

In May 2014, the U.S. Department of Treasury's Financial Crimes Enforcement Network (FinCEN) issued an advisory to alert U.S. financial institutions that certain foreign individuals are abusing the SKN CIP to obtain SKN passports for the purpose of engaging in illicit financial activity or evading sanctions. The use of the SKN CIP is promoted in foreign locales, such as Dubai, possibly as a way of facilitating the evasion of sanctions. In 2014, the U.S. Department of Treasury sanctioned three Iranian nationals for facilitating banking, money laundering activities, and illicit procurement through a network of companies and a banking institution they briefly controlled in the former Soviet Republic of Georgia. Georgia's commercial registry documents show that all three sanctioned individuals, and at least one of their family members, traveled and conducted their business as SKN nationals. In 2015, the SKN government pledged to work toward reforming its CIP to prevent illicit actors from abusing it. To date, FinCEN has not received evidence that the concerns noted in the advisory have been addressed, therefore, the advisory remains in place.

Financial oversight in Nevis remains problematic due to SKN allowing the creation of anonymous accounts, strong bank secrecy laws, and overall lack of transparency of beneficial

ownership of legal entities. The ambiguous regulatory framework regarding customer due diligence makes Nevis a desirable location for criminals to conceal proceeds.

The Government of St. Kitts and Nevis should focus on addressing noted problematic issues. St. Kitts and Nevis must work toward transparency and accountability in financial regulation. Specifically, it must determine more precisely the exact number of internet gaming companies present on the islands and conduct the necessary oversight of these entities. The government should release information on the exact number and type of financial entities in the federation, especially concerning offshore banks. The government should ensure all relevant entities covered under the AML/CFT laws and regulations are subject to adequate supervision and sanctions that are proportionate and dissuasive. SKN should appoint a new director for its CIP, promote close supervision of this program, and be transparent in reporting monitoring results.

St. Lucia

Money laundering in St. Lucia is primarily relates to narcotics trafficking. Illicit drug trafficking by established organized crime rings and the laundering of drug proceeds by domestic and foreign criminal elements remain serious problems for the Government of Saint Lucia. It is believed that financial institutions unwittingly engage in currency transactions involving international narcotics trafficking proceeds.

St. Lucia has an offshore banking sector, which is supervised by the Financial Sector Supervision Unit of the Ministry of Finance. Onshore domestic banks are supervised by the Eastern Caribbean Central Bank. St. Lucia also has a free trade zone where investors can establish businesses and conduct trade and commerce outside of the National Customs territory. Activities may be conducted entirely within the zone or between the St. Lucia free zone and foreign countries.

There remains a substantial black market for smuggled goods in St. Lucia, mostly gold, silver and other jewelry, predominantly smuggled from Guyana. There is a black market in high-quality jewelry purchased from duty free establishments in St. Lucia by both local and foreign consumers. Monies suspected to be derived from drug trafficking and other illicit enterprises are filtered into and washed through trading firms. Trade-based money laundering is evident in St. Lucia, and bulk cash smuggling occurs.

Under St. Lucia's new economic citizenship program, launched in October 2015, individuals can obtain citizenship for a minimum investment of $200,000 per individual or $250,000 for a family of up to four persons. The applicant must have a minimum net worth of $3,000,000 to qualify for the program. There is no residency requirement and passport holders may travel to most Commonwealth countries without a visa. Application for economic citizenship must be made through a government-approved local agent and requires applicant payment of a background check/due diligence fee. An in-person interview is not required.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, building societies, and credit unions; insurance companies; international financial services companies; finance and lending companies; factors, guarantors, and registered agents; exchange bureaus; investment advisers; check cashing and cash remittance services; postal and other courier services; real estate businesses; car dealerships; casinos, gaming houses, and internet gaming services; jewelers and bullion dealers; custodial, advice, and nominee services; financial leasing; venture risk capital; administrators and issuers of financial instruments, credit cards, traveler's checks and bankers' drafts; money brokers; financial intermediaries; securities brokers and underwriters; investment and merchant banks; trusts, asset management and fiduciary services; company formation and management services; collective investment schemes and mutual funds; lawyers; and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 102 in 2015
Number of CTRs received and time frame: Not available
STR covered entities: Banks, building societies, and credit unions; insurance companies; international financial services companies; finance and lending companies; factors, guarantors, and registered agents; exchange bureaus; investment advisers; check cashing and cash remittance services; postal and other courier services; real estate businesses; car dealerships; casinos, gaming houses, and internet gaming services; jewelers and bullion dealers; custodial, advice, and nominee services; financial leasing; venture risk capital; administrators and issuers of financial instruments, credit cards, traveler's checks and bankers' drafts; money brokers; financial intermediaries; securities brokers and underwriters; investment and merchant banks; trusts, asset management and fiduciary services; company formation and management services; collective investment schemes and mutual funds; lawyers; and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

St. Lucia is a member of Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=334& Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Customs and Excise Department is routinely confronted by false declarations, false invoicing, and fraudulent evasion of duties and taxes on goods, and there is a robust approach to cash seizures and forfeitures. In 2015, the Financial Investigations Authority conducted four cash seizures with total value of $149,644. There were two forfeitures resulting from the cash seizures with an approximate value of $23,440. In addition, there are many early-stage cash seizure cases pending.

Law enforcement and customs authorities should be given training on how to recognize and combat trade-based value transfer, which could be indicative of both customs fraud and money laundering. The Government of St. Lucia should improve investigative capacity within the police and courts to prosecute cash seizure and forfeiture cases expeditiously and successfully. The government should ensure its new economic citizenship program is adequately supervised and monitored to prevent its abuse by criminals or terrorist financiers. St. Lucia should become a party to the UN Convention against Corruption.

St. Vincent and the Grenadines

Saint Vincent and the Grenadines (SVG) remains vulnerable to money laundering and other financial crimes as a result of drug trafficking and its offshore financial sector. The set of islands remains a small but active offshore financial center with a relatively large number of international business companies (IBCs). United States currency is often smuggled into the country via couriers, go-fast vessels, and yachts.

Money laundering is principally affiliated with the production and trafficking of marijuana in SVG, as well as the trafficking of other narcotics from within the Caribbean region. Money laundering occurs in various financial institutions, such as domestic and offshore banks and through money remitters.

The offshore sector includes five offshore banks, 6,331 IBCs, 440 continued IBCs, three offshore insurance companies, 98 mutual funds (fund managers and administrators), 16 registered agents, and 100 international trusts. There are no offshore casinos and no internet gaming licenses. No physical presence is required for offshore sector entities and businesses, with the exception of offshore banks. The regulatory body with the mandate to supervise the offshore financial sector is the Financial Services Authority. Resident nominee directors are not mandatory except when an IBC is formed to carry on banking business.

Bearer shares are permitted for IBCs, but not for banks. The Government of St. Vincent and the Grenadines requires registration and custody of bearer share certificates by a registered agent who must also keep a record of each bearer certificate issued or deposited in its custody. There are no free trade zones in SVG.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, lenders, and factoring firms; check cashing and money transmission services; financial leasing firms; venture risk capital; issuers and administrators of credit cards, traveler's checks, and bankers' drafts; guarantors and underwriters; money market instrument, foreign exchange, and bullion dealers; money brokers; financial intermediaries; securities brokers and underwriters; investment and merchant banks; asset management services; custody, trust, and other fiduciary services; company formation and management services; collective investment schemes and mutual funds; car dealerships; jewelers; real estate agents; casinos, internet gaming, pool betting, and lottery agents; lawyers and accountants; and charities

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 407: January 1 – November 1, 2015
Number of CTRs received and time frame: Not available
STR covered entities: Banks, lenders, and factoring firms; check cashing and money transmission services; financial leasing firms; venture risk capital; issuers and administrators of credit cards, traveler's checks, and bankers' drafts; guarantors and underwriters; money market instrument, foreign exchange, and bullion dealers; money brokers; financial intermediaries; securities brokers and underwriters; investment and merchant banks; asset management services; custody, trust, and other fiduciary services; company formation and management services; collective investment schemes and mutual funds; car dealerships; jewelers; real estate agents; casinos, internet gaming, pool betting, and lottery agents; lawyers and accountants; and charities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

SVG is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=333 &Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Anti-Terrorist Financing and Proliferation Act, No. 14 of 2015 was passed in Parliament on August 18, 2015, repealing and replacing the United Nations (Anti-Terrorism Measures) Act, Cap 183 of the Revised Laws of Saint Vincent and the Grenadines 2009. The new law updates the law relating to the combating of terrorist financing by providing for the search, seizure, detention, and forfeiture of cash related to terrorist financing; implements targeted financial sanctions to comply with the UNSCRs relating to terrorism and terrorist financing and to the proliferation of weapons of mass destruction and its financing; and remedies previously noted deficiencies in AML/CFT regulations, for example, gaps in the Proceeds of Crime Act, which did not cover terrorist financing specifically. The Act also fully implements the International Convention for the Suppression of the Financing of Terrorism.

The Anti-Money Laundering and Terrorist Financing Code 2014 and the Non-Profit Organization Regulations are currently before the Attorney General for review.

SVG will distribute approximately $550,000 from the Confiscated Asset Fund to all legislated agencies, including the Directorate of Public Prosecutions, the Attorney General, the police, the Financial Intelligence Unit, Regional Security System, and drug rehab and education programs.

The government should become a party to the UN Convention against Corruption. It also should adopt a provision to provide financial institutions and their employees who file suspicious transaction reports (STRs) in good faith with protection against civil or criminal liability.

Sudan

Sudan has been designated a State Sponsor of Terrorism by the United States. In November 1997, the United States imposed comprehensive economic, trade, and financial sanctions against Sudan, which have limited Sudan's access to international financial markets and banking institutions. Following the Treasury Department's fine and penalties on BNP Paribas in 2014, most banks in Saudi Arabia, the Arab Gulf states, and Europe ceased processing financial transactions from Sudan or with Sudanese banks.

The trafficking of narcotics is a source of concern, especially with the increase of smuggling operations across the extended land and sea borders of Sudan. Traders and legitimate business persons often carry large sums of cash because Sudan is largely a cash-based society and electronic transfer of money outside of Sudan is challenging. This dependence on cash complicates enforcement and makes Sudan's banking system vulnerable to money laundering. Sudan is vulnerable to trade-based money laundering. Corruption is widespread in government and commerce and facilitates criminal activity and money laundering.

Sudan has two free trade zones (FTZs) and plans to open a border trade zone with Chad. Preliminary agreements are in the works with China, Eritrea, and Ethiopia for additional FTZs. There are no known money laundering or terrorism financing activities through these zones.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Commercial banks, money transfer companies, SudaPost, exchange and brokerage firms, leasing companies, securities firms, insurance companies, gambling clubs, real estate brokerages, mineral and gem traders, attorneys, and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 102 in 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Commercial banks, money transfer companies, SudaPost, exchange and brokerage firms, leasing companies, securities firms, insurance companies, gambling clubs, real estate brokerages, mineral and gem traders, attorneys, and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Sudan is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.menafatf.org/MER/MER_Sudan_English.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Sudan's links with international terrorist organizations contributed to its 1993 designation as a State Sponsor of Terrorism. The Government of Sudan has asserted for several years that it has made AML/CFT a priority and that it is bolstering its efforts to combat money laundering and other financial crimes. According to the Central Bank of Sudan (CBOS), 16 percent of banking

institutions in Sudan are not subject to the laws and procedures prohibiting money laundering and terrorism financing.

Sudan adopted the Money Laundering and Terrorism Financing Act (MLFTA) in June 2014. The Financial Intelligence Unit (FIU), which was an entity within the CBOS, is now fully independent and mandated to implement the MLFTA. The Criminal Code was also amended to coincide with the MLFTA law. In 2014, the FIU referred nine suspected cases of money laundering to the Ministry of Justice's Office of Public Prosecution. In 2015, the number rose to 102 cases. The Government of Sudan has limited investigative capacity due to lack of trained professionals. Enforcement can be subject to political pressures, with many government officials involved in businesses.

The Financial Disclosure Commission (FDC) and the Unlawful and Suspicious Enrichment Administration (U&SEA) are government bodies that address corruption. In 2015, President Al-Bashir issued a decree establishing the Anti-Corruption Commission, an umbrella body under which FDC and U&SEA continue their work. In early May 2014, the President issued a decree ordering the confiscation of the official and diplomatic passports of 16 senior central and state government officials, including a former petroleum minister and Central Bank governor, following allegations they were involved in corruption schemes. Those cases have yet to reach the court and reportedly are still under investigation. In 2015, the Khartoum North Court sentenced the Director General of the Sudan Cotton Company and two other company officials to prison terms for corruption. The Court also confiscated properties and fined the individuals 35 million SDG (approximately $5,730,000).

In early September 2014, the director of the Central Bank's Preventive Supervision Department disclosed that 15 alleged cases of money laundering involving three Sudanese banks under CBOS supervision were discovered.

In 2012, Sudan and South Sudan signed nine cooperation agreements that include agreements on banking and trade. As of 2015, only one of these agreements (oil transit fees and payments) has been implemented. Because of the lack of a monetary exchange policy with South Sudan, large volumes of cash transactions, usually employing the dollar at the black market exchange rate are commonplace. The preclusion of many credit card transactions also contributes to the volume of large cash transactions.

Despite the many challenges facing the country, ongoing armed rebellions, internal political conflicts, and strained relations with the Republic of South Sudan, it would be in Sudan's best interest to continue to strengthen its AML/CFT efforts internally and regionally. The government should focus on building its enforcement institutions, particularly the FIU. Sudan should continue to work with regional partners to address deficiencies and comply with international standards.

Suriname

Money laundering in Suriname is closely linked to transnational criminal activity related to the transshipment of cocaine, primarily to Europe and Africa. According to local media reports, both domestic and international drug trafficking organizations are believed to control most of the

laundered proceeds, which are primarily invested locally in casinos, real estate, foreign exchange companies, the construction sector, and car dealerships. Public corruption also may contribute to money laundering, though the full extent is unknown. Profits from small-scale gold mining and related industries fuel a thriving informal sector. Much of the money within this sector does not pass through the formal banking system. In Suriname's undeveloped interior, bartering with gold is the norm for financial transactions.

Goods such as agricultural products, fuel, cigarettes, alcohol, and medicine are smuggled into the country via Guyana and French Guiana and are sold below market prices. Other goods are smuggled into the country mainly to avoid paying import duties or other taxes. There is little evidence to suggest this smuggling is funded by narcotics trafficking or other illicit activity. There are indicators that trade-based money laundering occurs, generally through the activities of local car dealerships, gold dealers, and currency exchanges (*cambios*). Money laundering may occur in the formal financial sector, through banks and *cambios*.

On November 25, 2015, the Caribbean Financial Action Task Force (CFATF) issued a public statement asking its members to consider the risks inherent in Suriname's AML/CFT regime. The statement follows CFATF's acknowledgement that, although Suriname has made improvements in the areas of the criminalization of the money laundering and terrorist financing offenses and in customer due diligence, it has not made sufficient progress in fulfilling its action plan and addressing its serious AML/CFT deficiencies.

There is no evidence of terrorism financing. There is also no evidence the formal banking sector facilitates movements of currency derived from illegal drug sales in the United States. Local drug sales of cocaine in transit through Suriname are usually conducted in U.S. dollars, which may be deposited domestically.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks and credit unions; asset managers, securities brokers and dealers; insurance agents and companies; currency brokers, remitters, and exchanges; auditors, accountants, notaries, lawyers, and real estate agents; dealers in gold or other precious metals and stones; gaming entities and lotteries; and motor vehicle dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 506,024: January 1 – September 1, 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks and credit unions; asset managers, securities brokers and dealers; insurance agents and companies; currency brokers, remitters, and exchanges; auditors, accountants, notaries, lawyers, and real estate agents; dealers in gold or other precious metals and stones; gaming entities and lotteries; and motor vehicle dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:
With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Suriname is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at**:** https://www.cfatf-gafic.org/index.php/member-countries/s-v/suriname

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Suriname has a legal framework in place to combat money laundering; however, enforcement and implementation remains weak and inconsistent. Inadequate training, government corruption, and an overall lack of resources significantly diminish the government's investigative and prosecutorial abilities, as local institutions and personnel lack the capacity to fully enforce the law and its attendant regulations. A lack of political will prevents aggressive enforcement.

Customs, located within the Ministry of Finance, is known as a particularly corrupt organization, which can facilitate customs fraud, smuggling, underground finance, and trade-based money laundering. In 2015, the government switched from the outdated Automated System for Customs Data v2.7 (ASYCUDA) to the ASYCUDA WORLD system. The new system is a single window application which simplifies and speeds up the process for required import and export permits, making it more transparent and less susceptible to corruption.

The government does not reveal reporting, investigation, or prosecution statistics. In 2015, 249 of the filed suspicious transaction reports (STRs) were referred for investigation.

The Government of Suriname should ensure covered entities are subject to adequate supervision and enforcement programs. The government should also make additional efforts to ensure border enforcement. To help measure the effectiveness of its AML/CFT regime, the government should compile and release the number of money laundering prosecutions and convictions. The Government of Suriname should become party to the UN Convention Against Corruption and should work to achieve compliance with the international standards on combating money laundering and terrorist financing.

Swaziland

The Kingdom of Swaziland is not considered a regional financial center. The financial sector in the Kingdom is small and dominated by subsidiaries of South African financial institutions. The small size of the country, the limited capacity of its police and financial regulators, and its proximity to major cities in Mozambique and South Africa make it a transit country for illegal operations in those countries and, to some extent, for the rest of the southern African region. Large sums of money are moved via cross-border transactions involving banks, casinos, investment companies, motor vehicle dealers, and savings and credit cooperatives. Proceeds from the sale or trade of marijuana, a large illicit export, are laundered in Swaziland. Income from public corruption, particularly in public procurement, is also laundered in Swaziland. Cash gained from illegal activities is sometimes used to buy commercial goods and to build houses on non-titled land.

There is a significant black market for smuggled consumer goods, such as cigarettes, liquor, and pirated CDs and DVDs, transited across the porous borders of Mozambique, South Africa, and Swaziland. There is a general belief that trade-based money laundering and value transfer exists in Swaziland. Some traders transact in cash only and not through banks. Human trafficking is widespread. Swazi officials believe the Kingdom to be at little risk of terrorism financing.

The Common Monetary Area provides a free flow of funds among South Africa, Swaziland, Lesotho, and Namibia, with no exchange controls. Cash smuggling reports are informally shared on the basis of reciprocity among the relevant host government agencies.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks; asset managers; securities brokers and dealers; insurance agents and companies; currency brokers and exchanges; auditors, accountants, lawyers, and real estate agents; gaming entities and lotteries; and motor vehicle dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 50 in 2015
Number of CTRs received and time frame: Not applicable

STR covered entities: Banks; asset managers; securities brokers and dealers; insurance agents and companies; currency brokers and exchanges; auditors, accountants, lawyers, and real estate agents; gaming entities and lotteries; and motor vehicle dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 3 in 2015
Convictions: 3 in 2015

RECORDS EXCHANGE MECHANISM:
With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO
With other governments/jurisdictions: YES

Swaziland is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.esaamlg.org/reports/view_me.php?id=223

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Swaziland has taken several steps to establish an AML/CFT regime. In July 2015, the Financial Intelligence Unit (FIU) became an independent body governed by a board of directors. In order to demonstrate its autonomy, the FIU moved to its own office space. The FIU continues to expand; currently, it is recruiting staff and plans to hire 23 people. The positions include information technology specialists, finance, human resources, and compliance officers, as well as analysts. The new hires are expected to start in January 2016. ESAAMLG will assist with training the newly recruited FIU staff.

Implementation of cash transaction limits that require reporting to the FIU is ongoing. In addition, the AML task force supports a change in the law to require the reporting of cross-border movements of cash. The FIU has already set up two control points to monitor this reporting, one at the airport and another at the Oshoek border post with South Africa. Border posts with Mozambique are fairly well controlled.

The government has not yet passed the legislation necessary to amend the Money Laundering Act in order to make it compatible with the regulations already in place.

On September 3, 2015, Swaziland launched a Western Union international money transfer service in collaboration with Interchange, a leading foreign exchange service provider in the country.

The Royal Swaziland Police Service (RSPS) and the Kingdom's Anti-Corruption Commission (ACC) are the two main law enforcement agencies charged with investigating money laundering offenses. The Swaziland Revenue Authority (SRA) is involved in the reporting and investigation of certain financial crimes. The RSPS is charged with investigating terrorism financing offenses. Significant weaknesses exist in the capacity to investigate and collect evidence for money laundering crimes, which results in prosecutors' inability to pursue a case. According to Swazi officials, RSPS officers require additional training and capacity to be adequately prepared to investigate both money laundering and terrorism financing cases. Reports of money laundering

cases are increasing, but some cases take a long time or do not make it to court because of a lack of resources.

The government should take steps to fully implement the requirements of UNSCRs 1267 and 1373, increase the capacity of police and investigative agencies to improve the effectiveness of money laundering investigations and prosecutions, and work to improve the production and reporting of relevant AML/CFT statistics. Swaziland should continue to develop cooperation among the RSPS, SRA, and the FIU to increase the number of successful prosecutions.

Sweden

Sweden is not a regional financial center. Money laundering in Sweden generally occurs through individuals who use the financial system to turn over illicit funds or with the help of corporations that use financial services. Money laundering is further facilitated by criminals having contacts or acquaintances within, or influence over, corporations and actors within the financial system. Laundered money emanates from sales of narcotics, tax fraud, economic crimes, robbery, and organized crime. Money laundering is concentrated primarily in large urban regions, such as Stockholm, and is frequently conducted over the internet, utilizing international money transfer services, gaming sites, and narcotics and illicit chemical vending sites. Suspicious transaction reports (STRs) generally do not reference organized crime, although it is a growing concern. Public corruption is not an issue in Sweden.

Sweden provides no offshore banking and does not readily attract foreign criminal proceeds. There is not a significant market for smuggled goods in Sweden; however, the Swedish police consider the smuggling of bulk cash to be a problem. Sweden is a member of the EU, and money moves freely within the EU. Sweden has foreign trade zones with bonded warehouses in the ports of Stockholm, Göteborg, Malmö, and Jönköping. Goods may be stored for an unlimited time in these zones without customs clearance, but they may not be consumed or sold on a retail basis. Permission may be granted to use these goods as materials for industrial operations within a zone. The same tax and labor laws apply to the zones as to other workplaces in Sweden.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes:

Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Banks; insurance companies; securities firms; currency exchange houses, providers of electronic money, and money transfer companies; accounting firms; law firms and tax counselors; casinos, gaming entities, and lottery ticket sales outlets; dealers of vehicles, art, antiques and jewelry; and real estate brokers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 9,183 in 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Accountants; tax advisors; lawyers; real estate agents; casinos; banks; life insurance companies and insurance brokers; securities and fund companies; issuers of electronic money; and dealers of high-value goods

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 154: July, 2014 – December, 2014
Convictions: 2: July, 2014 – December, 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Sweden is a member of the FATF. Its most recent mutual evaluation can be found at: http://www.fatf-gafi.org/topics/mutualevaluations/documents/mutualevaluationofsweden.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Act on Penalties for Money Laundering Offenses entered into force on July 1, 2014. The Act comprises provisions on money laundering offenses and on the seizure and forfeiture of laundered property. Prohibition on disposal of property is also included in the new Act, as is the temporary freezing of suspicious transactions in urgent cases. Amendments to the Act that took effect August 1, 2015 cover enhanced due diligence for both domestic and foreign politically exposed persons (PEPs).

In May, 2015 the Swedish Financial Supervisory Authority fined two Swedish banks, Nordea and Handelsbanken, for failing to maintain satisfactory internal governance and controls in regards to the AML regulations. As a result of deficiencies, Nordea received a warning and an administrative fine of SEK 50 million (approximately $5.9 million), and Handelsbanken a remark and an administrative fine of SEK 35 million (approximately $4.1million).

Although EU regulations call for the reporting of cash entering and leaving the EU, the Swedish financial intelligence unit believes the number of individuals who declare these transfers falls short of the real number carrying reportable amounts. In terms of volume, Swedish authorities report that, in 2014, the most popular destinations for money leaving Sweden were the UK, Nigeria, Ghana, and Turkey; while money entered Sweden from the U.S., China, Germany, and Russia.

Switzerland

Switzerland is a major international financial center. The country's central geographic location; political neutrality; relative social and monetary stability; sophisticated financial services sector; increasing presence in precious metals refinement; and long tradition of banking secrecy all contribute to Switzerland's success, while also making Switzerland a prime target for money laundering abuse.

Reports indicate criminals attempt to launder illegal proceeds in Switzerland from a wide range of criminal activities conducted worldwide, including financial crimes, narcotics trafficking, arms trafficking, organized crime, and terrorism financing. Switzerland has been a favored venue for kleptocrats to stash ill-gotten funds. Foreign narcotics trafficking organizations, often based in Russia, the Balkans, Eastern Europe, South America, and West Africa, dominate narcotics-related money laundering operations in Switzerland. According to a 2015 national assessment of the money laundering and terrorist financing risks in Switzerland drawn up by an interdepartmental working group, the main threats for the Swiss financial sector are "fraud, embezzlement, corruption, and participation in a criminal organization."

There are currently 21 casinos in Switzerland. Every casino must obtain a concession from the Federal Council (the highest authority of the executive branch) that needs to be renewed every 20 years. While casinos are generally well regulated, there are concerns they are being used to launder money. Corrupt casino employees also are known to have facilitated drug money laundering activities.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks; securities and insurance brokers; money exchangers or remitters; financial management firms and wealth managers; investment companies; insurance companies; casinos; financial intermediaries; commodities traders; and investment advisors

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,753 in 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks; securities and insurance brokers; money exchangers or remitters; financial management firms and wealth managers; casinos; financial intermediaries; and investment advisors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 687 in 2014
Convictions: 57 in 2014

RECORDS EXCHANGE MECHANISM:
With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Switzerland is a member of the FATF. Its most recent mutual evaluation can be found at: http://www.fatf-gafi.org/countries/#Switzerland

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Within Switzerland, there is a lack of adequate regulation of some designated non-financial business sectors, such as real estate, jewelry, luxury cars, dealers of works of art and antiquities, and commodities like oil, gas, and gold.

As of December 31, 2015, a new legal framework will be in force in Switzerland and target companies issuing bearer shares. The new framework requires such companies to identify beneficial owners owning at least 25 percent of the company's shares and/or voting power and to freeze suspicious assets without informing the owners. In the wake of the arrests of several members of the Federation International Football Association (FIFA) in May, the Swiss Parliament changed domestic anti-corruption laws to cover international sports associations. The law will allow the authorities to criminally investigate sports officials, identify them as politically exposed persons (PEPs), and apply KYC rules to them. Corruption against private persons will be considered an official crime and therefore not require a plaintiff to be investigated by Swiss authorities.

On November 18, 2015, the Swiss Federal Council also introduced a stricter regime for the country's approximately 250 freeports storing goods estimated at $100 billion. The new rules will require freeport operators to identify the beneficial owner of diamonds, precious metals, watches, and pieces of art. Under the new regulations, there is now a six-month time limit on the storage of goods intended for export. The deadline can be extended if proper grounds are determined. A 2013 report by the Swiss Federal Audit Office determined that the long-term storage of goods with great value in freeports was indicative of illegal storage for the purpose of tax optimization or to circumvent trade regulations on cultural goods or weaponry.

Persons physically transferring money worth more than $10,600 into or out of Switzerland must specify its origins, its future destination, and its owner, but only if asked by the Swiss authorities.

Switzerland's role as a global commodities trading hub is increasing. Switzerland is the world's largest trading hub for crude oil and iron ore and is a premiere location for gold refining. Swiss customs and law enforcement authorities should examine the link between commodities and trade-based money laundering. Swiss authorities should take steps to regulate all designated non-financial businesses and professions in accordance with international standards.

Syria

The money laundering and terrorist financing concerns involving the Syrian civil war are multi-faceted and complex. The State Department lost its principal source of reporting on money laundering in Syria when it closed Embassy Damascus in February 2012. Much of the information contained in this report is based on information collected or verified in the 2011 reporting cycle.

Syria is not an important regional or offshore financial center. Prior to widespread civil unrest beginning in 2011, only 20 percent of Syria's population used formal banking services, although private sector banks' market penetration was growing rapidly. However, following the imposition of robust sanctions on individuals, entities, and banks by several jurisdictions, banking services are used considerably less. While large commercial transactions rely on banks, the majority of business transactions are still conducted in cash. The most obvious indigenous money laundering threat involves some members of Syria's political and business elite, whose corruption and extra-legal activities continue unabated.

A lack of control and authority by the Syrian regime over significant parts of the country, a lack of necessary legislation and poor enforcement of existing laws contribute to significant money laundering and terrorist financing vulnerabilities in Syria's banking and non-bank financial sectors. Estimates of the volume of business Syrian money changers conduct in the black market range between $15 and $70 million per day. Syria's borders are porous, most official border crossings are outside the control of the regime, and several are currently controlled by armed opposition groups, including the Kurdish People's Protection Units (YPG), as well as the Islamic State of Iraq and the Levant (ISIL), a designated terrorist organization. Furthermore, regional hawala networks, intertwined with smuggling and trade-based money laundering, raise significant concerns, including involvement in the financing of terrorism.

The unprecedented volume of participants making payments for illegal services to human traffickers, human smugglers, and document traffickers, including both fraudulent and genuine Syrian passports, entail enormous sums of money. The proceeds of crime generated from human smuggling are often placed into financial institutions by criminal gangs in the EU and Turkey.

Syria has been on the State Department list of countries sponsoring terrorism since the list's inception in 1979. In 2011, when the Syrian regime began a violent crackdown against protestors, the United States, European Union, Arab League, and individual nations imposed sanctions against individuals, entities, and corporations assisting the regime's crackdown. The United States has undertaken sanctions on individuals enacted through Executive Orders 13572, 13573, 13582, 13606, and 13608. Several subsequent rounds of sanctions have continued and have targeted the Commercial Bank of Syria (CBS), the Real Estate Bank, Syrian-Lebanese Commercial Bank (SLCB), Central Bank of Syria, Syrian International Islamic Bank, and U.S. dealings with the Syrian petroleum industry.

In May 2004, the U.S. Department of Treasury found the CBS and its subsidiary, the SLCB, to be financial institutions of "primary money laundering concern," pursuant to Section 311 of the USA PATRIOT Act. This finding resulted from information that CBS had been used by terrorists or persons associated with terrorist organizations as a conduit for the laundering of

proceeds generated from the illicit sale of Iraqi oil, and because of continued concerns that CBS was vulnerable to exploitation by criminal and/or terrorist enterprises. In April 2006, Treasury promulgated a final rule, based on the 2004 finding and proposed rulemaking, prohibiting U.S. financial institutions from maintaining or opening correspondent or payable-through accounts with CBS or its SLCB subsidiary.

After suspending Syria's membership on November 12, 2011, the Arab League approved sanctions on Syria on November 28, 2011. These sanctions include cutting off transactions with the Syrian central bank; halting funding by Arab governments for projects in Syria; a ban on senior Syrian officials traveling to other Arab countries; and a freeze on assets related to President Bashar al-Assad's government. The declaration also calls on Arab central banks to monitor transfers to Syria, with the result often slowing down nongovernmental organization donations and personal remittances.

There are eight public free trade zones (FTZs) in Syria. Iran had announced plans to build FTZs in Syria; however, it later dropped this idea in favor of pursuing a free trade agreement. China's free zone in Adra was officially inaugurated in July 2008; As many as 325 businesses have been established in Adra to date. In October 2014, Syria also submitted an application to establish a FTZ with Russia. In October 2015, following Russia's entrance into the conflict, Russia's Ministry of Industry and Trade welcomed the potential to create a FTZ with Syria if political and economic issues were eventually resolved. As of 2012, the annual volume of goods entering the FTZs was estimated to be in the billions of dollars and was growing, especially with increasing demand for automobiles and automotive parts, which enter the zones free of customs tariffs before being imported into Syria. While all industries and financial institutions in the FTZs must be registered with the General Organization for Free Zones, part of the Ministry of Economy and Trade, the Syrian General Directorate of Customs continues to lack strong procedures to check country of origin certification or the resources to adequately monitor goods that enter Syria through the zones. There also are continuing reports of Syrians using the FTZs to import arms and other goods into Syria in violation of U.S. sanctions under the Syrian Accountability Act and a number of UNSCRs.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks; money exchanges and remitters; issuers of payment instruments, credit cards, payment cards, travelers checks, and ATM cards; investment funds

and their managers; financial brokerages and financial leasing corporations; insurance companies; real estate brokers and agents; dealers of high-value goods, jewelry, precious stones, gold, and antiquities; lawyers; and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks; money exchanges and remitters; issuers of payment instruments, credit cards, payment cards, travelers checks, and ATM cards; investment funds and their managers; financial brokerages and financial leasing corporations; insurance companies; real estate brokers and agents; dealers of high-value goods, jewelry, precious stones, gold, and antiquities; lawyers; and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO
With other governments/jurisdictions: NO

Syria is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.menafatf.org/images/UploadFiles/MutualEvaluationReportofSyria.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Money changers and hawala dealers remain largely unregulated. In addition to cash smuggling, there is also a high rate of commodity smuggling in and out of Syria. It has been reported that some smuggling and the purchase of oil from designated terrorist organizations, such as ISIL, is occurring with the knowledge of, or perhaps even under the authority of, the Syrian security services, while other smuggling attempts to evade the regime. The General Directorate of Customs lacks the necessary staff and financial resources to effectively handle the problem of smuggling. While customs had started to enact some limited reforms, problems of information sharing and government control remain.

Most Syrian judges are not yet familiar with the evidentiary requirements of the AML law. Furthermore, the slow pace of the Syrian legal system and political sensitivities delay quick adjudication of these issues. The lack of expertise, further undermined by a lack of political will, continues to impede effective implementation of existing AML/CFT regulations.

Prior to 2012, the Government of Syria made modest progress in implementing AML/CFT regulations that govern the formal financial sector. The lack of transparency of the state-owned banks and their vulnerability to political influence reveal the absence of political will to address AML/CFT in the largest part of the banking sector. In addition, non-bank financial institutions and the underground economy will continue to be vulnerable to money launderers and terrorist financiers. The current void of the Syrian AML/CFT regime is both a result, and a facilitator, of the civil war.

Taiwan

Taiwan's modern financial sector, strategic location within the Asia-Pacific international shipping lanes, expertise in high-technology production, and role as an international trade hub make it vulnerable to transnational crimes, including money laundering, drug trafficking, telecom fraud, and trade fraud. Domestic money laundering is generally related to tax evasion, drug trafficking, public corruption, and a range of economic crimes.

Official channels exist to remit funds, which greatly reduce the demand for unofficial remittance systems; however, although illegal in Taiwan, a large volume of informal financial activity takes place through unregulated, and possibly organized crime-linked, non-bank channels. Taiwan has five free trade zones and a growing offshore banking sector, which are regulated by Taiwan's Central Bank and the Financial Supervisory Commission. There is no significant black market for smuggled goods in Taiwan.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: Combination approach

Are legal persons covered: ***criminally:*** YES ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Banks; trust and investment corporations; credit cooperative associations; credit departments of farmers' and fishermen's associations; Agricultural Bank of Taiwan; postal service institutions that also handle financial transactions; negotiable instrument finance corporations; credit card companies; insurance companies, agents, and brokers; securities brokers; securities investment and trust enterprises; securities finance enterprises and investment consulting enterprises; securities central depositories; futures brokers; trust enterprises; retail jewelers; and third party payment service businesses

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 6,890: January - October 2015

Number of CTRs received and time frame: 4,107,745: January - October 2015

STR covered entities: Banks; trust and investment corporations; credit cooperative associations; credit departments of farmers' and fishermen's associations; Agricultural Bank of Taiwan; postal service institutions that also handle financial transactions; negotiable instrument finance corporations; credit card companies; insurance companies, agents, and

brokers; securities brokers; securities investment and trust enterprises; securities finance enterprises and investment consulting enterprises; securities central depositories; futures brokers; trust enterprises; retail jewelers; and third party payment service businesses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 68: January - October 2015
Convictions: 7: January - October 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Taiwan is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.apgml.org/documents/search-results.aspx?keywords=chinese+Taipei

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Taiwan is not yet in full compliance with international standards. While Taiwan criminalizes the financing of terrorist activities, it is not an autonomous offense. There are also significant gaps in Taiwan's asset freezing regime and implementation of UNSCRs 1267 and 1373; deficiencies in customer due diligence (CDD) regulations, including in identifying and verifying customer identity; and the threshold for a serious money laundering offense is too high. The Money Laundering Control Act (MLCA) does not specifically provide for the civil coverage of legal persons. Furthermore, Taiwan's AML/CFT requirements do not apply to several types of designated non-financial businesses and professions (DNFBPs), which remain vulnerable to money laundering and terrorism financing activity.

The responsible agency governing jewelry stores is the Department of Commerce within the Ministry of Economic Affairs, and it is unclear if this department has the capacity to audit jewelry stores. The authorities are not keeping statistics on jewelry store-related money laundering cases.

In 2014, Taiwan assisted U.S. law enforcement authorities and agreed to freeze a bank account containing nearly $16 million in illicit proceeds tied to a trade-based money laundering scheme in Los Angeles involving Mexican drug cartels and the importation of garments and textiles into the United States. It was the first time Taiwan had facilitated a significant asset seizure as part of a U.S.-based criminal investigation.

The United States and Taiwan, through their respective legal representatives, are parties to the Agreement on Mutual Legal Assistance in Criminal Matters Between the American Institute in Taiwan and the Taipei Economic and Cultural Representative Office in the United States. There is no extradition treaty in force between Taiwan and the United States. Taiwan is unable to ratify conventions under the auspices of the UN because it is not a UN member. However, it has enacted domestic legislation to implement the standards in the 1988 UN Drug Convention, the UN Convention against Transnational Organized Crime, and the UN Convention for the Suppression of the Financing of Terrorism.

Taiwan should pass legislation to criminalize the financing of terrorism as an autonomous crime, clarify that the law covers terrorism-related activities conducted overseas, establish procedures to allow the freezing of terrorist assets without delay, and continue to address CDD concerns. Taiwan should exert more authority over non-profit organizations and should raise awareness of the vulnerabilities to terrorism financing of this sector. Taiwan should take steps to amend its legislation and regulations to bring all DNFBPs and the non-profit sector within the scope of its AML/CFT coverage. Proposed legislative amendments to Taiwan's MLCA address a number of these deficiencies, but remain only in draft form.

Tajikistan

Criminal proceeds laundered in Tajikistan derive from both foreign and domestic criminal activities and are assumed to be primarily related to the large amounts of opium and heroin trafficked through the country from Afghanistan to Russia. It is widely suspected that money laundering activities are largely controlled by high-level drug trafficking networks, with some smaller actors involved. The absence of any significant money laundering investigations or prosecutions, with subsequent confiscation of criminally derived assets, makes it impossible to accurately gauge the degree to which the formal banking sector is being used to launder such assets.

While there is a market for smuggled goods, there is little evidence that most items are financed with narcotics money, with the exception of imported cars, other luxury goods, and possibly real estate. Proceeds from a high level of corruption are also laundered. Use of alternative remittance systems, free trade zones, and bearer shares create the potential for abuse, but evidence of their abuse as money laundering vehicles is limited.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** NO ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, money remitters, foreign exchange dealers, microfinance institutions, insurance companies, and securities dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 499: January 1 - November 30, 2015
Number of CTRs received and time frame: Not available

STR covered entities: Banks, securities traders, money remitters, foreign exchange dealers, notaries, and microfinance institutions

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 0 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:
With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Tajikistan is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.eurasiangroup.org/mers.php

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Tajikistan has the legal framework and institutional structures to tackle money laundering; it remains to be seen if there is the will to fully and consistently implement its statutes. Resource constraints, corruption, lack of training for law enforcement and border security officials, and general capacity issues continue to restrict AML/CFT enforcement.

With donor assistance, the Republic of Tajikistan is conducting a national risk assessment. The completion date is targeted for 2016. Amendments to existing legislation are being proposed which will augment existing laws to combat terrorist financing and monitor the securities market and banking sector.

In 2015, the number of suspicious transaction reports (STR) filed with the Department of Financial Monitoring, the financial intelligence unit, dramatically increased from previous years' totals. No explanation was provided for the large increase in STRs between 2014 (54) and 2015 (499).

Tajikistan has a seizure statute; however, it remains unclear how systematic its approach is to asset identification, seizure, and forfeiture. There is no publicly available information with regard to the length of time necessary to freeze assets or any estimates of the amount of assets frozen or seized. On November 2, 2015, statute No. 646 of the Government of the Republic of Tajikistan was enacted and includes a provision related to the freezing and unfreezing of finances (or other property) of people or organizations included on the list of those involved with terrorism.

The jurisdiction for investigating money laundering and related financial crimes in Tajikistan is divided among the Ministry of Internal Affairs, State Committee of National Security, Prosecutor General's Office, and the Anti-Corruption Agency. The level and quality of cooperation and coordination among these agencies should be improved through training, information sharing, and the establishment of multi-agency task forces. The government should fully implement its new statute to allow for the timely freezing and seizure of assets. Tajikistan should criminalize tipping off.

Tanzania

While Tanzania is not a regional financial center, its location at the crossroads of southern, central, and eastern Africa makes it a prime location for smuggling activities that generate illicit revenue, including the trafficking of narcotics, arms, and humans. The major profit-generating crimes in Tanzania include drug trafficking, wildlife trafficking, corruption, smuggling of precious metals and stones, theft, and robbery. With only a minority of the population engaged in the regulated financial sector, money laundering is more likely to occur in the unregulated financial sector. Mobile banking services continue to expand rapidly, however, opening up formerly underserved rural areas to formal banking but also creating new vulnerabilities in the financial sector. In 2013 the central bank estimated the equivalent of $650 million was transferred each month through such mobile transfers.

Criminals have been known to use front companies, hawaladars, and currency exchanges to launder funds. Real estate and used car businesses appear to be involved in money laundering. The use of front companies to launder money appears to be common on the island of Zanzibar. Officials indicate money laundering schemes in Zanzibar generally take the form of foreign investment in the tourist industry. Bulk cash smuggling is also a problem. Tanzanian officials made several arrests of wildlife traffickers in 2015 – including a Chinese national accused of smuggling 706 elephant tusks over 10 years – and they allege traffickers use front companies, such as investment organizations and restaurants, as cover for trafficking operations.

In 2014, the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) issued a proposed rule naming Tanzania's FBME Bank Ltd. as a financial institution of primary money laundering concern pursuant to Section 311 of the USA PATRIOT Act. According to FinCEN, FBME demonstrated a "willingness to service the global criminal element." It had systemic failures in its AML controls that attracted high-risk shell companies, and it performed a large volume of transactions with little or no transparency. Simultaneously, FinCEN also issued a notice proposing U.S. financial institutions be prohibited from opening or maintaining correspondent account relationships with FBME. Shortly after FinCEN announced the proposed rule, the Tanzanian Central Bank took over management of FBME Bank. In July 2015, FinCEN finalized the ruling against FBME; however, in August 2015 FBME challenged the final rule and in November 2015 a U.S. court blocked the Final Rule from taking effect. In November 2015, the court granted the Government's motion for voluntary remand, and FinCEN re-opened the Final Rule to solicit additional comments in connection with the rulemaking.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Are legal persons covered: ***criminally:*** YES ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES ***Domestic:*** NO

KYC covered entities: Commercial and specialized banks, cash dealers, accountants, dealers in art and precious metals and stones, customs officials, and legal professionals

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 46: June 2013 - March 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Commercial and specialized banks, cash dealers, accountants, realtors, dealers in art and precious metals and stones, casinos and gaming operators, regulators, customs officials, and legal professionals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2015

Convictions: 1 in 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** NO

With other governments/jurisdictions: YES

Tanzania is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.esaamlg.org/reports/view_me.php?id=197

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In recent years the Government of Tanzania has taken some positive steps to strengthen its response to money laundering. Weaknesses remain, however, in AML/CFT-related supervision of the financial sector. Additionally, the country has yet to provide for the confiscation of property; has not issued regulations to implement measures to detect the cross-border movement of cash and bearer negotiable instruments; and has not yet clarified how it is capturing data on searches, seizures, confiscation, forfeiture, prosecutions, and convictions related to ML/TF cases.

The financial intelligence unit (FIU) has 17 staff members, including several analysts; however, weaknesses in FIU capacity remain. The staff would benefit from additional training, as would the financial sector.

There is limited capacity to effectively implement all the requirements and adequately supervise the banking sector. A lack of enforceable requirements to ensure customer due diligence (CDD); a focus mainly on the formal banking sector rather than full coverage of designated non-financial businesses and professions; and ineffective provisions pertaining to recordkeeping, including a threshold approach to recordkeeping requirements, continue to be issues. The FIU reported that CDD and reporting requirements are hard to implement because of the lack of a national identification system.

Currency transaction reporting was introduced in Tanzanian law in 2012, but authorities have made limited progress on implementation. There are issues surrounding the determination of a

threshold amount for reporting; therefore, no reporting is taking place. Similarly, cross-border currency declaration requirements have not been implemented.

Although Tanzania enacted its Money Laundering Act in 2006, Tanzanian prosecutors did not begin to try money laundering cases until 2009. Local media report that this was after public attorneys received training in foreign countries on trying money laundering cases. According to the Office of the Director of Public Prosecution, 32 money laundering cases have been brought to court since the money laundering law was passed. Of these, five resulted in convictions, five were acquittals, and 22 are still pending. What is clear, however, is that the Government of Tanzania should train police and customs services to recognize and investigate financial crimes, and its prosecutors and judicial officials to try, hear, and ultimately convict criminals and criminal organizations engaging in money laundering and terrorist financing activities.

Tanzania should work to increase the level of awareness and understanding of money laundering issues in the financial, law enforcement, and judicial areas and should allocate the necessary human, technical, and financial resources to implement its AML/CFT regime, especially in Zanzibar. The Government of Tanzania should continue to focus its efforts on implementing its AML law and building its capacity to identify, freeze, and seize assets. Customs and the FIU should be given the resources to implement the cross-border currency declaration requirements. Tanzanian police and customs officials also would benefit from training on identifying and preventing money laundering through exploitation of the money and value transfer services used in the region. The FIU should improve the training for new staff, inform institutions of their reporting and record keeping responsibilities, and train the financial sector to identify suspicious transactions. The FIU additionally should focus on non-traditional banking mechanisms, such as use of front companies, hawaladars, Chinese “flying money” remittance systems, currency exchanges, and mobile banking to launder funds.

Thailand

Thailand is a centrally located Southeast Asian country with extremely porous borders. Thailand is vulnerable to money laundering within its own economy, as well as to many categories of cross-border crime, including illicit narcotics, wildlife trafficking, and other contraband smuggling. Thailand is a source, transit, and destination country for international migrant smuggling and trafficking in persons, a production and distribution center for counterfeit consumer goods, and a center for the production and sale of fraudulent travel documents. The proceeds of illegal gaming, official corruption, underground lotteries, and prostitution are laundered through the country’s financial system. The Thai black market includes a wide range of pirated and smuggled goods, from counterfeit medicines to luxury automobiles.

Money launderers and traffickers use banks, non-bank financial institutions, and businesses to move the proceeds of narcotics trafficking and other criminal enterprises. In the informal money changing sector, hawaladars service Middle Eastern travelers in Thailand. Thai and Chinese underground remittance systems are also prevalent.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Commercial and state-owned banks, finance and personal loan companies, mortgage finance companies, securities dealers, insurance companies, money exchangers and remitters, asset management companies, jewelry and gold shops, automotive hire-purchase businesses or car dealers, real estate agents/brokers, antique shops, electronic card and payment businesses, credit card businesses

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 11,384: October 1, 2014 – August 31, 2015
Number of CTRs received and time frame: 1,114,032: October 1, 2014 – August 31, 2015
STR covered entities: Commercial and state-owned banks, finance companies, insurance companies, savings cooperatives, securities firms, asset management companies, mortgage finance companies, land registration offices, moneychangers, remittance agents, jewelry and gold shops, automotive hire-purchase businesses and car dealerships, real estate agents and brokers, antique shops, personal loan companies, and electronic payment and credit card companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 15: October 1, 2014 - November 5, 2015
Convictions: 0: October 1, 2014 - November 5, 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Thailand is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=6ff62559-9485-4e35-bf65-305f07d91b05

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On October 9, 2015, Anti-Money Laundering Act (AMLA) No. 5 went into effect. In addition to adding offenses related to human trafficking and online gambling to the list of predicate offenses, this act calls for the Anti-Money Laundering Office (AMLO), which serves as Thailand's financial intelligence unit, to now report directly to the Prime Minister. AMLO's responsibilities and scope are expanded to include the authority to formulate joint action plans in

collaboration with other relevant agencies; the authority to promote public engagement; the authority to change the composition and duties of the Anti-Money Laundering Board so as to be more effective in decision making; the authority to empower the transaction committee to issues guidelines for more effective implementation; and an expanded scope of examination and supervision duties for AMLO, to include money laundering/financial transactions national risk assessments, as well as the ability to share risk assessment results with supervisory and other relevant agencies. The AMLA No. 5 also strengthens the reporting regime and KYC and customer due diligence measures and applies them to all designated non-financial businesses and professions, such as real estate agents and precious metal and stone dealers; adds persons who provide legal remittance and currency exchange as reporting entities; expands the money laundering offense to cover persons who obtain, possess, or use assets, knowing at the time that they are connected with the commission of a predicate offense; and establishes measures allowing for the return, or repayment of the value of, assets connected with commission of an offense to the damaged person, as well as witness protection. AMLA No. 5 also allows international asset sharing and recovery.

AMLO is further expected to name tax evasion as a predicate offense and to address cross-border bulk cash movement. AMLO is in the process of formulating the amendment. Operationally, Thailand's AML regime appears to be continuing its longstanding focus on civil asset seizure and forfeiture as well as criminal enforcement.

On September 9, 2015, Counter Terrorism Act No. 2 B.E. 2558 (CTA No. 2) went into effect, replacing the original Counter Terrorism Act. CTA No. 2 includes amended Rules and Procedures for Notifications of Designations in accordance with UNSCR standards. Specifically, the law was amended to streamline the process for adopting the UNSCR list; empower AMLO to keep monitoring UNSC designation notifications; require AMLO to order designation of persons and entities without delay when AMLO deems such notification does not go against the Thai constitution or law; removing the stipulation that a person or entity's terrorist involvement up to the day of the court's decision must be proven in order for the civil court to order designation of that person or entity on the Thai domestic list; require AMLO to continue to publish both UN and domestic designations but to only serve notice of the designation to those on the domestic list; and make holders of assets of a designated person or entity, agents of the designated person or entity, or undertakings controlled by the designated person or entity subject to sanctions if they fail to follow asset freezing orders.

Timor-Leste

Timor-Leste is not a regional or offshore financial center and has no free trade zones. The economy is cash-based, and the Ministry of Finance estimates only 1.3 percent of Timorese regularly use banking facilities. The national economy heavily depends on government spending financed by petroleum and natural gas revenues, supplemented by assistance from international donors. The private sector is small, concentrated in the service and retail sectors.

All three major banks in Timor-Leste are branches of foreign banks, chartered in Australia, Portugal, and Indonesia, and are subject to the reporting requirements of their home jurisdictions. In 2011, the Timorese government created a commercial bank, which focuses primarily on microfinance and financial inclusion. Together with the Portuguese bank, it accounts for

approximately 90 percent of the depositors in the country. The government remains committed to the creation of a development and investment bank, expected to have partial foreign ownership.

Weak controls at the land border with Indonesia and even weaker maritime border controls make Timor-Leste vulnerable to smuggling, organized crime, and terrorist activities. Drugs, including methamphetamines and cocaine, have been seized in the country, though narcotics trafficking is not considered a significant source of illegal proceeds. Nevertheless, Timor-Leste is a transshipment point for drug traffickers, which suggests illegal proceeds would probably be discovered were it not for the inadequacy of reporting and data systems that makes it difficult to track cross-border activities.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: Combination approach

Are legal persons covered: ***criminally:*** YES ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** YES

KYC covered entities: Banks, microfinance institutions, money exchanges and remitters, insurance companies and brokers, casinos, financial and real estate service providers, accountants, auditors, and financial consultants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 39 in 2015

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, microfinance institutions, money exchanges and remitters, insurance companies and brokers, casinos, financial and real estate service providers, accountants, auditors, and financial consultants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1 in 2015

Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Timor-Leste is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.apgml.org/includes/handlers/get-document.ashx?d=9be81db1-1f46-42d0-939c-4ffca465cc64

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Timor-Leste lacks critical technical and human capacity in the justice sector, making it difficult to enforce adequately the laws that are in place. In 2013, Parliament remedied the deficiencies in its 2011 AML/CFT law with the passage of a package of amendments, including specific reporting requirements for suspicious transactions and know-your-customer rules. In 2014, a financial intelligence unit was established.

Customer due diligence and reporting procedures have been implemented in banks, microfinance institutions, insurance companies, money transfer operators, and currency exchange bureaus. Securities brokers, casinos, real estate intermediaries, accountants, auditors, and financial consultants do not have a supervisory body responsible for the implementation of KYC and reporting procedures.

The law mandates cooperation between relevant Timorese authorities and competent foreign authorities. However, the details of that cooperation are not specified. Many of the particulars involved with the implementation of the law are contained in a long-pending Decree Law and enabling instructions.

On May 27, 2014, Timor-Leste became a party to the UN International Convention for the Suppression of the Financing of Terrorism. On June 3, 2014, Timor-Leste became a party to the 1988 UN Drug Convention.

The government should continue to raise the capacity of its supervisory, enforcement, and prosecutorial entities to ensure its laws are effectively implemented and it is able to pursue money laundering or terrorist financing cases through to successful prosecutions. Timor-Leste also should ensure reporting and KYC provisions are enforced in all appropriate entities.

Togo

Togo's porous borders, susceptibility to corruption, and large informal sector make it vulnerable to illicit transshipments and small-scale money laundering. Most narcotics passing through Togo are destined for European markets. Drug and wildlife trafficking, trafficking in persons, corruption, misappropriation of funds, tax evasion, and smuggling are the major crimes in Togo. The country is used as a transit point for contraband ivory smuggling. The country's small financial infrastructure, dominated by regional banks, makes it a less attractive venue for money laundering through financial institutions.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, lending and savings institutions, microfinance entities, insurance and securities brokers and companies, mutual funds, the regional stock exchange, attorneys, notaries, auditors, dealers of high-value goods, money exchangers and remitters, casinos and gaming establishments, nongovernmental organizations (NGOs), travel and real estate agents, and the post office

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 34 in 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, lending and savings institutions, microfinance entities, insurance and securities brokers and companies, mutual funds, the regional stock exchange, attorneys, notaries, auditors, dealers of high-value goods, money exchangers and remitters, casinos and gaming establishments, NGOs, travel and real estate agents, and the post office

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 5: January – November, 2014
Convictions: 0: January – November, 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Togo is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.giaba.org/reports/mutual-evaluation/Togo.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Togo is slowly implementing a national plan to fight drugs and money laundering, and has been receiving support from foreign donors. Togo's AML/CFT laws are primarily administered by the National Financial Information Processing Center (CENTIF), its financial intelligence unit. CENTIF lacks full operational autonomy and is inadequately resourced.

Investigating magistrates, police, and customs have little expertise in AML/CFT matters, and the government is investigating training for these entities. In addition to a lack of capacity on the

investigative side, Togo has difficulty pursuing prosecutions due to an inefficient and overburdened court system. Information sharing among government agencies and departments is a problem. Corruption in government and all levels of society presents further obstacles.

Togo's terrorism financing law does not comport with international standards. Additionally, although Togo's AML/CFT laws include KYC provisions, most covered entities are not aware of the requirements and compliance is negligible. Also, some designated non-financial businesses and professions are not subject to supervisory oversight for AML/CFT purposes.

Tonga

Tonga is an archipelago located in the South Pacific. With only five commercial banks, Tonga is neither a financial center nor an offshore jurisdiction. Remittances from Tongans living and working abroad have remained high, despite a slight decline in recent months, and remain the largest source of hard currency earnings, followed by tourism.

Historically, Tonga has not been a major narcotics transit point. There are, however, unconfirmed allegations that Tongan citizens may have links to transnational drug cartels, but the scale of this is unknown. Local police authorities deem Tonga to be vulnerable to smuggling and money laundering due to inadequate and under-resourced border controls.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, Tonga Development Bank, foreign exchange dealers, money lenders, money transmission services, credit unions, insurance companies and intermediaries, dealers in precious metals, accountants, lawyers, real estate agents, securities dealers, casinos, sellers of payment instruments, Retirement Fund Board, and trustees

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 15: January 1 - November 1, 2015
Number of CTRs received and time frame: 2,904: January 1 - November 1, 2015
STR covered entities: Banks, Tonga Development Bank, foreign exchange dealers, money lenders, money transmission services, credit unions, insurance companies and intermediaries,

dealers in precious metals, accountants, lawyers, real estate agents, securities dealers, casinos, sellers of payment instruments, Retirement Fund Board, and trustees

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Tonga is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.apgml.org/members-and-observers/members/details.aspx?m=ca53cb77-4860-4c42-8fe1-2e059b71d54b

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The National Reserve Bank of Tonga (NRBT) empowers the Transaction Reporting Authority (TRA) with the authorities of a financial intelligence unit. The TRA also serves in an AML/CFT supervisory capacity. Although many types of entities are covered under the Money Laundering and Proceeds of Crime Act (MLPCA), KYC procedures and suspicious transaction reporting (STR) requirements are only applied to banks and foreign exchange dealers actively supervised by the NRBT or the TRA. In 2015, two STRs were forwarded to the police for further investigation and five were forwarded to the Minister of Revenue and Customs for possible tax evasion.

The MLPCA and Counter Terrorism and Transnational Organized Crime Act 2013 provide for international cooperation and coordination. International cooperation and coordination is also provided for under Tonga's Mutual Assistance in Criminal Matters (MACM) Act and Extradition Act. It is unclear whether ML offenses are covered by definition under the MACM Act.

The TRA together with the Office of the Attorney General coordinated a national risk assessment with technical assistance from the government of New Zealand. This project is ongoing. On October 3, 2014, Tonga became a party to the UN Convention against Transnational Organized Crime.

The primary limitation to detecting money laundering in Tonga is the lack of resources, including technical and experienced staff at key AML/CFT agencies, including the TRA and the Tonga Police Transnational Crimes Unit. The lack of resources results in a lack of monitoring and in-depth investigation of suspicious transactions and an absence of prosecutions. A related issue is that the investigators may not be aware of new money laundering methodologies.

The Government of Tonga should work to ensure the KYC and STR requirements are applied more broadly and that politically exposed persons (PEPs) are covered under the relevant laws or regulations instead of only under guidelines applicable to NRBT-supervised institutions. Tonga should become a party to the United Nations Convention against Corruption.

Trinidad and Tobago

Trinidad and Tobago's close proximity to drug producing countries, stable economy, and developed financial systems make it a target for criminals looking to launder money. Proceeds from drug trafficking, illegal arms sales, fraud, tax evasion, and public corruption are the most common sources of laundered funds. Criminal assets laundered are derived from domestic and international criminal activity. Narcotics trafficking organizations and organized crime entities, operating locally and internationally, control the majority of illicit proceeds moving through the country. There is a significant black market for smuggled goods, including firearms. According to the Energy Ministry, the substantial illegal trade of locally produced, heavily subsidized diesel fuel sold in or near Trinidad and Tobago's territorial waters continues to decline through government law enforcement efforts, but is still of concern.

Trinidad and Tobago does not have a significant offshore banking sector. The banking system is one of the stronger and more efficient systems in the region, and Trinidad and Tobago is one of the largest financial centers in the Caribbean. According to information from financial institutions and legal analysts, financial crimes are increasing, particularly those involving the use of fraudulent checks, wire transfers, and financial instruments. Currency transactions below the suspicious transaction reporting (STR) threshold are common. The volume of money laundering in the offshore banking sector is unknown.

Money laundering also occurs outside the traditional financial system. While public casinos and online gaming are illegal in Trinidad and Tobago, gamblers take advantage of "private members' clubs," which operate as casinos and move large amounts of cash under outdated regulatory supervision. Reports also suggest that certain local religious organizations are involved in money laundering. Trinidad and Tobago has no laws requiring non-profit organizations to be subject to an AML/CFT regime. The extent to which alternative remittance services are a problem is unclear. STRs reviewed by the Trinidad and Tobago Financial Intelligence Unit (TTFIU) and Customs and Excise Division officials confirm trade-based money laundering occurs, though no indications tie these activities directly to terrorism financing.

There are 17 free trade zones (FTZs) in Trinidad and Tobago, where manufactured products are exported. Companies must present proof of legitimacy and are subject to background checks prior to being allowed to operate in the FTZs, and while operating are required to submit tax returns quarterly and audited financial statements yearly. There is no evidence the FTZs are involved in money laundering schemes.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, credit unions, trust and company service providers, building societies, postal services, cash remitters, real estate developers, motor vehicle vendors, money or value transfer services, gaming houses, pool betting services, national lotteries, online betting games, jewelers, private members' clubs, accountants, lawyers, independent legal professionals, and art dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 286: January 1 – June 30, 2015
Number of CTRs received and time frame: Not available
STR covered entities: Banks, credit unions, trust and company service providers, building societies, postal services, cash remitters, real estate developers, motor vehicle vendors, money or value transfer services, gaming houses, pool betting services, national lotteries, online betting games, jewelers, private members' clubs, accountants, lawyers, independent legal professionals, and art dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 6 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Trinidad and Tobago is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluation-reports/trinidad-and-tobago-2

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Trinidad and Tobago elected a new government in September 2015. The Government of Trinidad and Tobago continues to work to address AML/CFT compliance and enforcement issues, particularly implementation of new legislative and regulatory reforms. Trinidad and Tobago's AML/CFT regime is not able to quantify the extent to which fraud and public corruption contribute to money laundering. Fraud and waste in government procurement are common, but rarely prosecuted. The failure to prosecute financial crimes successfully has a corrosive impact on the integrity of public finances and may encourage others to engage in financial crimes.

Nationals of Trinidad and Tobago have been involved in terrorism activities, including terrorist financing, and weaknesses in regulations governing non-profit organizations have been flagged as vulnerabilities that could potentially be exploited by terrorists or their sympathizers. In 2015,

Trinidad and Tobago had opened three terrorist financing investigations, but has not arrested, prosecuted, or convicted anyone for terrorist financing offenses.

In 2014, the government concluded stakeholder consultations to effect proper gaming sector supervision and AML/CFT compliance. In 2015, the gaming legislation, which includes mechanisms to ensure criminal elements are prevented from owning or managing private members' clubs that conduct casino operations, was not tabled during the last Parliamentary session before elections.

The Police Service Financial Investigations Branch conducted 27 cash seizures in 2015, and there are nine cash forfeiture matters before the courts. Though the cash seizures and forfeitures are significant, to date there has not been a money laundering conviction, and AML/CFT law enforcement agencies continue to have investigative capacity challenges.

Trinidad and Tobago should ensure its private members' clubs and other gaming entities are adequately supervised. Additionally, the government should take steps to build the capacity of its enforcement and prosecutorial agencies to enable those entities to fulfill their responsibilities and successfully prosecute money laundering and terrorist financing cases.

Tunisia

Tunisia is not considered a regional financial center. Tunisia has strict currency exchange controls, which authorities believe mitigate the risk of international money laundering. There is a low level of organized crime in Tunisia. The primary domestic criminal activities that generate laundered funds are clandestine immigration, trafficking in stolen vehicles, and narcotics. Weapons, narcotics, and suspect cash have been seized in many Tunisian cities, some of which are near the borders with Libya or Algeria. Reports of corruption and financial crimes have been increasing since the 2011 revolution. The smuggling of weapons and contraband through Tunisia is used to support terrorist groups, including al-Qaida in the Islamic Maghreb. Tunisia is especially concerned about militants entering from adjacent Libya.

Money laundering occurs through the financial sector, especially through informal economic activity involving smuggled goods. Since Tunisia has strict currency controls, it is likely that underground remittance systems such as hawala are prevalent. Trade-based money laundering is also a concern. Throughout the region, invoice manipulation and customs fraud are often involved in hawala counter-valuation. Tunisia has two free trade zones, in Bizerte and Zarzis. Tunisia has seven offshore banks, and the number of companies with foreign participation is 1,780, of which 1,105 are offshore international business companies (IBCs).

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, microfinance institutions, and financial intermediaries; company and asset managers; real estate brokers and agents; dealers of precious metals, jewels, precious stones, or high-value goods; and managers of casinos

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 129: January – June, 2014
Number of CTRs received and time frame: Not available
STR covered entities: Banks, microfinance institutions, and financial intermediaries; company and asset managers; real estate brokers and agents; dealers of precious metals, jewels, precious stones, or high-value goods; and managers of casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Tunisia is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.menafatf.org/images/UploadFiles/MENAFATF.7.07.E.P5R2%20_with%20response_.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Tunisia adopted a new law against terrorism and money laundering on August 7, 2015. The Government of Tunisia hopes the law's national commission to fight terrorism - a permanent joint commission uniting members of different ministries, the judiciary, and eventually members of civil society organizations - will allow for better cooperation among these different entities. The new law creates a unit of judges specialized in terrorism cases (article 38) and hands investigations to the Criminal Investigation Department of Tunis, rather than units at the governorate level (article 36), with the intent to avoid information being lost between different police units. Once the implementation decrees are finalized, the law also will expand the list of reportable suspicious transactions.

The Tunisian Financial Analysis Commission (CTAF), the financial intelligence unit, includes members representing the central bank, customs, police departments, and the judiciary. CTAF lacks analytical capacity due to a lack of analytical staff as well as lack of training for the staff already in place.

Under Tunisian law, all offshore financial institutions are held to the same regulatory standards as onshore financial institutions and undergo the same due diligence process. Offshore financial institutions are licensed only after the Central Bank investigates their references and the Ministry of Finance approves their applications. Anonymous directors are not allowed. IBCs are subject to all regulatory requirements, except for tax requirements and currency convertibility restrictions. Tunisia prohibits bearer financial instruments or shares, as well as anonymous and numbered accounts.

The Government of Tunisia should continue to implement and enhance its AML/CFT regime. Officials should collect and disseminate statistics, such as prosecutions and convictions, to assist in measuring progress. Tunisian authorities should examine, update where needed, and enforce existing regulations on hawala, mobile phone banking, and other money and value transfer systems operating in Tunisia. Authorities should build their capacity to recognize and investigate trade-based money laundering and value transfer, and should examine underground finance and its possible link to money laundering and extremist finance.

Turkey

Turkey is an important regional financial center, particularly for Central Asia and the Caucasus, as well as for the Middle East and Eastern Europe. With the exception of last three years, Turkey's economy has grown rapidly, and its GDP has quadrupled in size since 2001. This rapid growth, combined with Turkey's commercial relationships and geographical proximity to unstable, conflict ridden areas like Iraq, Syria, and Crimea makes Turkey vulnerable to money laundering and terrorist finance risks. It continues to be a major transit route for Southwest Asian opiates moving to Europe. In addition to narcotics trafficking other significant sources of laundered funds include smuggling, invoice fraud, tax evasion, and to a lesser extent, counterfeit goods, forgery, highway robbery, and kidnapping. Terrorism financing is present, particularly in the form of cash flows across Turkey's southern border into Syria; and terrorist organizations with suspected involvement in narcotics trafficking and other illicit activities are present in Turkey. Turkey's nonprofit sector remains vulnerable to terrorism financing. Recent conflicts at the southern border of Turkey have increased the risks for additional sources of terrorism financing and money laundering attached to human trafficking and oil and antiquities smuggling from the region to Europe.

Money laundering takes place in banks, non-bank financial institutions, and the informal economy. According to Turkish government officials, between one-quarter and one-third of economic activity is conducted by unregistered businesses. Money laundering methods in Turkey include the large scale cross-border smuggling of currency; bank transfers into and out of the country; trade fraud; and the purchase of high-value items such as real estate, gold, and luxury automobiles. Turkish-based traffickers transfer money and sometimes gold via couriers, the underground banking system, and bank transfers to pay narcotics suppliers in Pakistan or Afghanistan. Funds are often transferred to accounts in the United Arab Emirates, Pakistan, and other Middle Eastern countries.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks; bank or credit card issuers; authorized exchange houses; money lenders; financing and factoring companies; capital markets brokerage houses, futures brokerages, portfolio management companies, and investment fund managers; investment partnerships; insurance, reinsurance, and pension companies, and insurance and reinsurance brokers; financial leasing companies; capital markets settlement and custody service providers; the Presidency of the Istanbul Gold Exchange (custody services only); General Directorate of Post and Cargo Companies; asset management companies; Islamic financial houses; dealers of precious metals, stones, and jewelry; Directorate General of the Turkish Mint (gold coin minting activities only); precious metals exchange intermediaries; buyers, sellers, and intermediaries of immovable property transactions made for trading purposes; dealers of all kinds of sea, air, and land transportation vehicles and construction equipment; dealers and auction houses dealing with historical artifacts, antiques, and art; lottery and betting organizations, including the Turkish National Lottery Administration, the Turkish Jockey Club, and Football Pools Organization Directorate; sports clubs; notaries; lawyers; accountants; and audit institutions

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 61,372: January 1 - November 21, 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks; bank or credit card issuers; authorized exchange houses; money lenders; financing and factoring companies; capital markets brokerage houses, futures brokerages, portfolio management companies, and investment fund managers; investment partnerships; insurance, reinsurance, and pension companies, and insurance and reinsurance brokers; financial leasing companies; capital markets settlement and custody service providers; the Presidency of the Istanbul Gold Exchange (custody services only); General Directorate of Post and Cargo Companies; asset management companies; Islamic financial houses; dealers of precious metals, stones, and jewelry; Directorate General of the Turkish Mint (gold coin minting activities only); precious metals exchange intermediaries; buyers, sellers, and intermediaries of immovable property transactions made for trading purposes; dealers of all kinds of sea, air, and land transportation vehicles and construction equipment; dealers and auction houses dealing with historical artifacts, antiques, and art; lottery and betting organizations, including the Turkish National Lottery Administration, the Turkish Jockey Club, and Football Pools Organization Directorate; sports clubs; notaries; lawyers; accountants; and audit institutions

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:
With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Turkey is a member of the FATF. Its most recent mutual evaluation can be found at: http://www.fatf-gafi.org/countries/s-t/turkey/

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although Turkey's legislative and regulatory framework for addressing money laundering has improved, Turkey's investigative powers, interagency cooperation, law enforcement capability, oversight, and outreach are weak and lacking in many of the necessary tools and expertise to effectively counter this threat through a comprehensive approach; these areas need to be strengthened.

The Coordination Board for Combating Financial Crimes assigned the Financial Crimes Investigation Board (MASAK), Turkey's financial intelligence unit, to coordinate the national risk assessment in Turkey. To this end, MASAK determined contact points from relevant institutions, organized a study visit to Spain in 2014, and continues interagency consultations and studies in order to draft an assessment document.

With the entry into force, on March 30, 2015, of the Regulation on Principles and Procedures for MASAK's Electronic Notification to Obliged Parties, MASAK will be able to communicate with covered entities in a timely manner and implementation of the mechanism for freezing assets without delay will be accelerated. Moreover, in February 2015, MASAK introduced a guidance circular, Guidance on Suspicious Transaction Reporting for Factoring and Leasing Companies, that improved its capacity for oversight. MASAK has improved its capacity to collect and analyze financial information by further investing in IT infrastructure and human capital. MASAK continues to increase education efforts for financial institutions. A new Efficiency in Anti-Money Laundering and Combating Financing of Terrorism project officially started in March 2015, with donor assistance.

Turkey's nonprofit sector is not audited on a regular basis for terrorism financing activity and does not receive adequate AML/CFT outreach or guidance from the government. The General Director of Foundations issues licenses for and oversees charitable foundations. However, there are an insufficient number of auditors to cover more than 70,000 institutions.

Other significant weaknesses exist in Turkey's AML/CFT regime that should be addressed. These include: making politically exposed persons (PEPs) subject to enhanced due diligence; ensuring cross-border wire transfers and cash transfers are recorded in accordance with international standards; ensuring designated non-financial businesses and professions are scrutinized and are subject to reporting requirements; continuing to increase the capacity of MASAK to engage in greater data collection and analysis; and improving interagency cooperation to assure a comprehensive implementation of existing laws and regulations. To

improve the deficiencies in its AML/CFT framework and implementation, Turkey will need to invest additional resources.

Turkey has not kept adequate statistics on prosecutions and convictions since 2009. Subsequently, Turkey's record of official investigations, prosecutions, and convictions is unclear. No data was available for 2014. In 2015, MASAK referred to public prosecutors 387 individuals based upon a suspicion of money laundering and 61 individuals based upon a suspicion of terrorism. Turkey has no civil asset forfeiture procedures and its criminal procedures and practices are primitive.

Turkey should provide the necessary resources and capacity to adequately supervise its non-profit sector. The government should introduce more transparency and accountability in its AML/CFT regime by resuming its retention and reporting of statistics related to prosecutions and convictions. Turkey also should continue to take steps to implement its legal framework for identifying and freezing terrorist assets under UNSCRs 1267 and 1373, to prevent terrorist groups in Iraq and Syria from benefiting from trade in oil, antiquities, and hostages, and from receiving donations under UNSCR 2199.

Turkmenistan

Turkmenistan is not an important regional financial center. The main source of criminal revenues in Turkmenistan is drug trafficking, due to the fact Turkmenistan is used as a transit country for shipment of drugs from Afghanistan. Although there is no information on cash smuggling, gasoline and other commodities are routinely smuggled across the national borders.

There are only five international banks and a small, underdeveloped domestic financial sector. The largest state banks each have narrow specializations - foreign trade, agriculture, industry, social infrastructure, savings, and mortgages. Two smaller state banks provide general banking services only. There are also five foreign commercial banks in the country, including a branch of Saderat Bank of Iran.

There are no offshore centers in Turkmenistan, but the country's significant mineral wealth is paid for through foreign offshore accounts with little public scrutiny or accounting. The Awaza (or Avaza) Tourist Zone (ATZ) is designed to promote the development of the Caspian Sea coast. Amendments to the tax code exempt construction and installation of tourist facilities in the ATZ from value added tax (VAT). Various services offered at tourist facilities, including catering and accommodations, are also VAT-exempt. Two casinos, managed by Turkish companies, operate in Turkmenistan.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** NO ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, money exchangers, and money remitters; postal service operators; leasing companies; securities brokers and intermediaries; insurance institutions; portfolio and asset managers; precious metals and stones dealers; accountants, lawyers, notaries, and other legal professionals; real estate agents; lottery or gaming entities; charitable foundations; State registrars; and pawnshops

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, credit institutions, money remitters, foreign currency dealers, and money exchangers; professional participants in the securities market, commodity exchanges and firms taking cash payments for investments; leasing organizations; insurance organizations; precious metals and stones dealers; accountants, lawyers, notaries, and other legal professionals; real estate agents; lottery or gaming entities; charitable foundations; and pawnshops

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO
With other governments/jurisdictions: YES

Turkmenistan is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.eurasiangroup.org/mers.php

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Inter-Agency Coordination Working Committee for combating money laundering and terrorism financing operates under the Ministry of Finance. The Government of Turkmenistan has increased its efforts to equip financial intelligence unit officials with computer software designed to perform link analysis. International experts have seen positive movement in the country's AML/CFT actions.

Foreign embassies provide terrorist financing information regarding UN- and U.S.-designated individuals and organizations subject to asset freezing to the Ministry of Foreign Affairs, which distributes it to other relevant agencies. While laws exist, the government does not have an independent system or mechanism for freezing terrorist assets. Nevertheless, international

experts have determined the existing procedures are adequate. There are no reports that authorities identified, froze, seized, or forfeited assets related to terrorist financing in 2015.

The Government of Turkmenistan should continue to work with international advisors to put in place an AML/CFT regime that comports with international standards. Turkmenistan's law enforcement, customs, and border authorities need continuing assistance to recognize and combat money laundering and terrorism financing. The government should release statistics on the number of financial intelligence reports filed as well as the numbers of AML/CFT prosecutions and convictions so as to better gauge the effectiveness of countermeasures.

Turks and Caicos

The Turks and Caicos Islands is a British Overseas Territory. The economy depends greatly on tourism and the well-developed financial sector. The Turks and Caicos Islands is vulnerable to money laundering due to its significant offshore financial services sector and deficiencies in its AML/CFT regime. Corruption is a problem, and the country's geographic location makes it a transshipment point for narcotics traffickers. The former Premier of Turks and Caicos and several members of his cabinet are currently on trial for corruption and money laundering. According to press reports, the former Premier and ministers allegedly misappropriated over $20 million between 2003 and 2009.

According to the Turks and Caicos Financial Services Commission's (TCIFSC) website, there are six licensed banks, four licensed money transmitters, 10 licensed trust companies, six international insurance managers, and 18 domestic insurance companies. As of March 2015, there were 6,217 international insurance companies; and at the end of 2011, 9,871 "exempt companies," or IBCs, were included in the Companies Registry. There are two casinos. Trust legislation allows for asset protection trusts insulating assets from civil adjudication by foreign governments; therefore, Turks and Caicos Islands remains a tax haven for those seeking to evade domestic tax reporting requirements. The Superintendent of Trustees has investigative powers and has the authority to assist overseas regulators.

The TCIFSC, an independent statutory body, is tasked with supervising the financial services sector, including the offshore sector, and is responsible for the oversight of company formation and registration. The TCIFSC licenses and supervises banks, money transmitters, mutual funds and funds administrators, investment dealers, trust companies, insurance companies and agents, company service providers, international business companies (IBCs), and designated non-financial businesses.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, credit card services, company managers, domestic insurance companies, insurance brokers/agents, investment dealers, money transmitters, mutual funds, professional trustees, dealers in high-value goods, dealers in precious metals and stones, estate agents, casinos, accountants, auditors, and lawyers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 40 in 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, credit card services, company managers, domestic insurance companies, insurance brokers/agents, investment dealers, money transmitters, mutual funds, professional trustees, dealers in high-value goods, dealers in precious metals and stones, estate agents, casinos, accountants, auditors, and lawyers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

The Turks and Caicos Islands is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluation-reports/turks-and-caicos-islands-1

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2015, 53 percent of the filed suspicious transaction reports (STRs) were submitted by money service businesses (MSBs), an increase of 425 percent over 2014. The increase is believed to correlate to an increase in onsite examinations by the TCIFSC and greater vigilance by the MSBs.

A British Overseas Territory, the government of the Turks and Caicos Islands cannot sign or ratify international conventions in its own right; the UK is responsible for international affairs and must arrange for the ratification of any convention to be extended to the Turks and Caicos Islands. The 1988 Drug Convention was extended to the Turks and Caicos Islands in 1995. On July 31, 2015, the UK extended the UN Convention against Transnational Organized Crime to the Turks and Caicos Islands. The UN Convention against Corruption and the International Convention for the Suppression of the Financing of Terrorism have not been extended to the Turks and Caicos Islands.

The Turks and Caicos Islands should strengthen cross-border currency controls and disseminate information on designated terrorists more effectively. The government should consider implementing domestic provisions to allow for the enforcement of foreign restraining and confiscation orders and the sharing of confiscated assets.

Uganda

Uganda's banking and financial sectors are growing in size and sophistication. The country has a total of 25 commercial banks, 84 percent of which are foreign-owned, and more than 300 non-bank financial institutions. Only 20 percent of Ugandans have deposits in the formal banking sector, with the rest of the populace relying on cash transactions or alternative forms of banking. Money transfers and payments through mobile phones (M-payments), for instance, have become key providers of basic, if informal, financial services for low-income earners who cannot afford the charges levied by the formal banking system. M-payments provide needed financial services to Uganda's unbanked population, much of which lives in remote areas of the country. Annual remittances are one of Uganda's largest sources of foreign currency.

Uganda's cash-based informal economy provides a fertile environment for money laundering. Its lack of intellectual property rights legislation feeds a large black market for smuggled and/or counterfeit goods. Currently, most laundered money comes from domestic proceeds, much of which stems from unchecked corruption. Real estate and casino operations are of particular concern. Uganda's inability to monitor formal and informal financial transactions, particularly informal trade along porous borders with South Sudan, Kenya, Tanzania, and the Democratic Republic of Congo, could render Uganda vulnerable to more advanced money laundering activities and potential terrorist financing. Uganda's black market takes advantage of these borders and the lack of customs and tax collection enforcement capacity.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, finance companies, microfinance institutions, foreign exchange bureaus, and any entity accepting deposits; legal practitioners, executors, trustees, and financial guarantors; casinos; real estate agents; dealers in precious metals and gems; insurance companies; investment brokers, dealers, and advisors; all licensing authorities and registrars of land and companies; lending, financial leasing, and money or value transfer

entities; traders of monetary instruments, foreign exchange, securities, and commodity futures; portfolio and fund managers, and entities providing safekeeping services

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 250: January – September, 2015
Number of CTRs received and time frame: Not available
STR covered entities: Banks, finance companies, microfinance institutions, foreign exchange bureaus, and any entity accepting deposits; legal practitioners, executors, trustees, and financial guarantors; casinos; real estate agents; dealers in precious metals and gems; insurance companies; investment brokers, dealers, and advisors; all licensing authorities and registrars of land and companies; lending, financial leasing, and money or value transfer entities; traders of monetary instruments, foreign exchange, securities, and commodity futures; portfolio and fund managers, and entities providing safekeeping services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0
Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO
With other governments/jurisdictions: YES

Uganda is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.esaamlg.org/userfiles/UGANDA_MER1.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Uganda's Anti-Money Laundering Act of 2013 (AMLA) and Anti-Terrorism Amendment Bill of 2015 (ATB) provide a framework for AML/CFT enforcement. On June 20, 2015, Uganda's parliament adopted the ATB to revise the Anti-Terrorism Act of 2002. The amendment includes indirect involvement in terrorist activities as a covered offense and expands the definition of a terrorist act to include electronic attacks, any act against national security or public safety, committing an act of terrorism in a foreign state, and unlawful possession of materials promoting terrorism. One of the most notable provisions of the amendment gives the Inspector General of the Police (IGP) broad powers to freeze or seize assets he deems as being linked to terrorism and authorizes the IGP to order any financial institution to freeze any account the IGP believes is linked to or intended for terrorist activity. However, the authority is subject to judicial oversight, which has the potential to delay action. Upon ordering the seizure of assets, the IGP must report the order to the Directorate of Public Prosecutions (DPP). If the DPP is satisfied that the assets are linked in any way to terrorism, then the DPP must seek court approval to seize an asset within 48 hours.

The Financial Intelligence Authority (FIA) and the Financial Intelligence Board (FIB), an interagency body that coordinates efforts within the Government of Uganda to combat money laundering, ensure implementation of the AMLA. Under the AMLA, the FIA is supposed to function independently, even though it may receive "guidelines" from the minister of finance. The FIA became operational in September 2014, and the FIB in July 2015. The FIB has met six

times in the past four months to discuss amendments to the AMLA that would ensure financial record-keeping obligations are in compliance with international standards and extend to all financial institutions.

The AMLA does not specifically include M-Payments within its regulatory scope even though such transfers represent a significant portion of financial transactions in Uganda. However, according to clause 14a in the AMLA, mobile money agents are considered "accountable persons" because they accept deposits from the public and are required to record and transmit to commercial banks the identities of people conducting mobile money transactions. The banks in turn are obligated to forward those reports to the FIA. Most M-Payment agents are natural persons and not corporations.

Although the exact number of currency transaction reports (CTRs) are unknown, each week the FIA receives between 5,000 and 10,000 CTRs. Commercial banks account for 95 percent of the CTRs. Two money laundering cases are with the DPP, but have not been presented to court.

In addition to those in place with over a dozen regional countries, memorandums of understanding are pending with additional countries. The AMLA provides for asset sharing and enables mutual legal assistance requests from other jurisdictions; however, the mechanism for asset sharing has not been negotiated with any other country.

The Government of Uganda should fully implement the AMLA and ABT. AML/CFT training should be a priority for concerned Ugandan law enforcement, customs, intelligence, and judicial authorities. Uganda should adopt a safe harbor provision to protect covered entities and their employees who file suspicious transaction reports (STRs) from criminal or civil liability and address the lack of tracking of real estate transactions.

Ukraine

Although Ukraine is not a regional banking or financial center, and despite several international banks pulling out of the country, it does have close ties with European banking networks. Illicit proceeds are primarily generated through corruption; fraud; trafficking in drugs, arms, and persons; organized crime; prostitution; cybercrime; and tax evasion. Money launderers use various methodologies, including real estate, insurance, bulk cash smuggling, financial institutions, and shell companies. Few Ukrainian businesses are owned transparently. The British Virgin Islands, Cyprus, and other offshore tax havens are often used to obscure ownership, evade taxes, or mask illicit profits.

Ukraine's large shadow economy represents a significant money laundering vulnerability. Conducted in cash with little records or oversight, transactions in the grey economy make it relatively easy to launder money in Ukraine and deprive the government of tax revenue. The use of the informal economy is linked to evasion of taxes and customs duties. Many Ukrainians work abroad and send remittances back to Ukraine via transfers or international payment systems; these remittances amounted to approximately $2.2 billion in the first six months of 2015. Of this total, $311 million arrived via informal channels. Additionally, there is a significant market for smuggled goods in Ukraine.

Endemic corruption in Ukraine is an additional factor that worsens the problem of money laundering. Furthermore, transnational organized crime syndicates utilize Ukraine as a transit country to lauder their illicit profits to a third country. In the course of investigations conducted between March 2014 and September 2015, the State Financial Monitoring Service (FMS), Ukraine's financial intelligence unit, froze the equivalent of $1.52 billion of funds reportedly related to large-scale corruption activities of the former government.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, insurance companies, gaming institutions, credit unions, depositories, securities traders, registers, pawn shops, mail service operators and other operators conducting money transfers or foreign exchange, real estate traders, certain traders of precious metals and stones, notaries, auditors, independent lawyers, leasing providers, and private entrepreneurs

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, insurance companies, gaming institutions, credit unions, depositories, securities traders, registers, pawn shops, mail service operators and other operators conducting money transfers or foreign exchange, real estate traders, certain traders of precious metals and stones, notaries, auditors, independent lawyers, leasing providers, and private entrepreneurs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 241 in 2014
Convictions: 156 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Ukraine is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most

recent mutual evaluation can be found at:
http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Ukraine_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2015, the Government of Ukraine took positive measures to reduce corruption. The country recently created the National Anti-Corruption Bureau and the Inspector General's Office and is working to reform the judiciary. Amendments to the Law on Banking enacted in February 2015 allow expedited liquidation of banks involved in money laundering and terrorist financing. The National Bank of Ukraine has shuttered seven banks since then under these measures.

Ukraine combines currency transaction reports (CTRs) and suspicious transaction reports (STRs) for statistical purposes. From January to September 2015, 2,873,485 reports were received, representing more than a three-fold increase over the same period last year. The reporting upsurge is attributed to increased focus on destabilizing threats in eastern of Ukraine.

While Ukraine has signed and ratified international treaties, implementation is often weak. This is particularly true in the area of international law enforcement cooperation, mutual legal assistance, and asset forfeiture. The Rada voted on a draft law in November 2015 to establish a National Agency on Detection of Corruption Proceeds. The Rada still needs to give final approval to the draft and the President must then sign it. The Agency, when established, will be entrusted with drafting and signing international asset sharing agreements.

Cybercrime is an on-going problem in Ukraine. In 2015, a European joint investigative team working with Ukrainian counterparts uncovered a major cybercriminal group operating in the country. The enforcement action targeted high-level cybercriminals and their accomplices who are suspected of developing, exploiting, and distributing banking Trojan malware as well as channeling and cashing-out the proceeds of their crimes. The cybercriminals used malware to attack online banking systems in Europe and beyond, adapting their sophisticated banking Trojans over time to defeat the security measures implemented by the banks. On digital underground forums, they actively traded stolen credentials, compromised bank account information, and malware, and sold their hacking 'services.' Tens of thousands of users' computers were infected with banking Trojans with total damages estimated at over $2 million.

Ukraine must address the rise of cybercrime and related transnational organized crime activities by better examining the significant amounts of money flowing into its banking system. Ukraine needs to increase prosecution of large-scale financial crimes, corruption, and money laundering schemes. It also should improve implementation of its provisions for asset freezing, confiscation, and forfeiture. Ukraine should enhance regulatory oversight of its gaming industry and examine how gaming is used to launder money and its possible relationship with regional organized crime. The government should investigate how informal money and value transfer networks are used not only for remittances, but for the transfer of illicit proceeds. Ukraine should enact its draft bill on international law enforcement cooperation in order to fully implement its treaty obligations.

United Arab Emirates

The United Arab Emirates (UAE) is a regional hub for transportation, trade, and financial activity. In recent years, its robust economic development, political stability, and liberal business environment have attracted an influx of people, goods, and capital, which may leave the country vulnerable to money laundering activity. Dubai, especially, is a major international banking and trading center that has aggressively sought to expand its financial services business.

Money laundering risks in recent years have increased commensurate with the growth of large numbers of exchange houses, hawaladars, and trading companies in the UAE. Furthermore, remittances are transferred through these establishments from non-nationals in the UAE, who comprise more than 80 percent of the population and often are unable to access the formal financial sector in their home countries. There are some indications trade-based money laundering occurs in the UAE, including through commodities used as counter-valuation in hawala transactions or through trading companies and that such activity might support sanctions-evasion networks and terrorist groups in Afghanistan, Pakistan, Iran, Iraq, Syria, Yemen, and Somalia. Activities associated with terrorist and extremist groups include both fundraising and transferring funds. Bulk cash smuggling is also a significant problem.

A portion of the money laundering/terrorist financing (ML/TF) activity in the UAE is likely related to proceeds from illegal narcotics produced in Southwest Asia. Narcotics traffickers from Afghanistan, where most of the world's opium is produced, are reported to be attracted to the UAE's financial and trade centers. Domestic public corruption contributes little to money laundering or terrorism financing.

Other money laundering vulnerabilities in the UAE include the real estate sector, the misuse of the international gold and diamond trade, and the use of cash couriers to transfer illicit funds. The country also has an extensive offshore financial center, with 37 free trade zones (FTZs) and two financial free zones. There are over 5,000 multinational companies located in the FTZs and thousands more individual trading companies. Companies located in the FTZs are considered offshore or foreign entities for legal purposes. UAE law prohibits the establishment of shell companies and trusts. Activity in the Dubai International Financial Center, supervised by the Dubai Financial Services Authority, is largely from major international banks/institutions.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, insurance companies, exchange houses, and securities traders

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 3,484: January 1 - December 11, 2014
Number of CTRs received and time frame: Not available
STR covered entities: Banks, insurance companies, exchange houses, and securities traders

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

The UAE is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.menafatf.org/images/UploadFiles/UAEoptimized.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of the UAE continues to work on enhancing its AML/CFT program and has demonstrated its willingness and capability to take action again illicit financial actors. In November 2015, the Central Bank of the UAE (CBUAE), with assistance from the Dubai Police General Headquarters' Anti-Money Laundering Unit and the U.S. Drug Enforcement Administration, took action against a Treasury-designated money exchange that was supporting a money laundering racket.

The Securities and Commodities Authority (SCA) in September 2015 announced that it ordered all UAE-based securities and commodities brokerage companies to electronically connect with the CBUAE's Anti-Money Laundering and Suspicious Cases Unit (AMLSCU), the UAE financial intelligence unit (FIU). The procedure marks the first phase of SCA's plan to connect all SCA-licensed companies with the AMLSCU.

The Government of the UAE in 2014 amended its Anti-Money Laundering Law, expanding the list of ML predicate offenses to all serious crimes, among other improvements. The AML Law explicitly states that money laundering offenses are stand-alone offenses and that the punishment of the offender for committing the predicate crime shall not preclude also punishing the offender for money laundering. Further, the new AML Law states that a conviction for the predicate offence is not required for evidencing the unlawful source of the proceeds being laundered.

Several areas of AML/CFT implementation and enforcement require ongoing action by the UAE. The UAE should increase the capacity and resources it devotes to investigating ML/TF both federally at the AMLSCU and at emirate-level law enforcement. The AMLSCU also needs to enhance its financial information collection and sharing capability to support cooperative efforts with counterpart FIUs. The AMLSCU should also develop its analytical capacity. Additionally, enforcement of cash declaration regulations is weak. Law enforcement and customs officials should conduct more thorough inquiries into large declared and undeclared

cash imports into the country, as well as enforce outbound declarations of cash and gold utilizing existing smuggling laws. Furthermore, the UAE should criminalize tipping off.

Law enforcement and customs officials should proactively develop money laundering cases based on investigations, rather than wait for STR-based case referrals from the AMLSCU. All facets of trade-based money laundering should be given greater scrutiny by UAE customs and law enforcement officials, including customs fraud, the trade in gold and precious gems, commodities used as counter-valuation in hawala transactions, and the abuse of trade to launder narcotics proceeds. The UAE should take action to establish appropriate policies and procedures regarding all aspects of asset forfeiture, including asset sharing. The UAE should release annual numbers of AML/CFT prosecutions and convictions so as to better gauge the effectiveness of its regime.

United Kingdom

The United Kingdom plays a leading role in European and world finance and remains attractive to money launderers because of the size, sophistication, and reputation of its financial markets. Although narcotics are still a major source of illegal proceeds for money laundering, the proceeds of other offenses, such as financial fraud and the smuggling of people and goods, have become increasingly important. The past few years have seen an increase in the movement of cash via the non-bank financial system as banks and mainstream financial institutions have tightened their controls and increased their vigilance. Money exchanges; inbound and outbound cash smugglers; and gatekeepers, such as lawyers and accountants, are used to move and launder criminal proceeds. Also on the rise are credit/debit card fraud, internet fraud, and the purchase of high-value assets to disguise illicit proceeds. There are significant intelligence gaps, in particular in relation to 'high-end' money laundering. This type of laundering is particularly relevant to major frauds and serious foreign corruption, where the proceeds are often held in bank accounts, real estate, or other investments rather than in cash. Underground alternative remittance systems, such as hawala, are also common.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, credit unions, building societies, money service businesses, e-money issuers, and credit institutions; insurance companies; securities and investment service

providers and firms; independent legal professionals, auditors, accountants, tax advisors, and insolvency practitioners; estate agents; casinos; high-value goods dealers; and trust or company service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 354,186: October 2013 – September 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, credit unions, building societies, money service businesses, e-money issuers, and credit institutions; insurance companies; securities and investment service providers and firms; independent legal professionals, auditors, accountants, tax advisors, and insolvency practitioners; estate agents; casinos; high-value goods dealers; and trust or company service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 64: January 1 - September 30, 2014
Convictions: 56: January 1 - September 30, 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

The United Kingdom is a member of the FATF. Its most recent mutual evaluation can be found at: http://www.fatf-gafi.org/countries/u-z/unitedkingdom/documents/mutualevaluationofunitedkingdomofgreatbritainandnorthernireland.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The UK has a comprehensive AML/CFT regime and is an active participant in multilateral efforts to counter transnational financial crimes. The UK agreed to the EU's Fourth Anti-Money Laundering Directive in June 2015; it will be transposed into UK law by June 2017.

In 2015, the UK government published its first national risk assessment (NRA) with the aim of identifying, understanding, and assessing the ML/TF risks. The NRA confirmed that the UK's law enforcement agencies' primary expertise is cash-based ML, particularly cash collection networks, international controllers, and money service businesses, although some gaps in knowledge remain. This is a result of the resources law enforcement agencies have invested over a number of years in tackling cash-based ML and narcotics trafficking, which have long been recognized as posing high ML risks.

In 2015, the Government of the United Kingdom committed to an action plan to follow up on the NRA's findings. The action plan sets out how the government will increase collaboration among law enforcement agencies, supervisors, and the private sector; fill intelligence gaps and strengthen the law enforcement response; remove inconsistencies in the supervisory regime; and increase the international reach to tackle money laundering.

The UK supervises both financial institutions and designated non-financial businesses or professions (DNFBPs) for AML/CFT compliance. There are currently 27 AML/CFT supervisors

in the UK. The supervisors include large global professional bodies, smaller professional bodies, and a number of public sector statutory organizations. Her Majesty's Treasury has developed a voluntary reporting process for supervisors in the UK. The Annual Report on AML/CFT supervision is intended to improve the transparency and accountability of supervision and enforcement in the UK and encourage good practice.

In 2015, the UK launched a pilot Joint Money Laundering Intelligence Task Force, which brings together 10 banks and key UK law enforcement agencies to collaborate on the detection and disruption of money launderers. In the pilot phase, seven people have been arrested, £7.8 million (approximately $8.4 million) of criminal money has been frozen, and over 350 suspicious accounts have been identified.

The Financial Conduct Authority (FCA) is in charge of consumer protection and the integrity of the UK's financial system. The FCA has changed its approach to AML supervision, which is now more risk based. The FCA is now more proactive, working closely with regulatory and industry stakeholders to identify current and emerging financial crime risks and ensure that banks are aware of their implications and how to mitigate them. Since 2012, the FCA has taken formal enforcement action again eight firms and individuals in response to AML failings, with fines totaling approximately £24 million (approximately $37 million). It currently has seven AML cases under investigation.

In March 2015, the UK passed legislation to establish a central public register of company beneficial ownership information. The register will be a freely accessible, searchable, single online source of information about the ultimate owners and controllers of UK companies. Law enforcement agencies can use the information as an accessible source of intelligence and evidence in their investigations. The central public register also will enable citizens and businesses both in the UK and other countries to identify who owns and controls the companies they are doing business with. The public sector will be able to use the information to support inquiries into corruption, money laundering, and other criminal activities. The register also may be used by covered entities as part of their customer due diligence (CDD) checks, but it cannot be relied upon, nor does it replace the obligation to perform CDD. UK companies will be required to obtain and hold their beneficial ownership information beginning in April 2016. They will be required to file that information with the central public register with the UK registrar of companies from June 2016. There will be sanctions and penalties for failing to comply with the register requirements, such as imprisonment of up to two years.

In June 2014, the Crown Prosecution Service Proceeds of Crime team was established to prioritize and streamline confiscation work, although responsibility for asset recovery is divided among different UK agencies. The UK is enhancing its international reach in asset recovery and provides technical assistance to other jurisdictions.

The UK should consider changing its rules to ensure domestic politically exposed persons (PEPs) are identified and, if appropriate, subject to enhanced due diligence requirements in accordance with international recommendations.

Uruguay

Although the Government of Uruguay continued to take affirmative steps in 2015 to counter money laundering and terrorism financing activities and made progress in enforcement, Uruguay remains vulnerable to these threats. Uruguay has a highly dollarized economy, with the U.S. dollar often used as a business currency; about 80 percent of deposits and 55 percent of credits are denominated in U.S. dollars. Officials from the Uruguayan police and judiciary assess that Colombian, Mexican, and Russian criminal organizations are operating in Uruguay. There is continued concern about transnational organized crime originating in Brazil. Since 2013, there have been at least five high-profile money laundering cases, including one related to FIFA and several linked to alleged laundering of funds from Peru, Argentina, and Spain.

Laundered criminal proceeds derive primarily from foreign activities related to drug trafficking organizations. Drug dealers also participate in other illicit activities like car theft and human trafficking, and violent crime is increasing significantly. Publicized money laundering cases are primarily related to narcotics and/or involve the real estate sector. Public corruption does not seem to be a significant factor behind money laundering or terrorist financing. Uruguay has porous borders with Argentina and Brazil and, despite its small size, price differentials between Uruguay and neighboring countries support a market for smuggled goods. Bulk cash smuggling and trade-based money laundering occur.

Given the longstanding free mobility of capital in Uruguay, money is likely laundered via the formal financial sector (onshore and offshore). Offshore banks are subject to the same laws, regulations, and controls as local banks, with the government requiring licenses through a formal process that includes a background investigation of the principals. The three offshore banks operating in Uruguay cannot initiate new operations since they are in the process of being liquidated. Offshore trusts are not allowed. There are twenty representatives of offshore financial entities. Bearer shares may not be used in banks and institutions under the authority of the Central Bank of Uruguay, and any share transactions must be authorized by the central bank. Uruguay's offshore financial services cater primarily to Latin American clients, especially to middle class Argentinians.

There are 12 free trade zones (FTZs) located throughout the country. Three FTZs accommodate a variety of tenants offering a wide range of services, including financial services; two were created exclusively for the development of the pulp industry; one is dedicated to science and technology; and the rest are devoted mainly to warehousing. Some of the warehouse-style FTZs and Montevideo's free port and airports are used as transit points for containers of counterfeit goods (generally manufactured in China) or raw materials bound for Brazil and Paraguay.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Are legal persons covered: ***criminally:*** NO ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Banks, currency exchange houses, stockbrokers, pension funds, insurance companies, casinos, art dealers, real estate and fiduciary companies, lawyers, accountants, and other persons who carry out financial transactions or manage commercial companies on behalf of third parties

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 290: January – October 2015

Number of CTRs received and time frame: 7,607,016: January – October 2015

STR covered entities: Banks; financial services firms (which can offer credits and diverse financial services but not deposits); financial houses (which can loan to residents but only receive deposits from non-residents); offshore financial institutions; financial cooperatives; private loan consortia; credit providers; exchange houses; representatives of offshore financial firms; wire companies; companies providing administration, accounting and data processing services; pension funds; insurance companies; stock exchanges; stock brokers; investment advisors; issuers of initial public offers; investment fund managers; financial trusts; professional trust managers; private companies with government's participation; casinos; real estate brokers, intermediaries, and developers; notaries; auctioneers; dealers in antiques, fine art, and precious metals or stones; FTZ operators and direct users; business dealers; and other persons or companies who carry out financial transactions or administer corporations on behalf of third parties

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 51: January – October 2015

Convictions: 7: January – July 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Uruguay is a member of the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.gafilat.org/UserFiles/documentos/es/evaluaciones_mutuas/Uruguay_3era_Ronda_2009.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Significant AML/CFT developments in 2015 include the inclusion of three articles in the quinquennial budget bill that task the Anti-Money Laundering Secretariat (AMLS) with the supervision of designated non-financial businesses and professions (DNFBPs). Law 19,355, enacted in December 2015, substantially enhances the supervisory and enforcement powers of the AMLS and should have the effect of increasing STR reporting by these entities, which have traditionally submitted few suspicious transaction reports (STRs). Staffing will almost triple to enable the AMLS to implement effective supervision over 20,000 new obligated entities.

Several programs continued in 2015 with the assistance of the international donors. One program seeks to upgrade Uruguay's money laundering risk assessment and its compliance with international standards. Other programs seek to enhance the effectiveness of Uruguay's AML investigations, improve the country's technological platform and statistical system, and provide better tools to the inter-institutional working groups. One donor is assisting the central bank to create a strategic analysis division within UIAF, the financial intelligence unit, and is also helping the UIAF to strengthen its capabilities to assess the risk of individual financial institutions. A risk-based matrix that was tested in ten institutions in 2015 will be implemented throughout the entire financial system in 2016. Following a 2014 decree, the UIAF started supervising providers of securities transportation and safety deposit boxes in 2015.

In 2015, Uruguay continued its strategy of increased transparency by eliminating approximately 85,000 bearer share corporations that failed to register the owners of their shares at the UIAF (about 30,000 corporations registered). Uruguay also began adhering to the automatic exchange of tax information with some jurisdictions and announced that, starting in 2017, it will begin an automatic exchange of tax information with countries with which it has bilateral agreements. However, foreign authorities seeking information on their residents' undeclared bank accounts cannot easily discover evidence of malfeasance; they may only seek "confirmation" from Uruguay after a specific taxpayer and a related bank account have already been identified. Implementation of the new policy will require a major relaxation of Uruguay's longstanding bank secrecy policy.

In 2014, the Uruguayan Customs Authority created a working group on AML, and in 2015 Uruguay passed legislation that authorizes customs officials to impose significantly tighter controls over the FTZs. A financial inclusion law passed in May 2014 provides for mandatory payment of wages, pensions, and specified transactions by electronic means, thereby diminishing money laundering risks by increasing economic formalization. Following the new financial inclusion regulations, the UIAF started receiving daily reports for simplified savings accounts in 2015.

The government worked in 2015 to develop an integrated strategy against terrorism, which will be submitted to the parliament for approval in 2016. In early December 2015, the government will submit a bill to Parliament that would strengthen its anti-terrorism stance and clarify several points that were subject to interpretation. Also in 2015, an inter-ministerial working group continued analyzing the inclusion of tax evasion as a predicate crime for money laundering.

Uruguay has made progress in the collection and dissemination of statistics related to prosecutions, convictions, and the amount of seized assets related exclusively to AML/CFT cases. Money laundering prosecutions can take several years, and most end with a conviction. Uruguay is considering amending its legislation to allow for full non-conviction based forfeiture. At present, assets may be forfeited without the conviction of a person only in very narrow circumstances, including when the owner of the assets is missing or no owner can be found. Besides the convictions and prosecutions, in 2015 the UIAF froze assets on six occasions for a total of $614,000, fined a real estate agent and a notary, and imposed sanctions on several financial institutions, one of which was closed.

Uruguay should amend its legislation to provide for criminal liability for legal persons. It also should continue improving its statistics related to money laundering, continue working with covered non-financial entities, and improve the management of seized assets and funds.

Uzbekistan

Uzbekistan is not a major regional financial center, operating on a largely cash-based economy. The government imposes a fixed exchange rate for the local currency, the soum (which is significantly overvalued at the official rate), and strictly restricts capital outflows. As a result, the Uzbek financial system is not an attractive destination for illicit proceeds overall. However, due to pervasive corruption, well-connected individuals can establish private banks and thus launder illicit proceeds, circumventing official regulations.

Narcotics and other smuggled goods enter Uzbekistan mainly over the borders with Afghanistan and Tajikistan, likely with the complicity of corrupt officials. Corruption, narcotics trafficking, and smuggling generate the majority of illicit proceeds. Local and regional drug trafficking and other organized criminal organizations control narcotics markets and proceeds from other criminal activities. Due to high customs-clearance costs, Uzbekistan is home to a large black market for smuggled goods, many of them originating in China. This black market does not appear to be significantly funded by narcotics proceeds but could be used to launder drug-related money.

The large percentage of migrant workers sending money to Uzbekistan may pose risks with regard to informal or alternative value transfer systems; however, there is little publicly available information on these entities.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** NO ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks, microcredit institutions, securities brokers, members of the stock exchange, insurance brokers, leasing companies, money transfer companies, postal operators, dealers in precious metals and stones, real estate agents, notaries, lawyers, auditors, pawn shops, and lotteries

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, microcredit institutions, securities brokers, members of the stock exchange, insurance agents and brokers, leasing companies, money transfer companies, dealers in precious metals and stones, real estate agents, notaries, lawyers, auditors, pawn shops, and lotteries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:
With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Uzbekistan is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.eurasiangroup.org/mers.php

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Uzbekistan's legal system is generally susceptible to corruption and political influence. Since 2009, legislation to reestablish AML/CFT measures has been adopted piecemeal, leading to confusion from vague requirements, incomplete procedures, and occasional conflicts with banking regulations. Government secrecy surrounding cases and statistics inhibits evaluation.

Ambiguities in the law also make it difficult to determine the division of authority among the Office of Prosecutor General's Financial Intelligence Unit (FIU) and other law enforcement bodies in money laundering cases. In addition to the FIU, the Ministry of Internal Affairs and the National Security Service also investigate money laundering and terrorist finance, respectively. The FIU generally only conducts financial investigations after a predicate offense has been committed, limiting the agency's effectiveness as an analytical tool. Furthermore, the FIU does not have clear legal authority to request information from banks in cases when a suspicious transaction has not been reported, and may face political pressure to cease investigative activity in case such transactions are linked to politically powerful interests.

The ability to freeze assets is limited; financial institutions can hold suspicious transactions for three business days, and the FIU can extend that by two days. After five business days the transaction must be resumed unless the assets can be seized as the result of a criminal case, leaving a very narrow window for investigation.

The Uzbek government currently is working with international donors to improve the AML/CFT legal framework and build national enforcement capacity; however, to date such efforts have been largely declarative. In 2014, the U.S. Drug Enforcement Administration signed a memorandum of understanding (MOU) with the FIU. The MOU establishes a legal foundation for joint counter-narcotics and terrorist-related financial investigative activities and exchange of intelligence. However, this MOU has yet to lead to any substantive information exchange between the DEA and the FIU.

The Government of Uzbekistan should take specific steps to combat the widespread corruption that facilitates money laundering and other financial crimes and should release AML/CFT-related statistics to increase transparency regarding the effectiveness of its efforts.

Vanuatu

Vanuatu has an agricultural and tourism-based economy; it is closely tied to the economies of Australia and New Zealand. Vanuatu is an offshore financial sector with a relatively small number of licensed banks, totaling five domestic and eight international banks. Vanuatu is known for strict secrecy provisions that have prevented law enforcement agencies and regulators from obtaining the beneficial owner information of entities registered in the offshore sector, except under a court order. As a result, legal entities (companies) and arrangements formed in Vanuatu face criminal misuse and are vulnerable to money laundering.

Vanuatu's money laundering threats are primarily from foreign predicate offenses (including foreign tax crimes), illicit cross-border currency movements, domestic bribery and corruption, fraud (particularly value added tax (VAT) evasion), and drug offenses. High-risk sectors include remittances and currency exchange businesses, trust and company service providers, casinos, and interactive gaming businesses. Of less, but still significant risk are lawyers and accountants, real estate and high-value asset dealers. Political instability, with frequent government leadership changes, has an impact on high level political commitment to establish and maintain an efficient and effective AML/CFT system.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, casinos, lawyers, notaries, accountants, trust and company service providers, car dealers, real estate agencies, and insurance and securities companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, casinos, lawyers, notaries, accountants, trust and company service providers, car dealers, real estate agencies, and cash dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 0
Convictions: 0

RECORDS EXCHANGE MECHANISM:
With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Vanuatu is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=c1870a1f-0875-4c35-a49e-930df0f339b5

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2014, Vanuatu passed the Anti-Money Laundering and Counter-Terrorism Financing (AML/CFT) Act and AML/CFT regulations. In January 2015, Vanuatu made amendments to the Proceeds of Crime Act (POCA) and Counter Terrorism and Transnational Organized Crime Act. However, according to international experts, these amendments do not adequately address noted deficiencies, including: inadequate criminalization of money laundering and terrorist financing; inadequate measures to implement UN resolutions for targeted financial sanctions against terrorists; inadequate customer due diligence (CDD); and inadequate supervisory frameworks for financial institutions and designated non-financial businesses and professions (DNFBPs). Given the active offshore financial sector and the company and trust formation sector, in addition to the prohibition to disclosing beneficial owner information of international companies, Vanuatu faces a risk of misuse of the sector.

The financial intelligence unit (FIU) does not have sufficient staff or financial and technical resources to effectively perform its duties, particularly in light of Vanuatu's enhanced AML/CFT legislation and the ML threat it faces from the offshore sector. Vanuatu authorities do not understand the role of the FIU and the value of financial intelligence. As a result, there is a low value placed on financial intelligence. Authorities beyond the Vanuatu Police Force (VPF) do not utilize the FIU or other financial information to any extent. Vanuatu's law enforcement agencies have not investigated or prosecuted any cases of money laundering despite it being a criminal offense since 2002. This is due largely to a lack of technical expertise and awareness of ML/TF issues on the part of VPF and prosecutors, but also to the lack of overarching policy, internal procedures, and guidelines.

Under the POCA, Vanuatu has a legal framework for confiscating, freezing, and seizing the proceeds of crime. The mechanisms for implementing this legislative power are compromised by a lack of coordination among responsible agencies as well as general unfamiliarity with the powers provided under the legislation. Similarly, a financial institution must immediately freeze the funds or assets of a terrorist entity; however, there is a lack of coordination and communication among the relevant government agencies in terms of identifying terrorist entities as designated in the UNSCRs and distributing such information.

The Government of Vanuatu should fully criminalize money laundering and terrorism financing; adopt measures to fully implement terrorism-related UNSCRs; enhance and enforce CDD measures; and take steps to ensure full AML/CFT compliance by financial institutions and DNFBPs. Vanuatu should continue to initiate outreach to all reporting institutions regarding their legal obligations and should ensure its enforcement agencies, principally the FIU, police, Prosecutor's Office, and Customs and Inland Revenue Department, are sufficiently resourced to be able to gather evidence, mount investigations, and bring charges. Legislatively, Vanuatu should establish requirements for financial institutions to address risks arising from new or developing technologies and businesses operating via internet accounts. Furthermore, Vanuatu should address the secrecy provisions in the International Companies Act that prevent law enforcement or regulatory authorities from obtaining beneficial ownership information of international companies without a court order.

Venezuela

Conditions in Venezuela make for ample opportunities for financial abuses. Venezuela's proximity to drug source points and its status as a drug transit country, combined with weak AML enforcement and lack of political will, limited bilateral cooperation, and endemic corruption, make Venezuela vulnerable to money laundering and financial crimes. The porous border between Venezuela and Colombia has also created a burgeoning black market. Furthermore, Venezuela's highly distorted multi-tiered foreign exchange system and strict price controls open numerous opportunities for currency and goods arbitrage, including to facilitate money laundering. Although the Venezuela-Colombia border was closed in August 2015 under the auspices of the Venezuelan government's "state of exception," nevertheless a robust black market continues to function in the border regions. Colombian law enforcement and customs officials reported that more than 90 percent of commerce in the border region was related to black market goods and services. Illicit trade and illegal financial activity are common in the border regions. Laundered funds primarily come from drug trafficking, but informal traders offering products ranging from shampoo to gasoline are also profiting through currency manipulation. A series of recent U.S. legal actions against Venezuelan citizens have exposed questionable financial activities related to money laundering and terrorism finance.

Money laundering is widespread in Venezuela, and can be seen in a number of areas, including government currency exchanges, commercial banks, gambling, real estate, agriculture, livestock, securities, metals, the petroleum industry, and minerals. Trade-based money laundering remains a common and profitable method. One such trade-based scheme is the black market peso exchange, through which money launderers provide narcotics-generated dollars from the United States to commercial smugglers, travel agents, investors, and others in Colombia in exchange for Colombian pesos. In turn, those Colombian pesos are exchanged for Venezuelan bolivars at the parallel exchange rate and then used to repurchase dollars through the Venezuelan currency control regime at a much stronger official exchange rate. Sources report some black market traders ship their goods through Margarita Island's free trade zone (FTZ). Increased Venezuelan money laundering activity has also been reported in the FTZs of Panama and Ecuador. A more recent black market trade in bolivar currency notes has become increasingly profitable in the border states of Tachira and Zulia and neighboring states of Merida and Barinas.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, leasing companies, money market and risk capital funds, savings and loans, foreign exchange operators, financial groups, credit card operators; hotels and tourist institutions that provide foreign exchange; general warehouses or storage companies; securities and insurance entities; casinos, bingo halls, and slot machine operators; notaries, public registration offices, and Venezuela's tax revenue office, Servicio Nacional Integrado de Administración Aduanera y Tributaria (SENIAT)

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 862: January 1 – June 30, 2015
Number of CTRs received and time frame: 1,704,647,526: January 1 – June 30, 2015
STR covered entities: Banks, leasing companies, money market funds, savings and loans, foreign exchange operators, financial groups, and credit card operators; hotels and tourist institutions that provide foreign exchange; general warehouses or storage companies; securities and insurance entities; casinos, bingo halls, and slot machine operators; notaries and public registration offices

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 274 in 2014
Convictions: 8 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Venezuela is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php/member-countries/s-v/venezuela

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Since 2003 the Venezuelan government has maintained a strict regime of currency controls. Private sector firms and individuals must request authorization from a government-operated currency commission to purchase hard currency to pay for imports and for other approved uses

(e.g., foreign travel). Government ministries that spend hard currency on public procurements also must request dollars from an intra-governmental committee coordinated by the central bank. Private sector banks and financial institutions cannot hold their own deposits of foreign currency, so virtually all dollars laundered through Venezuela's formal financial system pass through the government's currency commission, the central bank, or another government agency.

Venezuela's official exchange rate remains 6.3 bolivars per U.S. dollar, but the parallel exchange rate has increased to 873 bolivars per U.S. dollar. The huge margin achievable by defrauding the currency commission has reduced the incentive to traffic goods through duty exempt zones such as Margarita Island because the money saved by avoiding import taxes is insignificant when compared to the profit margins gained by trade-based schemes. According to banking compliance experts, trade-based schemes make it extremely difficult for banks to differentiate between licit and illicit proceeds. More recently, a sharp rise in the demand for 50 and 100 bolivar notes along the Colombian border has created a currency black market where these notes can earn up to 150 percent of their face value and provide a profitable way to launder proceeds. Venezuelan authorities have not revised Venezuela's CTR regulations to keep pace with Venezuela's high inflation. A 10,000 bolivar (approximately $1,580 at the official exchange rate) withdrawal is now an ordinary transaction. The 10,000 bolivar threshold has been in effect since 2010.

Legal experts say 2014 revisions to the 2012 Organic Law Against Organized Crime and Financing of Terrorism are a step in the right direction, but they caution that the law lacks the same mechanisms to combat domestic criminal organizations. The revision also provides government an enormous range of options to prosecute under an "organized crime" umbrella. The revision includes roughly 900 types of offenses that can be prosecuted as "organized crime." One legal expert noted such a broad mandate gives the government too much power.

In November 2014, the Venezuelan government revised the Anti-Corruption Law and created a new law enforcement organization to combat corruption. The reform also creates a criminal penalty for bribes between two private companies. However, the law differentiates between private and public companies and includes exemptions for public companies and government employees.

In March 2015, the U.S. Department of Treasury's Financial Crimes Enforcement Network (FinCEN) released a Notice of Finding (NOF) that identifies Banca Privada d'Andorra (BPA) in Andorra as a foreign financial institution of primary money laundering concern by Venezuelan officials. FinCEN reports BPA helped launder over $4 billion from Venezuela, of which $2 billion was "siphoned" from Petróleos de Venezuela S.A.

In April 2015, an investigation conducted by *El Universo*, a newspaper in Ecuador, and the Miami-based *El Nuevo Herald*, exposed dozens of companies that made transfers to Ecuador in exchange for fake exports to Venezuela. The payments were deposited in banks in the United States and Panama before the merchandise arrived, and the shipments were never delivered. Panamanian officials report exporters had invoiced $1.4 billion in shipments to Venezuela, of which $937 million was for goods that never materialized.

In September 2015, judges in the Southern District of Florida unsealed indictments against Pedro Luís Martín, a former head of financial intelligence for Venezuela's secret police, also known as

Servicio Bolivariano de Inteligencia Nacional (SEBIN), and Jesús Alfredo Itriago, a former antinarcotics official with Venezuela's investigative police, also known as Cuerpo de Investigaciones Cientificas Penales y Criminalísticas (CICPC). U.S. officials believe Itriago is a key connection between drug traffickers and members of Venezuela's military, security services, and government, as well as a primary financial manager responsible for laundering drug trafficking proceeds for top Venezuelan officials.

Venezuelan government entities responsible for combating money laundering, terrorist financing, and corruption are inefficient and lack political will. The National Office against Organized Crime and Terrorist Finance has limited operational capabilities. Venezuela's financial intelligence unit, La Unidad Nacional de Inteligencia Financiera (UNIF), is supervised by the Superintendent of Banking Sector Institutions, which prevents UNIF from operating independently. An increasingly politicized judicial system further compromises the legal system's effectiveness and impartiality and although the Venezuelan government has organizations to combat financial crimes, their technical capacity and willingness to address this type of crime remains inadequate. The Financial Crimes Enforcement Network (FinCEN), the U.S. financial intelligence unit, suspended information sharing with the UNIF in 2006 due to an unauthorized disclosure of information that FinCEN had shared with the UNIF. The suspension remains in effect until FinCEN can have assurances that its information will be protected. The UNIF should operate autonomously, independent of undue influence. The Government of Venezuela should increase institutional infrastructure and technical capacity to effectively implement its AML/CFT legislation and legal mechanisms.

Vietnam

Vietnam is not a major regional financial center. Large parts of Vietnam's economy are cash-based, and while the use of bank accounts is increasing, some high-value transactions, such as those involving real estate and luxury vehicles, are still conducted in U.S. dollars or gold. However, aided by a stable Vietnamese dong and low inflation, the government is reducing the use of both gold and U.S. dollars and continues to be successful in de-dollarizing the economy. Sources of illicit funds in Vietnam include public corruption, fraud, gaming, prostitution, counterfeiting of goods, and trafficking in persons, wildlife, and drugs. Remittances from Vietnamese organized crime in Europe, Australia, Canada, and the United States continue to be a significant source of illicit funds entering Vietnam, particularly proceeds from narcotics and wildlife traffickers using Vietnam as a transit country.

Though the government is continuing to work to equitize state-owned enterprises and promote foreign ownership in banks, these efforts have not significantly changed the ownership structure of state-owned commercial banks (SOCBs). The Government of Vietnam continues to maintain a controlling interest in four SOCBs that collectively represent over 50 percent of total assets in the banking system. In 2015, the State Bank of Vietnam (SBV), Vietnam's Central Bank, took over three failing privately-owned commercial banks and put them under the management of personnel seconded from the SOCBs. This has essentially increased the share of total assets controlled by the SOCBs in the banking system. However, according to the SBV, these takeovers were conducted in order to stabilize the banks before re-privatizing.

Almost all trade and investment receipts and expenditures are processed by the banking system, but many transactions are not monitored effectively. As a result, the banking system is still at risk of being used for money laundering through false declarations, including fictitious investment transactions. Customs fraud and the over- and under-invoicing of exports and imports are common and could be indicators of trade-based money laundering. Illicit funds are also used to purchase real estate for subsequent resale.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** NO ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks; insurers; securities brokers; foreign exchange houses; fund, investment, and business management services; games of chance, casinos, and lotteries; real estate trading service companies; traders in gold, silver, and precious stones; lawyers and legal service providers; financial and accounting advisors; and corporate secretarial services

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,401: November 2014 - October 2015
Number of CTRs received and time frame: 32.3 million: November 2014 - October 2015
STR covered entities: Banks; insurers; foreign exchange houses; fund, investment, and business management services; games of chance, casinos, and lotteries; real estate trading service companies; traders in gold, silver, and precious stones; lawyers and legal service providers; financial and accounting advisors; and corporate secretarial services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0: July 1, 2014 – October 31, 2015
Convictions: 0: July 1, 2014 – October 31, 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism*:** YES
With other governments/jurisdictions: YES

Vietnam is a member of Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://apgml.org/mutual-evaluations/documents/default.aspx?s=date&c=8b7763bf-7f8b-45c2-b5c7-d783638f3354&pcPage=2

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2015, Vietnam did not make any demonstrable progress in bolstering its AML/CFT regime. While Vietnam is somewhat technically compliant with international standards, it has not demonstrated effectiveness in AML/CFT across many sectors, including law enforcement, the judiciary, and banking supervision.

Following the installation of an electronic database system, the Anti-Money Laundering Department of the SBV has reportedly received an increasing number of suspicious transaction reports (STRs) and currency transaction reports (CTRs). There is no system to monitor compliance with STR reporting. The STRs and CTRs are now sent electronically from banks to the SBV; however, the SBV cannot share information electronically with law enforcement bodies. Reportedly, the SBV also exchanges information with several foreign financial intelligence units (FIUs). To date, there have been no prosecutions for money laundering. The revised Penal Code includes provisions for strengthening Vietnam's AML laws. However, lack of political will and the absence of commitment by law enforcement agencies are expected to continue to be barriers to pursuing AML cases.

Vietnam appears to have a system for restraint and forfeiture of criminally linked assets; however, it does not comply with international standards. The lack of political will and corruption make enforcement of the existing laws difficult. The SBV should analyze the financial intelligence generated and work with government authorities so that findings can be shared with domestic law enforcement.

West Bank and Gaza

The Palestinian Authority (PA**)** is divided into three West Bank administrative areas, A, B and C, plus the Gaza Strip. The PA provides most governance, services, and security in "Area A" zones of the West Bank. The PA provides some governance and services in "Area B," in which Israel retains security control. The PA has limited access to approximately 60 percent of the West Bank designated as "Area C," which remains under full Israeli civil and security control. The PA also has little ability to work in the Gaza Strip, which has been under de facto Hamas control since the 2007 coup, although with the formation of an interim government of independent officials in June 2014 under the Fatah-Hamas reconciliation agreement, ministries based in Gaza are supposed to be under the control of technocrats. Security apparatuses in Gaza remain under the control of Hamas.

The Palestine Monetary Authority (PMA) is an independent agency of the PA and has oversight over Palestinian banks in the West Bank and Gaza. There are 16 banks operating in Palestine, seven local and nine foreign, working through a network of 274 branches and offices in both the West Bank and Gaza. There are also 306 money changers in both the West Bank and Gaza, and nine specialized lending institutions. Hawala networks, both licensed and unlicensed, are widely used for legitimate as well as illicit purposes.

The Palestinian economy is primarily cash-based. There is little data available on the extent of money laundering in the West Bank or Gaza. Minor narcotics trafficking and narcotics-based money laundering are present, principally in Palestinian areas that fall outside of the PA's

security control. Within territory located in Area A, narcotics trafficking and use are not major problems. The PA, however, has no effective control outside of Area A in the West Bank, which increases vulnerability to smuggling of consumer goods. Bulk cash smuggling, intellectual property rights violations, and counterfeit currency cases also have been reported. Trade-based money laundering, customs fraud, and other forms of value transfer allow criminal organizations to earn, move, and store supporting funds and illicit proceeds under the guise of legitimate trade. Currently, Palestinian authorities believe trade-based money laundering and customs fraud are among the largest money laundering threats to the PA but are difficult to quantify. A lack of cooperation between PA and Israeli authorities at a variety of stages from banking reserves to customs tracking complicates assessment and enforcement.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks and other depository and lending institutions; money service businesses; financial leasing providers; funds transfer services; payment issuers; financial guarantors; trusts, and trust and company formation and service providers; foreign exchanges; securities and portfolio companies, managers, and intermediaries; insurers and insurance agents; the Future Contracts Trading Exchange Regulation Authority; real estate agents and brokers; dealers in precious metals and stones, high-value goods, and antiquities; attorneys and accountants; nominee shareholders; and entities providing a registered head office or commercial, store, mailing, or administrative address for a partnership or legal entity or arrangement

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 108 in 2015
Number of CTRs received and time frame: 393,276 in 2015
STR covered entities: Banks and other depository and lending institutions; money service businesses; financial leasing providers; funds transfer services; payment issuers; financial guarantors; trusts, and trust and company formation and service providers; foreign exchanges; securities and portfolio companies, managers, and intermediaries; insurers and insurance agents; the Future Contracts Trading Exchange Regulation Authority; real estate agents and brokers; dealers in precious metals and stones, high-value goods, and antiquities; attorneys and accountants; nominee shareholders; and entities providing a registered head office or commercial, store, mailing, or administrative address for a partnership or legal entity or arrangement

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 98 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:
With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

The PA is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. It has not yet undergone a mutual evaluation.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The PA became a full member of the MENAFATF in 2015. While it has a very complex patchwork of laws and mechanisms derived from its unique situation, it has some effective laws and regulations to address money laundering, notably the Anti-Monetary Laundering Law #9 of 2007 (AML Law). However, the penal code (which is Jordanian law) is outdated, and most of the predicate offenses for money laundering are not felonies under this law. Over the past year the PA National Committee for Anti-Money Laundering approved a proposal from the PA's financial intelligence unit, the Financial Fraud Unit (FFU), to amend the AML Law to address these deficiencies, and the draft amendment is currently awaiting approval at the Office of the President. On December 29, 2015, the President signed the new decree.

The PA currently has no laws to specifically address terrorism, terrorist acts, or terrorism financing. Currently, cases considered terrorism are investigated and prosecuted under a specific crime and within the existing penal code, for example, crimes against the state, possession of illegal weapons, and conspiracy.

The PA has an effective supervision and regulatory compliance function for banks. The PMA is responsible for supervision and regulatory compliance of banks, microfinance entities, and money service businesses (MSBs). Recently, the PMA implemented controls over licensed MSBs. The Capital Markets Authority (CMA) supervises the stock market and its members, insurance companies, mortgage companies and leasing firms. These entities reportedly are subject to AML/CFT controls. All other designated non-financial businesses and professions (DNFBPs), such as real estate agents, vehicle dealers, jewelers, etc. active in the West Bank are nominally supervised by the Ministry of Economy, but there are no evident AML/CFT supervisory or compliance programs in place.

The banks file both suspicious transaction reports (STRs) and currency transaction reports (CTRs) through a secure electronic system, which also links to a sophisticated database for use by the FFU's trained analysts. The number of filed STRs more than doubled, from 51 in 2014 to 108 in 2015. CTRs also increased. The FFU also has developed an Unusual Transaction Report (UTR), covering transactions that have not been articulated as suspicious but may bear closer scrutiny or recording. Although the FFU has adequate staffing, authority, and equipment, its full operational effectiveness has not been realized due, in part, to restrictions in the law. Article 31 of AML Law #9 of 2007 restricts information sharing between the FFU and any law enforcement agency, with the exception of the Attorney General's Office (AGO). The restrictions on

information sharing have minimized the FFU's function and ability to support law enforcement, although there have been potential avenues opened by secondments among law enforcement, the AGO, and the FFU.

Prosecutors within the AGO are the chief investigators in the PA, with all the powers of an investigative judge. The prosecutors' lack of manpower and financial investigations experience has slowed the successful prosecution of AML cases. The PA has formed a multi-agency task force to address this problem, under which the AGO prosecutors will delegate authority to law enforcement agencies and to the FFU to more thoroughly investigate cases before they are brought before judges. However, the FFU is technically an administrative, not an investigative, FIU, and while law enforcement authorities profess to work complementarily to one another, the degree of financial investigative expertise varies greatly among agencies. Although the task force is intended to increase information sharing between law enforcement agencies and the FFU, only one task force meeting was held during 2015. The situation is even more concerning regarding trade-based money laundering, as customs authorities are unable to get customs or border trade information from their primary counterparts, and therefore reduced to inspections of goods for expiration dates and quality control, instead of conducting investigations. The PA continues to struggle to conclude AML cases primarily due to the limited capacity of police to investigate and document financial crimes appropriately. In 2015, there were 23 acquittals, 37 cases dismissed by the attorney general due to lack of evidence, 10 cases still under investigation, and 28 pending in court.

The PA acceded to the UN Convention Against Corruption in 2014. Although compliant with the UN Convention against Transnational Organized Crime and the 1988 UN Drug Convention, the PA is not a signatory of these conventions. The PA is currently not in compliance with any UN convention related to terrorism, terrorist acts, or terrorism financing, or UN Resolutions 1267 or 1373.

The PA should take steps to supervise for AML/CFT purposes all entities covered under the AML Law, especially the DNFBPs.

Yemen

Yemen is not considered a regional financial center. The financial system in Yemen is underdeveloped, and the extent of money laundering is not well known. The government's collapse and Houthi ascendancy to control much of the country in early 2015 render Yemen vulnerable to money laundering and other financial abuses, including terrorism financing.

The profitability of the smuggling of goods and contraband has led to a large informal economy in Yemen. Criminal proceeds in Yemen tend to emanate from foreign criminal activity, including smuggling by criminal networks and terrorist groups operating locally. There have been a number of U.S. investigations of qat (a mild narcotic) smuggling from Yemen and East Africa into the United States, with profits laundered and repatriated via hawala networks. The ongoing conflict in Yemen has greatly reduced U.S. government investigative efforts and cooperation with Yemeni authorities.

Yemen has a free trade zone (FTZ) in the port city of Aden, although the conflict significantly disrupted trade and trade controls in 2015. Identification requirements are enforced within the FTZ. Truckers must file the necessary paperwork in relevant trucking company offices and must wear identification badges. FTZ employees must undergo background checks by police, the Customs Authority, and employers. There is no evidence the FTZ is being used for trade-based money laundering or terrorism financing schemes.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** YES
KYC covered entities: Banks, exchange companies, insurance companies, and fund transfer companies; General Post and Postal Savings Authority; real estate agents; gold and precious metal dealers; public notaries, lawyers, and accountants; financial and investment services companies; and designated government ministries, including the Central Organization for Control and Audit, Central Bank of Yemen (CBY), and Ministry of Industry and Trade

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, exchange companies, insurance companies, and fund transfer companies; General Post and Postal Savings Authority; real estate agents; gold and precious metal dealers; public notaries, lawyers, and accountants; financial and investment services companies; and designated government ministries, including the Central Organization for Control and Audit, CBY, and Ministry of Industry and Trade

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0: January – October 2015
Convictions: 0: January – October 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO
With other governments/jurisdictions: YES

Yemen is a member of MENAFATF, a FATF-style regional body. Its most recent mutual evaluation can be found at:
http://www.menafatf.org/images/UploadFiles/MER_Republic_of_Yemen.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Military and political conflict and limited resources have hampered Yemen's ability to enforce AML/CFT laws and regulations. While the CBY maintains basic monetary operations, it is unclear whether it or the Ministry of Finance has been able to fully enforce AML/CFT obligations. The Financial Information Unit (FIU), Yemen's financial intelligence unit located within the CBY, has not provided any information or updates to its public website since November, 2014. It is unclear whether the FIU is functioning.

Yemen has acceded to the UN Convention against Transnational Organized Crime; however, the government stipulated that any request for mutual assistance be conducted through diplomatic channels rather than through faster and more expedient administrative channels. Yemen should follow the more efficient international practice.

Zambia

Zambia is not a major financial center. The proceeds of narcotics transactions, bribery, and public corruption are the main sources of laundered funds. Wildlife trafficking, human trafficking, and the timber trade also are problems. Banks, real estate agents, insurance companies, casinos, and law firms are the institutions most commonly used to launder money. Criminals in Zambia have used structuring, currency exchanges, monetary instruments, gaming, under-valuing assets, procurement fraud, and front companies to launder illicit proceeds. Other devices include securities, debit and credit cards, bulk cash smuggling, wire transfers, false currency declarations, and trade-based money laundering (TBML) via the purchase of luxury goods, such as vehicles and real estate, and abusive trade mis-invoicing of general trade goods.

Zambia is not considered an offshore financial center. The Government of the Republic of Zambia is developing a number of multi-facility economic zones that are similar to free trade zones.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO

KYC covered entities: Commercial and development banks, building societies and microfinance entities, savings and credit institutions, money exchanges and remitters, securities firms, and casinos

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 487 in 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Commercial and development banks, building societies and microfinance entities, savings and credit institutions, money exchanges and remitters, securities firms, insurance companies, venture capital and pension funds, leasing companies, and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 28 in 2014
Convictions: 29 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Zambia is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation report can be found at: http://www.esaamlg.org/reports/view_me.php?id=195

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Prevention and Prohibition of Money Laundering Act only indirectly requires the identification of customers as part of its requirement to document transactions. The Bank of Zambia's Anti-Money Laundering Directives of 2004 provide a direct customer identification obligation, which is applied flexibly to avoid financial exclusion in rural areas. Zambian banks have voluntarily adopted KYC rules. Zambia does not have a mechanism to safeguard the transfer of cash via money exchangers and remitters. Guidelines are voluntarily adopted by the remitting agencies.

The Financial Intelligence Centre (FIC), Zambia's financial intelligence unit, continues to look for capacity building, material resources, and financial support from international donors. At present, most financial crimes, including money laundering, are prosecuted through the Drug Enforcement Commission (DEC), which has a dedicated Anti-Money Laundering Investigations Unit covering a wide range of AML cases. Like much of the Zambian government, those authorities tasked with investigating and prosecuting financial crimes are hampered by a lack of resources, training, and capacity. The latest DEC Annual Report, covering 2013-2014, cites the following statistics for AML arrests: 76 in 2013 and 79 in 2014.

According to a 2015 study by Global Financial Integrity, during the time period 2008 – 2012, approximately 24 percent of Zambia's total trade involved illicit financial outflows generated in large part by abusive trade mis-invoicing, a form of TBML. The Government of the Republic of Zambia should seek international assistance to put in place trade transparency analytics within

Zambian customs to detect anomalies in trade data that could indicate customs fraud and/or illicit financial flows in the form of trade.

The Government of the Republic of Zambia should become a party to the UN International Convention for the Suppression of the Financing of Terrorism and promulgate regulations to implement UNSCRs 1267 and 1373.

Zimbabwe

Zimbabwe is not a regional financial center, but it does face problems related to money laundering and corruption. Serious financial crime in Zimbabwe generally appears in the form of various violations of exchange control rules; underground banking; cross-border crime; organized syndicates, both domestic and international; non-transparency in diamond production receipts; and increased cooperation among criminal networks and links with legal business activity, resulting in corruption and bribery.

Regulatory and enforcement deficiencies in Zimbabwe's AML/CFT regime expose the country to illicit finance risks, but there are no reliable data as to the actual extent of the problem. Commercial banks, building societies, moneylenders, insurance brokers, realtors, and lawyers in Zimbabwe are all vulnerable to exploitation by money launderers. Nearly all transactions in Zimbabwe are carried out with either the U.S. dollar or the South African rand.

The United States, Canada, Australia, and the EU have imposed targeted financial sanctions and travel restrictions on some political leaders and a limited number of private companies and state-owned enterprises for complicity in human rights abuses or for undermining democratic processes or institutions in Zimbabwe. Effective November 1, 2014, the EU lifted Article 96 restrictions, which previously limited EU development assistance to Zimbabwe. Currently, the EU maintains active restrictions against President Mugabe, Grace Mugabe, and Zimbabwe Defense Industries, and an arms embargo. The EU reviews its restrictions annually. Although the EU delisted the Zimbabwe Mining Development Corporation (ZMDC) and the Minerals Marketing Corporation of Zimbabwe (MMCZ) from its list of sanctioned entities in September 2013, the United States maintains sanctions on the ZMDC and MMCZ.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: http://www.state.gov/j/ct/rls/crt/

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Commercial banks, acceptance houses, discount houses, money transfer agencies, bureaux de change, legal practitioners, accounting firms, pension funds, real estate agents, cash dealers, and finance houses

REPORTING REQUIREMENTS:
Number of STRs received and time frame: 355: January 1 - October 31, 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Commercial banks, acceptance houses, discount houses, money transfer agencies, bureaux de change, legal practitioners, accounting firms, pension funds, real estate agents, cash dealers, and finance houses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:
With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO
With other governments/jurisdictions: YES

Zimbabwe is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.esaamlg.org/userfiles/Zimbabwe_detailed_report.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Zimbabwe sometimes abuses AML legislation for political purposes. Widespread corruption impedes the proper implementation of Zimbabwe's AML/CFT regime. Although several reform-oriented ministers from the opposition party are no longer in the government, Parliament's 20 portfolio committees, including some chaired by opposition members of parliament, continue to offer opportunities for oversight of the executive branch.

Due primarily to production in the Marange diamond fields, Zimbabwe is the world's sixth largest producer of diamonds by volume. Yet Zimbabwe's diamond revenue is non-transparent. There have been reports of collusion between some mining companies and members of the military and secret police. In a form of trade and service-based laundering, management of the mining companies also presented grossly inflated procurement receipts for mining equipment and other materials and, according to government reports, pocketed the difference. The Ministry of Finance has promised to tighten controls in future legislation and to enhance the revenue authority's oversight of the production and sale of diamonds. Ultimate responsibility for this legislation lies with the Ministry of Mines and Mining Development. The ministry has not yet produced a draft act, but the Minister of this department has promised to improve accountability within the diamond mining sector.

Regulation and enforcement in the financial sector is weak, mainly due to a lack of trained regulators and financial crimes investigators. Regulatory and law enforcement agencies lack the resources and capacity to effectively combat money laundering. Many financial institutions are unaware of – or simply fail to comply with – their obligations to file STRs. During the period

under review, Zimbabwe's Financial Intelligence Unit (FIU) noted improved cooperation between itself and the law enforcement agencies.

Zimbabwe's framework to freeze terrorist assets has yet to be proven effective. Financial institutions typically receive information related to UN designations from private sources or companies rather than from the government.

Between January and October 2015, the FIU referred eight cases to relevant law enforcement agencies for further investigation. The outcomes of 2013, 2014, and 2015 investigations and prosecutions are still pending.

The Money Laundering and Proceeds of Crime Act (MLPCA) of 2013 brought amendments to the Bank Use Promotions and Suppressing of Money Laundering Act, Building Societies Act, Criminal Matters (Mutual Assistance) Act and the Asset Management Act.

The MLPCA widens the applicability of the Criminal Matters Act (CMA), which deals with mutual legal assistance and appears to assist the investigation and prosecution of terrorist financing. However, this has not yet been demonstrated. While the MLPCA removes key legal impediments to mutual legal assistance, only effective implementation of the CMA will demonstrate its effectiveness. The MLPCA also bars citizens from dealing with shell banks.

Zimbabwe has made some progress in improving its AML/CFT regime. The FIU is fully operational and there have been political commitments to continue the development of anti-money laundering countermeasures. Zimbabwe should ensure that implementation of the MLPCA is underway, combat widespread corruption that permeates government and commerce, and take steps to investigate and prosecute money launderers.