

International Narcotics Control Strategy Report

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Major Money Laundering Countries

Every year, U.S. officials from agencies with anti-money laundering responsibilities meet to assess the money laundering situations in 200 jurisdictions. The review includes an assessment of the significance of financial transactions in the country's financial institutions that involve proceeds of serious crime, steps taken or not taken to address financial crime and money laundering, each jurisdiction's vulnerability to money laundering, the conformance of its laws and policies to international standards, the effectiveness with which the government has acted, and the government's political will to take needed actions.

The 2004 INCSR assigned priorities to jurisdictions using a classification system consisting of three differential categories titled Jurisdictions of Primary Concern, Jurisdictions of Concern, and Other Jurisdictions Monitored.

The "Jurisdictions of Primary Concern" are those jurisdictions that are identified pursuant to the INCSR reporting requirements as "major money laundering countries." A major money laundering country is defined by statute as one "whose financial institutions engage in currency transactions involving significant amounts of proceeds from international narcotics-trafficking." However, the complex nature of money laundering transactions today makes it difficult in many cases to distinguish the proceeds of narcotics trafficking from the proceeds of other serious crime. Moreover, financial institutions engaging in transactions involving significant amounts of proceeds of other serious crime are vulnerable to narcotics-related money laundering. The category "Jurisdiction of Primary Concern" recognizes this relationship by including all countries and other jurisdictions whose financial institutions engage in transactions involving significant amounts of proceeds from all serious crime. Thus, the focus of analysis in considering whether a country or jurisdiction should be included in this category is on the significance of the amount of proceeds laundered, not of the anti-money laundering measures taken. This is a different approach taken than that of the FATF Non-Cooperative Countries and Territories (NCCT) exercise, which focuses on a jurisdiction's compliance with stated criteria regarding its legal and regulatory framework, international cooperation, and resource allocations.

All other countries and jurisdictions evaluated in the INCSR are separated into the two remaining groups, "Jurisdictions of Concern" and "Other Jurisdictions Monitored," on the basis of a number of factors that can include: (1) whether the country's financial institutions engage in transactions involving significant amounts of proceeds from serious crime; (2) the extent to which the jurisdiction is or remains vulnerable to money laundering, notwithstanding its money laundering countermeasures, if any (an illustrative list of factors that may indicate vulnerability is provided below) ; (3) the nature and extent of the money laundering situation in each jurisdiction (for example, whether it involves drugs or other contraband); (4) the ways in which the United States regards the

situation as having international ramifications; (5) the situation's impact on U.S. interests; (6) whether the jurisdiction has taken appropriate legislative actions to address specific problems; (7) whether there is a lack of licensing and oversight of offshore financial centers and businesses; (8) whether the jurisdiction's laws are being effectively implemented; and (9) where U.S. interests are involved, the degree of cooperation between the foreign government and U.S. government agencies. Additionally, given concerns about the increasing interrelationship between inadequate money laundering legislation and terrorist financing, terrorist financing is an additional factor considered in making a determination as to whether a country should be considered an "Other Jurisdiction Monitored" or a "Jurisdiction of Concern". A government (e.g., the United States or the United Kingdom) can have comprehensive anti-money laundering laws on its books and conduct aggressive anti-money laundering enforcement efforts but still be classified a "Primary Concern" jurisdiction. In some cases, this classification may simply or largely be a function of the size of the jurisdiction's economy. In such jurisdictions quick, continuous and effective anti-money laundering efforts by the government are critical. While the actual money laundering problem in jurisdictions classified "Concern" is not as acute, they too must undertake efforts to develop or enhance their anti-money laundering regimes. Finally, while jurisdictions in the "Other" category do not pose an immediate concern, it will nevertheless be important to monitor their money laundering situations because, under the right circumstances, virtually any jurisdiction of any size can develop into a significant money laundering center.

Vulnerability Factors

The current ability of money launderers to penetrate virtually any financial system makes every jurisdiction a potential money laundering center. There is no precise measure of vulnerability for any financial system, and not every vulnerable financial system will, in fact, be host to large volumes of laundered proceeds, but a checklist of what drug money managers reportedly look for provides a basic guide. The checklist includes:

- Failure to criminalize money laundering for all serious crimes or limiting the offense to narrow predicates.
- Rigid bank secrecy rules that obstruct law enforcement investigations or that prohibit or inhibit large value and/or suspicious or unusual transaction reporting by both banks and non-bank financial institutions.
- Lack of or inadequate "know your client" requirements to open accounts or conduct financial transactions, including the permitted use of anonymous, nominee, numbered or trustee accounts.
- No requirement to disclose the beneficial owner of an account or the true beneficiary of a transaction.
- Lack of effective monitoring of cross-border currency movements.
- No reporting requirements for large cash transactions.
- No requirement to maintain financial records over a specific period of time.
- No mandatory requirement to report suspicious transactions or a pattern of inconsistent reporting under a voluntary system; lack of uniform guidelines for identifying suspicious transactions.
- Use of bearer monetary instruments.
- Well-established non-bank financial systems, especially where regulation, supervision, and monitoring are absent or lax.
- Patterns of evasion of exchange controls by legitimate businesses.
- Ease of incorporation, in particular where ownership can be held through nominees or bearer shares, or where off-the-shelf corporations can be acquired.
- No central reporting unit for receiving, analyzing and disseminating to the competent authorities information on large value, suspicious or unusual financial transactions that might identify possible money laundering activity.

- Lack of or weak bank regulatory controls, or failure to adopt or adhere to Basel Committee's "Core Principles for Effective Banking Supervision", especially in jurisdictions where the monetary or bank supervisory authority is understaffed, under-skilled or uncommitted.
- Well-established offshore financial centers or tax-haven banking systems, especially jurisdictions where such banks and accounts can be readily established with minimal background investigations.
- Extensive foreign banking operations, especially where there is significant wire transfer activity or multiple branches of foreign banks, or limited audit authority over foreign-owned banks or institutions.
- Jurisdictions where charitable organizations or alternate remittance systems, because of their unregulated and unsupervised nature, are used as avenues for money laundering or terrorist financing.
- Limited asset seizure or confiscation authority.
- Limited narcotics, money laundering and financial crime enforcement and lack of trained investigators or regulators.
- Jurisdictions with free trade zones where there is little government presence or other supervisory authority.
- Patterns of official corruption or a laissez-faire attitude toward the business and banking communities.
- Jurisdictions where the U.S. dollar is readily accepted, especially jurisdictions where banks and other financial institutions allow dollar deposits.
- Well-established access to international bullion trading centers in New York, Istanbul, Zurich, Dubai and Mumbai.
- Jurisdictions where there is significant trade in or export of gold, diamonds and other gems.
- Jurisdictions with large parallel or black market economies.
- Limited or no ability to share financial information with foreign law enforcement authorities.

Changes in INCSR Priorities, 2004

Jurisdiction moving from the Primary Concern Column to the Concern Column: Nauru

Jurisdictions moving from the Concern Column to the Primary Concern Column: Belize and Cambodia

Jurisdictions moving from the Other Column to the Concern Column: Uzbekistan

The following countries were added to the Money Laundering & Financial Crimes report this year and are included in the "Other" Column: Cape Verde, Equatorial Guinea, Iraq, and Mauritania. Comoros was also added to the INCSR this year and is included in the "Concern" Column.

In the Country/Jurisdiction Table on the following page, "major money laundering countries" that are in the "jurisdictions of primary concern" column are identified for purposes of statutory INCSR reporting requirements. Identification as a "major money laundering country" is based on whether the country or jurisdiction's financial institutions engage in transactions involving significant amounts of proceeds from serious crime. It is not based on an assessment of the country or jurisdiction's legal framework to combat money laundering; its role in the terrorist financing problem; or the degree of its cooperation in the international fight against money laundering, including terrorist financing. These factors, however, are included among the vulnerability factors when deciding whether to place a country in the "concern" or "other" column.

Country/Jurisdiction Table

Countries/Jurisdictions of Primary Concern		Countries/Jurisdictions of Concern		Other Countries/Jurisdictions Monitored	
Antigua and Barbuda	Singapore	Afghanistan	Qatar	Algeria	Lithuania
Australia	Spain	Albania	Romania	Andorra	Macedonia
Austria	Switzerland	Argentina	Samoa	Angola	Madagascar
Bahamas	Taiwan	Aruba	Saudi Arabia	Anguilla	Malawi
Belize	Thailand	Bahrain	Serbia and Montenegro	Armenia	Maldives
Bosnia and Herzegovina	Turkey	Bangladesh	Seychelles	Azerbaijan	Mali
Brazil	Ukraine	Barbados	Sierra Leone	Benin	Malta
Burma	United Arab Emirates	Belarus	Slovakia	Bermuda	Marshall Islands
Cambodia	United Kingdom	Belgium	South Africa	Botswana	Mauritania
Canada	USA	Bolivia	St. Kitts & Nevis	Brunei	Mauritius
Cayman Islands	Uruguay	British Virgin Islands	St. Lucia	Burkina Faso	Micronesia FS
China, People Rep	Venezuela	Bulgaria	St. Vincent	Burundi	Moldova
Colombia		Chile	Syria	Cameroon	Mongolia
Costa Rica		Comoros	Tanzania	Cape Verde	Montserrat
Cyprus		Cook Islands	Turks and Caicos	Central African Republic	Mozambique
Dominican Republic		Cote d'Ivoire	Uzbekistan	Chad	Namibia
France		Czech Rep	Vanuatu	Congo, Dem Rep of	Nepal
Germany		Dominica	Vietnam	Congo, Rep of	New Zealand
Greece		Ecuador	Yemen	Croatia	Niger
Guernsey		Egypt		Cuba	Niue
Haiti		El Salvador		Denmark	Norway
Hong Kong		Gibraltar		Djibouti	Oman
Hungary		Grenada		East Timor	Papua New Guinea
India		Guatemala		Equatorial Guinea	Rwanda
Indonesia		Honduras		Eritrea	San Marino

Isle of Man	Iran	Estonia	Sao Tome & Principe
Israel	Ireland	Ethiopia	Senegal
Italy	Jamaica	Fiji	Slovenia
Japan	Jordan	Finland	Solomon Islands
Jersey	Kenya	Gabon	Sri Lanka
Latvia	Korea, North	Gambia	Suriname
Lebanon	Korea, South	Georgia	Swaziland
Liechtenstein	Kuwait	Ghana	Sweden
Luxembourg	Malaysia	Guinea	Tajikistan
Macau	Monaco	Guinea-Bissau	Togo
Mexico	Morocco	Guyana	Tonga
Netherlands	Nauru	Iceland	Trinidad and Tobago
Nigeria	Netherlands Antilles	Iraq	Tunisia
Pakistan	Nicaragua	Kazakhstan	Turkmenistan
Panama	Palau	Kyrgyz Republic	Uganda
Paraguay	Peru	Laos	Zambia
Philippines	Poland	Lesotho	Zimbabwe
Russia	Portugal	Liberia	

Introduction to Comparative Table

The [comparative table](#) that follows the Glossary of Terms below identifies the broad range of actions, effective as of December 31, 2004 that jurisdictions have, or have not, taken to combat money laundering. This reference table provides a comparison of elements that define legislative activity and identify other characteristics that can have a relationship to money laundering vulnerability.

Glossary of Terms

1. "Criminalized Drug Money Laundering": The jurisdiction has enacted laws criminalizing the offense of money laundering related to drug trafficking.
2. "Criminalized Beyond Drugs": The jurisdiction has extended anti-money laundering statutes and regulations to include nondrug-related money laundering.

3. "Record Large Transactions": By law or regulation, banks are required to maintain records of large transactions in currency or other monetary instruments.
4. "Maintain Records Over Time": By law or regulation, banks are required to keep records, especially of large or unusual transactions, for a specified period of time, e.g., five years.
5. "Report Suspicious Transactions": By law or regulation, banks are required to record and report suspicious or unusual transactions to designated authorities. On the Comparative Table the letter "M" signifies mandatory reporting; "P" signifies permissible reporting.
6. "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 concerning suspected proceeds of crime, or required by national legislation or regulation, in order to counter money laundering. These reflect those jurisdictions that are members of the Egmont Group.
7. "System for Identifying and Forfeiting Assets": The jurisdiction has enacted laws authorizing the tracing, freezing, seizure and forfeiture of assets identified as relating to or generated by money laundering activities.
8. "Arrangements for Asset Sharing": By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions which assisted in the conduct of the underlying investigation.
9. "Cooperates w/International Law Enforcement": By law or regulation, banks are permitted/required to cooperate with authorized investigations involving or initiated by third party jurisdictions, including sharing of records or other financial data.
10. "International Transportation of Currency": By law or regulation, the jurisdiction, in cooperation with banks, controls or monitors the flow of currency and monetary instruments crossing its borders. Of critical weight here are the presence or absence of wire transfer regulations and use of reports completed by each person transiting the jurisdiction and reports of monetary instrument transmitters.
11. "Mutual Legal Assistance": By law or through treaty, the jurisdiction has agreed to provide and receive mutual legal assistance, including the sharing of records and data.
12. "Non-Bank Financial Institutions": By law or regulation, the jurisdiction requires non-bank financial institutions to meet the same customer identification standards and adhere to the same reporting requirements that it imposes on banks.
13. "Know Your Customer": By law, the jurisdiction requires financial institutions to identify and verify their customers identity using reliable independent source documents, identify beneficial ownership and control, and conduct ongoing due diligence and scrutiny.
14. "States Parties to 1988 UN Drug Convention": As of December 31, 2001, a 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.¹
15. "Criminalized the Financing of Terrorism." The jurisdiction has criminalized the provision of material support to terrorists and/or terrorist organizations.
16. "States Party to the UN International Convention for the Suppression of the Financing of Terrorism." As of December 31, 2003, a 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.

¹The United Kingdom extended its application of the 1988 Convention and the United Kingdom Terrorism Order 2001 to Anguilla, Bermuda, the British Virgin Islands, the Cayman Islands, Gibraltar, Montserrat, Turks and Caicos, Isle of Man, Jersey, and Guernsey. The International Convention for the Suppression of the Financing of Terrorism has not yet been so extended.

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Bahamas	Taiwan	Aruba	Saudi Arabia	Anguilla	Malawi
Belize	Thailand	Bahrain	Serbia and Montenegro	Armenia	Maldives
Bosnia and Herzegovina	Turkey	Bangladesh	Seychelles	Azerbaijan	Mali
Brazil	Ukraine	Barbados	Sierra Leone	Benin	Malta

Burma	United Arab Emirates	Belarus	Slovakia	Bermuda	Marshall Islands
Cambodia	United Kingdom	Belgium	South Africa	Botswana	Mauritania
Canada	USA	Bolivia	St. Kitts & Nevis	Brunei	Mauritius
Cayman Islands	Uruguay	British Virgin Islands	St. Lucia	Burkina Faso	Micronesia FS
China, People Rep	Venezuela	Bulgaria	St. Vincent	Burundi	Moldova
Colombia		Chile	Syria	Cameroon	Mongolia
Costa Rica		Comoros	Tanzania	Cape Verde	Montserrat
Cyprus		Cook Islands	Turks and Caicos	Central African Republic	Mozambique
Dominican Republic		Cote d'Ivoire	Uzbekistan	Chad	Namibia
France		Czech Rep	Vanuatu	Congo, Dem Rep of	Nepal
Germany		Dominica	Vietnam	Congo, Rep of	New Zealand
Greece		Ecuador	Yemen	Croatia	Niger
Guernsey		Egypt		Cuba	Niue
Haiti		El Salvador		Denmark	Norway
Hong Kong		Gibraltar		Djibouti	Oman
Hungary		Grenada		East Timor	Papua New Guinea
India		Guatemala		Equatorial Guinea	Rwanda
Indonesia		Honduras		Eritrea	San Marino
Isle of Man		Iran		Estonia	Sao Tome & Principe
Israel		Ireland		Ethiopia	Senegal
Italy		Jamaica		Fiji	Slovenia
Japan		Jordan		Finland	Solomon Islands
Jersey		Kenya		Gabon	Sri Lanka
Latvia		Korea, North		Gambia	Suriname
Lebanon		Korea, South		Georgia	Swaziland
Liechtenstein		Kuwait		Ghana	Sweden
Luxembourg		Malaysia		Guinea	Tajikistan
Macau		Monaco		Guinea-Bissau	Togo

Mexico	Morocco	Guyana	Tonga
Netherlands	Nauru	Iceland	Trinidad and Tobago
Nigeria	Netherlands Antilles	Iraq	Tunisia
Pakistan	Nicaragua	Kazakhstan	Turkmenistan
Panama	Palau	Kyrgyz Republic	Uganda
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