

# ***THE 2001 NATIONAL MONEY LAUNDERING STRATEGY***

Prepared by

The Office of Enforcement, U.S. Department of the Treasury,  
in consultation with the U.S. Department of Justice

September 2001

## FOREWORD

On behalf of the President, we are pleased to submit the national strategy for combating money laundering and related financial crimes for the year 2001. The goals, objectives, and priorities of the *2001 National Money Laundering Strategy* provide the framework to deter and destroy large-scale money laundering organizations and systems.

The *2001 Strategy* recognizes that money laundering is an integral component of large-scale criminal enterprises. Drug trafficking, firearms smuggling, international bank and securities frauds, bribery, intellectual property theft, and other specified unlawful activity generate illicit proceeds that criminals must conceal. Criminals often employ professionals such as lawyers, bankers and accountants to disguise their unlawful monies as legitimate income by developing ingenious, high-tech, multinational schemes that abuse legitimate financial institutions. Once criminals successfully disguise their illicit proceeds, they then can reinvest them in their criminal organizations, expand their operations, and profit from their crimes.

The goal of the *2001 Strategy* is to disrupt and dismantle large-scale money laundering organizations and prosecute money launderers to the fullest extent of the law. The *Strategy* concentrates law enforcement's resources in high intensity financial crime areas, and provides for the structure, training, and supervision of specialized money laundering task forces within these areas that will ensure inter- and intra-agency coordination. The *Strategy* mandates our continued cooperation and involvement at the international level, and seeks to prevent money laundering through necessary regulatory controls.

However, we cannot determine the effectiveness of our law enforcement efforts without measured evaluation. We need evidence that our efforts are producing the desired results. Therefore, the *Strategy* mandates the creation of a uniform system of measurement that includes quantitative and qualitative indicators to evaluate our results against our goals. Our government must perform in a way that can be measured by the American people.

President Bush has ordered law enforcement to aggressively enforce our nation's money laundering laws with coordination and accountability. Accordingly, we pledge to supervise with vigor the implementation of this *Strategy*; we will concentrate law enforcement resources on dismantling major money laundering operations; and we will raise standards of performance and create a basis for measuring success.

Paul H. O'Neill  
Secretary of the Treasury

John Ashcroft  
Attorney General

---

## TABLE OF CONTENTS

---

### FOREWORD

<b>TABLE OF CONTENTS</b>	i
<b>GLOSSARY OF ABBREVIATIONS</b>	vii
<b>INTRODUCTION</b>	ix
<b>GOAL 1: FOCUS LAW ENFORCEMENT EFFORTS ON THE PROSECUTION OF MAJOR MONEY LAUNDERING ORGANIZATIONS AND SYSTEMS.</b>	1
<b>OBJECTIVE 1: FOCUS MISSION OF HIGH INTENSITY MONEY LAUNDERING AND RELATED FINANCIAL CRIME AREA (HIFCA) TASK FORCES.</b>	
<u>Priority 1</u> : Design organizational structure of HIFCA Task Forces, and focus their enforcement efforts on large-impact cases and professional money launderers.	1
<u>Priority 2</u> : Coordinate and review the progress of each HIFCA Task Force.	3
<u>Priority 3</u> : Develop and provide advanced money laundering training for HIFCA Task Force participants.	4
<u>Priority 4</u> : Designate new HIFCAs.	5
<b>OBJECTIVE 2: ENHANCE USE OF FEDERAL CRIMINAL AND CIVIL ASSET FORFEITURE LAWS.</b>	
<u>Priority 1</u> : HIFCA Task Forces will submit action plans to intensify use of federal asset forfeiture laws.	7
<u>Priority 2</u> : Provide asset forfeiture training that emphasizes major case development to federal, state, and local law enforcement officials.	8
<u>Priority 3</u> : Aggressively exploit OFAC-held information about blocked assets of foreign terrorist groups and agents and of those individuals and entities appearing on the OFAC Narcotics Sanctions Programs designation lists for potential forfeiture.	9
<u>Priority 4</u> : Measure assets forfeited or seized pursuant to money laundering	9

prosecutions.

**OBJECTIVE 3: ENHANCE INTRA-AGENCY AND INTER-AGENCY COORDINATION OF MONEY LAUNDERING INVESTIGATIONS.**

Priority 1: Coordinate and consolidate existing Suspicious Activity Report (SAR) Review Teams in every U.S. Attorney’s Office, and develop SAR Review Teams where they do not exist. 10

**OBJECTIVE 4: EXPAND EFFORTS TO DISMANTLE THE BLACK MARKET PESO EXCHANGE (BMPE) MONEY LAUNDERING SYSTEM.**

Priority 1: Work with the private sector to conclude and implement a comprehensive “best practices” BMPE anti-money laundering system. 11

Priority 2: Identify and report patterns and trends in the BMPE. 12

Priority 3: Train law enforcement to identify, understand, investigate, and prosecute BMPE schemes. 13

Priority 4: Enhance website that promotes law enforcement’s fight against the BMPE money laundering system. 13

Priority 5: Conclude multinational study with the governments of Colombia, Aruba, Panama, and Venezuela in the cooperative fight against the BMPE. 14

**OBJECTIVE 5: ENACT LEGISLATION TO ADDRESS DEFICIENCIES IN CURRENT MONEY LAUNDERING LAWS.**

Priority 1: Work to introduce legislation to address deficiencies in current federal money laundering statutes. 15

**GOAL 2: MEASURE THE EFFECTIVENESS OF ANTI-MONEY LAUNDERING EFFORTS. 16**

**OBJECTIVE 1: INSTITUTIONALIZE SYSTEMS TO MEASURE SUCCESS OF MONEY LAUNDERING ENFORCEMENT EFFORTS AND RESULTS.**

Priority 1: Devise and implement a uniform money laundering case reporting system. 16

Priority 2: Research other methods for determining the effectiveness of federal anti-money laundering efforts, including whether law enforcement is impacting the cost of laundering money. 17

Priority 3: Develop analytic tools to identify money laundering trends. 18

<u>Priority 4</u> : Review the costs and resources devoted to anti-money laundering efforts to allow for inform budget allocations.	18
<b>GOAL 3: PREVENT MONEY LAUNDERING THROUGH COOPERATIVE PUBLIC-PRIVATE EFFORTS AND NECESSARY REGULATORY MEASURES.</b>	20
OBJECTIVE 1: EXAMINE THE EFFICACY OF EXISTING REPORTING REQUIREMENTS.	
<u>Priority 1</u> : Survey depository institutions to determine the actual costs of Currency Transaction Reports (CTRs) and Suspicious Activity Reports (SARs).	20
<u>Priority 2</u> : Increase utilization of existing Currency Transaction Report (CTR) filing exemptions for low-risk financial transactions.	21
<u>Priority 3</u> : Survey financial sector regarding the possible expansion of currency transaction reporting exemptions.	22
OBJECTIVE 2: EXPAND THE TYPES OF FINANCIAL INSTITUTIONS SUBJECT TO EFFECTIVE BANK SECRECY ACT REQUIREMENTS AS NECESSARY.	
<u>Priority 1</u> : Propose rules for reporting suspicious activity by brokers and dealers in securities.	23
<u>Priority 2</u> : Educate money services businesses (MSBs) about their obligations under the new rules that require them to register and report suspicious activity.	24
<u>Priority 3</u> : Provide an additional opportunity for the industry to comment on a draft rule requiring the reporting of suspicious activity by casinos and card clubs.	25
OBJECTIVE 3: INCREASE USEFULNESS OF REPORTED INFORMATION TO LAW ENFORCEMENT AGENCIES AND THE FINANCIAL INDUSTRY.	
<u>Priority 1</u> : Provide feedback to FinCEN on the use of SARs and other BSA information.	26
<u>Priority 2</u> : Continue to provide information to financial institutions and law enforcement from SARs and other BSA reports concerning the utility of these reports.	27
<u>Priority 3</u> : Continue to identify and implement enhancements to examination procedures where necessary to address the ever-changing nature of money laundering.	27

<u>Priority 4:</u> Study how technological change impacts money laundering enforcement.	28
<u>Priority 5:</u> Continue to address the role of legal and accounting professionals in combating money laundering.	29
OBJECTIVE 4: ENHANCE THE ABILITY OF U.S. FINANCIAL INSTITUTIONS TO DEFEND AGAINST MONEY LAUNDERING THROUGH FOREIGN CORRESPONDENT BANKS.	
<u>Priority 1:</u> Discuss approaches to reduce the threat of money laundering posed by foreign correspondent banks.	30
<u>Priority 2:</u> Require foreign banks that maintain a correspondent account in the U.S. to appoint an agent who is authorized to accept service of legal process.	31
<b>GOAL 4: COORDINATE LAW ENFORCEMENT EFFORTS WITH STATE AND LOCAL GOVERNMENTS TO FIGHT MONEY LAUNDERING THROUGHOUT THE UNITED STATES.</b>	32
OBJECTIVE 1: PROVIDE SEED CAPITAL FOR STATE AND LOCAL COUNTER-MONEY LAUNDERING ENFORCEMENT EFFORTS.	
<u>Priority 1:</u> Review applications and award grants under the C-FIC program.	32
<u>Priority 2:</u> Evaluate the progress of existing C-FIC grant recipients.	33
OBJECTIVE 2: IMPROVE COORDINATION WITH STATE AND LOCAL ENFORCEMENT AGENCIES.	
<u>Priority 1:</u> Increase involvement of state and local enforcement agencies through participation in the HIFCA Task Forces and SAR Review Teams.	35
OBJECTIVE 3: ENHANCE THE EFFECTIVENESS OF STATE AND LOCAL LAW ENFORCEMENT’S ACCESS TO AND USE OF BANK SECRECY ACT (BSA) DATA.	
<u>Priority 1:</u> Provide the most effective and efficient methods for accessing BSA data.	36
<u>Priority 2:</u> Improve the Gateway System.	36
<u>Priority 3:</u> Continue to provide training and outreach to state and local law enforcement regarding access to and utility of BSA data.	36

**GOAL 5: STRENGTHEN INTERNATIONAL COOPERATION TO COMBAT THE GLOBAL PROBLEM OF MONEY LAUNDERING** 38

**OBJECTIVE 1: ENHANCE INTERNATIONAL COOPERATION AND EFFECTIVENESS IN INVESTIGATING AND PROSECUTING MONEY LAUNDERERS.**

Priority 1: Review key existing extradition and mutual legal assistance treaties and recommend that coverage of money laundering offenses be considered an important objective in assessing future treaty negotiations. 39

Priority 2: Enhance international cooperation of money laundering investigations through equitable sharing of seized assets. 39

Priority 3: Enhance mechanisms for the international exchange of financial intelligence through support and expansion of membership in the Egmont Group of financial intelligence units (FIUs) and report developments to U.S. law enforcement. 40

Priority 4: Explore the feasibility of establishing model international financial task forces to plan and coordinate significant multilateral money laundering investigations. 41

**OBJECTIVE 2: CONTINUE ACTIVE PARTICIPATION IN FATF AND FATF-STYLE REGIONAL ORGANIZATIONS.**

Priority 1: Continue the United States' role within FATF in identifying and monitoring the progress of non-cooperative countries and territories (NCCTs). 43

Priority 2: Work within the FATF to revise the Forty Recommendations to reflect the experience of the international community, including the evolution of money laundering activities, and the relationship of the Recommendations to the criteria used to determine whether countries are "non-cooperative" in the fight against money laundering. 43

**OBJECTIVE 3: PROVIDE TECHNICAL ASSISTANCE TO JURISDICTIONS WILLING AND COMMITTED TO STRENGTHENING THEIR ANTI-MONEY LAUNDERING EFFORTS.**

Priority 1: Provide technical assistance to NCCT jurisdictions, as appropriate, to develop strong domestic anti-money laundering legislation. 44

Priority 2: Recommend the optimal use of U.S. Government and international expertise in developing and providing appropriate technical assistance to NCCT institutions and jurisdictions. 45

OBJECTIVE 4: WORK WITH THE INTERNATIONAL MONETARY FUND AND WORLD BANK TO ENHANCE ANTI-MONEY LAUNDERING EFFORTS.	
<u>Priority 1</u> : The United States will work with other nations, the IFIs, and FATF, in an effort to incorporate anti-money laundering issues into the IFIs on-going work and programs, including the development of a separate “Reports on Observance of Standards and Codes” (ROSC) module on money laundering.	46
<u>Priority 2</u> : Support IFI steps to provide necessary technical assistance and regulatory training that furthers anti-money laundering efforts.	47
<u>Priority 3</u> : Support bilateral, regional, and multilateral efforts in financial fora to urge countries and territories to adopt and adhere to international anti-money laundering standards.	48
OBJECTIVE 5: TAKE COORDINATED ACTION AGAINST MONEY LAUNDERING THREATS, AS NECESSARY.	
<u>Priority 1</u> : Continue to provide guidance to domestic financial institutions regarding international money laundering risks.	48
<u>Priority 2</u> : Initiate appropriate countermeasures against non-cooperative countries and territories.	49
<b>APPENDIX 1: Consultations</b>	51
<b>APPENDIX 2: Federal Money Laundering Enforcement and Compliance Agencies</b>	52
<b>APPENDIX 3: Equitable Sharing Payments to Foreign Countries from the Departments of Justice and the Treasury</b>	57
<b>APPENDIX 4: The Forty Recommendations of the Financial Action Task Force on Money Laundering</b>	66
<b>APPENDIX 5: The Twenty-Five FATF Criteria for Determining Non-Cooperative Countries and Territories</b>	74



---

## Glossary of Abbreviations

---

AFMLS	Asset Forfeiture and Money Laundering Section, Department of Justice
APEC	Asia Pacific Economic Cooperation
APG	Asia Pacific Group on Money Laundering
ATF	Bureau of Alcohol, Tobacco and Firearms, Department of the Treasury
BJA	Bureau of Justice Assistance, Department of Justice
BSA	Bank Secrecy Act
BMPE	Black Market Peso Exchange
C-FIC	Financial Crime-Free Communities Support Program
CFTC	Commodity Futures Trading Commission
CHFI	Committee on Hemispheric Financial Issues
CMIR	Currency or Monetary Instrument Report
CTR	Currency Transaction Report
DEA	Drug Enforcement Administration, Department of Justice
EOUSA	Executive Office of United States Attorneys, Department of Justice
FATF	Financial Action Task Force on Money Laundering
FBAR	Foreign Bank Account Report
FBI	Federal Bureau of Investigation, Department of Justice
FDIC	Federal Deposit Insurance Corporation
Fed	Federal Reserve Board
FinCEN	Financial Crimes Enforcement Network, Department of the Treasury
FIU	financial intelligence unit
FSF	Financial Stability Forum
GCC	Gulf Cooperation Council
GTO	Geographic Targeting Order
HIDTA	High Intensity Drug Trafficking Area
HIFCA	High Intensity Money Laundering and Related Financial Crime Area
IEEPA	International Emergency Economic Powers Act
ILEA	International Law Enforcement Academy
INCSR	International Narcotics Control Strategy Report
IFI	international financial institution
INL	Bureau for International Narcotics and Law Enforcement Affairs, Department of State
IRS-CI	Internal Revenue Service -- Criminal Investigations, Department of the Treasury
IMF	International Monetary Fund
MLCA	Money Laundering Control Act of 1986
MLCC	Money Laundering Coordination Center, U.S. Customs Service, Department of the Treasury
MLSA	Money Laundering Suppression Act of 1994
MOU	memorandum of understanding
MSB	money services business
NCCTs	non-cooperative countries or territories
NCUA	National Credit Union Administration
OAS	Organization of American States
OCC	Office of the Comptroller of the Currency, Department of the Treasury

OCDETF..... Organized Crime Drug Enforcement Task Force  
 OECD.....Organization for Economic Cooperation and Development  
 OFAC.....Office of Foreign Assets Control, Department of the Treasury  
 OFC..... offshore financial center  
 OGBS..... Offshore Group of Banking Supervisors  
 OJP.....Office of Justice Programs, Department of Justice  
 ONDCP.....Office of National Drug Control Policy  
 OTS..... Office of Thrift Supervision, Department of the Treasury  
 PDD 42.....Presidential Decision Directive 42  
 SAR..... Suspicious Activity Report  
 SARC.....Suspicious Activity Report for Casinos  
 SAR-S..... Suspicious Activity Report for Securities Brokers and Dealers  
 SEC.....Securities and Exchange Commission  
 SOD..... Special Operations Division, Department of Justice  
 USPIS.....United States Postal Inspection Service

---

## INTRODUCTION

---

President Bush recently stated, “We will aggressively enforce our money laundering laws with accountability and coordination at the Federal, State, and international levels. Our goal is to disrupt and dismantle large-scale criminal enterprises and prosecute professional money launderers including corrupt lawyers, bankers, and accountants.”

The new administration brought with it a new law enforcement agenda that guided the Goals, Objectives, and Priorities of the *2001 National Money Laundering Strategy*.<sup>1</sup> In accordance with the President’s mandate, this year’s *Strategy* responds to the challenges of anti-money laundering enforcement by providing a comprehensive plan to disrupt and dismantle criminal enterprises and prosecute professional money launderers through aggressive enforcement, measured accountability, preventative efforts, and enhanced coordination.

### CHALLENGES OF ANTI-MONEY LAUNDERING ENFORCEMENT

Law enforcement faces enormous challenges in its efforts to combat money laundering. Money laundering is often committed by professionals such as lawyers, bankers and accountants who develop ingenious schemes to conceal the movement of criminal proceeds and create the appearance that they are derived from legitimate sources. For example, criminals deposit monies generated from narcotics trafficking, firearms smuggling, diverse fraud schemes and other racketeering activity into bank accounts established in the name of fictitious shell corporations and sham businesses, and transfer these funds through multiple financial institutions. Law enforcement officers often lack the high-level training needed to effectively investigate these complex money laundering operations.

Money laundering is also a problem of global concern.<sup>2</sup> Criminals target foreign jurisdictions with liberal bank secrecy laws and weak anti-money laundering regulatory regimes as they transfer illicit funds through domestic and international financial institutions often with the speed and ease of faceless internet transactions. The international nature of money laundering requires international law enforcement cooperation to successfully investigate and prosecute those that

---

<sup>1</sup> Congress requires the Department of the Treasury to submit a national money laundering strategy each year. See 31 U.S.C. § 5341(a)(1) (“The President, acting through the Secretary [of the Treasury] and in consultation with the Attorney General, shall develop a national strategy for combating money laundering and related financial crimes.”).

<sup>2</sup> Measuring the magnitude of the money laundering problem has proven difficult. Some organizations have attempted to estimate the magnitude of global money laundering based on models of tax evasion, money demand, and ratios of official GDP and nominal GDP. These studies, however, do not accurately describe the magnitude of global money laundering, often indicating windows of variance. For example, former IMF Managing Director Michel Camdessus estimated the global volume of laundering at between two and five percent of the world’s gross domestic product, a range which encompasses sums between \$600 billion and \$1.8 trillion.

instigate these complex criminal schemes. Although past law enforcement efforts have resulted in successful anti-money laundering investigations, such as *Operations Casablanca*, *Dinero*, *Greenback*, *Polar Cap*, and *Green Ice*, the fact remains that money laundering is seldom the primary focus and objective of the criminal investigation. Our efforts must ensure that money laundering is not simply a “tag-along” count added to an indictment charging the defendant with the underlying offense that generated the illicit funds. Further, we do not have a system in place that objectively evaluates which strategies have proven to be the most effective. Without objective means to measure our enforcement efforts, law enforcement cannot articulate measurable goals or be held accountable for its efforts and results.

The *2001 Strategy* sets forth a comprehensive action plan that responds to the challenges that money laundering presents. We will target and attack large-scale criminal enterprises, professional money launderers, and their high-tech global schemes, and we will bring accountability to law enforcement through measured evaluation.

### **AGGRESSIVE ENFORCEMENT**

The first goal of the *2001 Strategy* is to focus law enforcement’s efforts on the prosecution of major money laundering organizations and systems. The *2001 Strategy* recognizes that we must concentrate our resources in high-risk areas and target major money laundering systems. To focus our resources, the *Strategy* provides for the organization, supervision, and training of specialized money laundering task forces located in High Risk Money Laundering and Related Financial Crimes Areas (HIFCAs). However, unlike past strategies, the HIFCAs will be operational in nature rather than principally intelligence gathering. HIFCA Task Forces will be composed of, and draw upon, all relevant federal, state, and local agencies, and will serve as the model of our anti-money laundering efforts. The Departments of the Treasury and Justice will jointly supervise the HIFCA Task Forces, and the *2001 Strategy* primarily tasks the Federal Law Enforcement Training Center (FLETC) and Justice’s Asset Forfeiture and Money Laundering Section to develop an advanced money laundering training program to enhance the HIFCA Task Forces’ ability to investigate sophisticated money laundering schemes.

An aggressive anti-money laundering attack requires that law enforcement utilize all available statutory authorities to dismantle large-scale criminal enterprises. The *2001 Strategy* mandates an emphasis on federal asset forfeiture laws in conjunction with money laundering investigations and prosecutions to strip criminals of their ill-gotten gains and dismantle criminal organizations by attacking their financial base. The Departments of the Treasury and Justice will also work together to support the implementation of anti-money laundering legislation, which will address and correct deficiencies in current federal money laundering statutes.

The *2001 Strategy* recognizes that money laundering investigations and prosecutions are the tip of the law-enforcement sword, because they not only uncover the sophisticated schemes put on by professional lawyers, bankers, and accountants, but they make it possible to dismantle entire criminal enterprises by disrupting the financial operations of these illicit organizations.

## MEASURED ACCOUNTABILITY

To raise our standards of performance, we must measure the effectiveness of our efforts. For too long, federal law enforcement has not been subject to accountability through measured evaluation. Goal Two is dedicated to changing that, and mandates that we create and implement a uniform system that measures the government's anti-money laundering results. In short, emphasis will be placed on measured results, rather than the level of law enforcement activity.

The *2001 Strategy* establishes the formation of a system to collect reliable information that will provide law enforcement with an accurate picture of its anti-money laundering programs. Once we institutionalize these databases, we can begin to meaningfully evaluate the success of our strategies. Our measurement methods will include an examination of:

- *quantitative factors*, such as the number of money laundering investigations, prosecutions, and convictions, which will provide a numerical snapshot of our efforts from year to year;
- *qualitative factors* – each investigation, prosecution, or conviction will be assigned a weighted value to mirror the case's complexity, importance, and scope of impact;
- *forfeiture and seizure data* related to money laundering activity that will represent a monetary value of our efforts; and
- *the criminal marketplace price of laundering money* that will help determine whether our anti-money laundering efforts are making it more expensive and more difficult for criminals to launder their illicit proceeds.

Goal Two will ensure accountability and raise our standards of performance, expectation, and success. Measured evaluation will identify money laundering “hot spots,” indicate areas where law enforcement must enhance or prioritize its investigations and prosecutions, and allow law enforcement to articulate measurable goals.

## PREVENTATIVE EFFORTS

A comprehensive money laundering strategy must include an effective regulatory regime that denies money launderers easy access to the financial sector. The *2001 Strategy* continues previous efforts to expand and implement proposed suspicious activity reporting requirements to financial institutions that are particularly vulnerable to money laundering activity.

Our principal focus will be to ensure that law enforcement fully utilizes reported information. To this end, law enforcement must seek to receive only those reports that have law enforcement value. In 2000, the Financial Crimes Enforcement Network (FinCEN) received and processed twelve million Currency Transaction Reports (CTRs), thirty percent of which should not have been filed due to mandatory reporting exemptions. The *2001 Strategy* requires law enforcement

to work with the private sector to ensure compliance with current regulatory reporting exemptions and seek to expand the exemptions to other low-risk transactions.

Effective utilization also requires that law enforcement evaluate the usefulness of reported currency transactions. The *Strategy* requires law enforcement agencies that use CTR or Suspicious Activity Report (SAR) information to provide operational feedback to FinCEN. FinCEN will use the feedback to evaluate or change its database programs to fit the needs of law enforcement.

## **ENHANCED COORDINATION**

The *2001 Strategy*, as have past strategies, underscores the importance of federal, state, local, and international coordination. However, this *Strategy* will create levels of unprecedented coordination by creating structured, inter-agency, operational task forces, providing supervision and accountability, and increasing cooperation-based incentives.

HIFCA Task Forces will be the driving force that unites federal, state, and local law enforcement agencies. To ensure coordination, HIFCA Task Forces will regularly brief Treasury and Justice officials on the progress of major money laundering investigations as well as the involvement of state and local law enforcement agencies in the HIFCAs. Similarly, the Department of the Treasury will conduct evaluations of existing Financial Crime-Free Communities Support Program (C-FIC) grant recipients to ensure that local officials are including HIFCA Task Forces in their efforts. Further, the *Strategy* strongly encourages U.S. Attorneys in each judicial district to create SAR Review Teams, which will incorporate state and local officials whenever possible.

At the international level, the *Strategy* seeks first to remove all barriers that inhibit international cooperation. The Departments of State and Justice will review key existing extradition and mutual legal assistance treaties and recommend that coverage of money laundering offenses be considered an important objective in assessing future treaty negotiations. The *Strategy* mandates increased use of the international asset-sharing program, which will provide incentive for international cooperation. Further, the Departments of the Treasury and Justice will explore the feasibility of establishing model international financial task forces to plan and coordinate significant multilateral money laundering investigations. The United States will continue to actively participate within the Financial Action Task Force (FATF), and seek to revise the Forty Recommendations to reflect new issues and concerns.

## **CONCLUSION**

The Secretary of the Treasury, in consultation with the Attorney General, is proud to deliver the *2001 National Money Laundering Strategy*. The *Strategy* represents the combined input and approval from more than twenty federal agencies, bureaus, and offices. The Department of Justice provided especially valuable contributions to the *Strategy*, and the Department of the Treasury looks forward to working in conjunction with Justice and others to implement the *Strategy's* Goals, Objectives, and Priorities.

---

**GOAL 1:**

**FOCUS LAW ENFORCEMENT EFFORTS ON  
THE PROSECUTION OF MAJOR MONEY  
LAUNDERING ORGANIZATIONS AND SYSTEMS.**

---

The top priority of the *2001 Strategy* is to focus enforcement efforts on the investigation, prosecution, and disruption of major money laundering organizations. Because federal law enforcement resources are limited, they must be concentrated where they will have the greatest impact. It is therefore imperative to focus enforcement efforts on large-scale investigations and prosecutions that disrupt and dismantle entire criminal organizations and enterprises.

To focus our resources against major money laundering organizations, this *Strategy* mandates that law enforcement (1) establish inter-agency task forces in High Intensity Money Laundering and Related Financial Crimes Areas (HIFCAs), (2) intensify use of federal criminal and civil asset forfeiture laws, (3) enhance intra-agency, inter-agency, and international coordination of money laundering investigations, (4) expand efforts to dismantle the Black Market Peso Exchange (BMPE), and (5) recommend legislation necessary to correct deficiencies in current money laundering laws, thereby strengthening law enforcement's ability to fight money laundering organizations.

**\* OBJECTIVE 1: FOCUS MISSION OF HIGH INTENSITY MONEY LAUNDERING AND RELATED FINANCIAL CRIME AREA (HIFCA) TASK FORCES.**

HIFCA Task Forces occupy the flagship role in our efforts to disrupt and dismantle large-scale money laundering systems and organizations. The HIFCA Task Forces are the model for drawing on intelligence for targeting and working in a task force approach to develop high-impact investigations and prosecutions, and the *2001 Strategy* provides for their structure, training, supervision, and expansion. HIFCA Task Forces, however, are only one part of what must be an all agency, all regions effort. The *2001 Strategy*, therefore, enlists all federal anti-money laundering law enforcement components, including the Organized Crime Drug Enforcement Task Force (OCDETF); High Intensity Drug Trafficking Areas (HIDTA); the Money Laundering Control Center (MLCC); and the Special Operations Division, Money Laundering Section (SOD-MLS) to work together, and with their state and local counterparts, to target, arrest, and prosecute professional money launderers and forfeit their assets.

**Priority 1: Design organizational structure of HIFCA Task Forces, and focus their enforcement efforts on large-impact cases, professional money launderers, and the financial systems they exploit.**

**Lead:** Assistant Secretary for Enforcement, Department of the Treasury;  
Assistant Attorney General, Criminal Division, Department of Justice.

**Goals:** Initiate targeted federal money laundering investigations led by recently created or newly designated HIFCA Task Forces. In October 2001, the Assistant Secretary for Enforcement and the Assistant Attorney General, Criminal Division, in conjunction with the field law enforcement bureau components and the United States Attorney's Offices, will meet to design the organizational structure of HIFCA Task Forces, and designate regional HIFCA Task Force directors. By January 2002, assembled HIFCA Task Forces will submit action plans that detail (i) how they will focus resources to target large-scale money laundering activities, and (ii) specific priorities and dates for accomplishing these activities.

The *2001 Strategy* seeks to focus and implement the mission of the HIFCA program – to concentrate law enforcement efforts at the federal, state, and local level, and combat money laundering in designated high intensity money laundering zones. HIFCA Task Forces will lead the investigation of complex, transnational money laundering schemes perpetrated by professional money launderers and the systems they utilize and exploit by drawing upon the data, resources, training, and expertise of various enforcement agencies. Further, HIFCA Task Forces will share information with the Office of Foreign Assets Control to assist its investigative efforts of the Narcotics Sanctions<sup>1</sup> and Foreign Terrorist Programs.<sup>2</sup>

The Assistant Secretary for Enforcement, Department of the Treasury, and the Assistant Attorney General, Criminal Division, Department of Justice, in conjunction with the field law enforcement bureau components and the United States Attorney's Offices, bear ultimate responsibility for implementation and supervision of each HIFCA Task Force. The HIFCA Task Forces will:

- be composed of all relevant federal, state, and local enforcement authorities; prosecutors; and federal financial supervisory agencies as needed;
- work closely with the HIDTA and OCDETF Task Forces within the HIFCA area<sup>3</sup>;
- focus on collaborative investigative techniques, both within the HIFCA and between the HIFCAs and other areas;
- attend OFAC briefings on Narcotics Sanctions Programs and OFAC Foreign Terrorist Programs;
- attend FinCEN briefings to ensure meaningful and effective utilization of FinCEN information and expertise;

---

<sup>1</sup> OFAC's Narcotics Sanctions Programs include the Foreign Narcotics Kingpin Designation Act Program (authorized under 21 U.S.C. § 1901-08 and 8 U.S.C. § 1182) and the Colombian Specially Designated Narcotics Traffickers (SDNT)-International Emergency Economic Powers Act (IEEPA) (50 U.S.C. § 1701-06, Executive Order 12978). OFAC's Foreign Terrorist Programs encompass the activities of the Foreign Terrorist Asset Tracking Center, the Specially Designated Terrorists program under IEEPA, and OFAC's participation in the Foreign Terrorist Organization designation process.

<sup>2</sup> See 21 U.S.C. § 1901-08; 8 U.S.C. § 1182.

<sup>3</sup> To ensure systematic coordination of overlapping targets and investigations, HIFCA drug-based money laundering investigations will be initiated as OCDETF investigations.



- attend briefing by the Executive Office of Asset Forfeiture (Treasury), the Asset Forfeiture and Money Laundering Section (DOJ), and law enforcement training components on the use of federal civil and criminal forfeiture laws, with specific emphasis on changes effected by the Civil Asset Forfeiture Reform Act of 2000;
- ensure a more systematic exchange of information on money laundering between HIFCA participants; and
- attend advanced money laundering and asset forfeiture courses conducted by the Federal Law Enforcement Training Center, in conjunction with the Asset Forfeiture and Money Laundering Section (DOJ) and law enforcement training components.

To pursue the goals and objectives of this year's *Strategy*, inter- and intra-agency coordination is key. The HIFCA Task Forces must be the driving force to unite our law enforcement agencies, and draw upon all available relevant information to conduct successful investigations and prosecutions.

**Priority 2: Coordinate and review the progress of each HIFCA Task Force.**

**Lead:** Assistant Secretary for Enforcement, Department of the Treasury;  
Assistant Attorney General, Criminal Division, Department of Justice.

**Goals:** Coordinate investigations and monitor progress of investigative targets within and between HIFCAs. By March 2002, representatives from each HIFCA Task Force will brief the Assistant Secretary for Enforcement and the Assistant Attorney General, Criminal Division, on HIFCA Task Force activities and coordination efforts. The briefing will detail the involvement and participation of state and local law enforcement agencies in the HIFCAs. The Assistant Secretary for Enforcement and Assistant Attorney General, Criminal Division, will thereafter host meetings every four months with federal law enforcement bureau heads or senior executives with full decision-making authority, to monitor and resolve coordination issues within the HIFCAs.

The *2001 Strategy* mandates that members of the Treasury and Justice Department law enforcement agencies engage in inter-agency and intra-agency coordination, especially in HIFCAs, where Task Forces rely on the expertise of Treasury and Justice law enforcement agencies, U.S. Attorneys' Offices, federal financial supervisory agencies, and state and local enforcement officials to investigate and prosecute major money laundering schemes and organizations.

The Assistant Secretary for Enforcement and the Assistant Attorney General, Criminal Division, are responsible for coordinating inter- and intra-agency efforts and ensuring that Treasury and Justice enforcement components are engaged in the work of the HIFCA Task Forces. Beginning January 2002, the Assistant Secretary for Enforcement and Assistant Attorney General, Criminal

Division, will meet with federal law enforcement bureau heads or senior executives with full decision-making authority to monitor and resolve coordination issues within the HIFCAs.

Every four months, the manager and other HIFCA Task Force representatives will brief Treasury and Justice officials on the HIFCA's actual and projected activities and targets, and the actual and proposed involvement that state, local, and federal law enforcement and regulatory agencies have in the HIFCA Task Force mission. The Assistant Secretary for Enforcement and the Assistant Attorney General, Criminal Division, will coordinate efforts between HIFCA Task Forces, and will meet as necessary to ensure that cooperation issues are resolved expeditiously.

**Priority 3: Develop and provide advanced money laundering training for HIFCA Task Force participants.**

**Lead:** Director, Federal Law Enforcement Training Center (FLETC);  
Chief, Asset Forfeiture and Money Laundering Section, Criminal  
Division, Department of Justice.

**Goals:** Deliver advanced money laundering training to HIFCA Task Force participants to ensure that federal, state, and local enforcement agents have the necessary training and expertise to investigate and prosecute major money laundering schemes and organizations. By December 2001, FLETC, the Asset Forfeiture and Money Laundering Section (DOJ), and law enforcement training components will develop a new series of advanced money laundering training modules for HIFCA Task Force participants. The training package will focus on the operational experiences of veteran investigators, and will educate the HIFCA Task Force members on the full range of inter- and intra-agency capabilities available to fight money laundering operations. By January 2002, FLETC will schedule training session dates with each existing HIFCA Task Force.

The Departments of Treasury and Justice offer a substantial amount of fundamental, advanced, and specialized training to task forces, agencies, investigators, and prosecutors through components such as the Office of Legal Education (OLE), the Asset Forfeiture and Money Laundering Section (AFMLS), FBI-Quantico, DEA-Quantico, the Federal Law Enforcement Training Center (FLETC), and the Executive Office of Asset Forfeiture (EAOF). By the end of FY 2001, for example, the OLE and AFMLS alone, will have conducted 32 different financial investigations, money laundering, and asset forfeiture courses, reaching 3,000 federal law enforcement agents and AUSAs; participated as trainers in over 140 federal and state money laundering and asset forfeiture conferences; and distributed over 150,000 publications and training materials

The *2001 Strategy* mandates that the Department of the Treasury and Justice build on this training expertise, and expand the scope of existing and planned training to include a comprehensive training program that is tailored to address the needs and the mission of HIFCA Task Forces. The FLETC, in close coordination with the AFMLS, will lead our efforts to design and provide HIFCA Task Forces with specialized programs that draw from the experiences of successful large-scale money laundering investigations and prosecutions such as Operations

*Casablanca, Dinero, Greenback, Polar Cap, and Green Ice.* These programs will utilize a “lessons learned” approach to educate HIFCA Task Force members about ideal methods to set up, operate, investigate, and prosecute major money laundering schemes and operations.

**Priority 4: Designate new HIFCAs.**

**Lead:** Assistant Secretary for Enforcement, Department of the Treasury; Assistant Attorney General, Criminal Division, Department of Justice.

**Goals:** Designate additional HIFCAs as appropriate. Review applications for HIFCA designations, and make timely recommendation to the Departments of the Treasury and Justice for decision.

The 1998 Strategy Act requires the *National Money Laundering Strategy* to designate HIFCAs.<sup>4</sup> The statute provides a list of factors to be considered in designating a HIFCA: (1) demographic and general economic data; (2) patterns of BSA filings and related information; and (3) descriptive information that identifies trends and patterns in money laundering activity and the level of law enforcement response to money laundering in the region.<sup>5</sup> The statute does not mandate that enforcement personnel designate HIFCAs solely in geographic terms; HIFCAs also can be created to address money laundering in an industry, sector, financial institution, or group of financial institutions.

The HIFCA Working Group<sup>6</sup> will select future HIFCAs from applications received. A prospective applicant must submit an application to FinCEN that includes:

- a description of the proposed area, system, or sector to be designated;
- the focus and plan for the counter-money laundering projects that the HIFCA designation will support;
- the reasons such a designation is appropriate, taking into account the relevant statutory standards; and
- a point of contact.

**HIFCA Designations for Year 2001**

Based on the recommendation of the HIFCA Working Group, the *2001 Strategy* designates two new HIFCAs: the Northern District of Illinois (Chicago); and the Northern District of California

---

<sup>4</sup> See 31 U.S.C. §§ 5341(b)(8) & 5342(b).

<sup>5</sup> See *id.*

<sup>6</sup> The HIFCA Working Group is comprised of representatives from DOJ’s Asset Forfeiture and Money Laundering Section, the Office of Enforcement of the Treasury Department, the Financial Crimes Enforcement Network, the U.S. Customs Service, the Internal Revenue Service, the Secret Service, the Federal Bureau of Investigation, the Drug Enforcement Administration, the U.S. Postal Inspection Service, the Executive Office for U.S. Attorneys, the Executive Office for the Organized Crime and Drug Enforcement Task Forces, and the Office of National Drug Control Policy.

(San Francisco). These new HIFCAs will develop task forces that build upon existing interagency resources in their communities.

## **1. Northern District of Illinois (Chicago)**

### *A. Demographic/Economic Information*

According to the Census Bureau, Chicago is the third largest city in the United States with a population of nearly 3 million people. The greater Chicago metropolitan area is made up of six counties with a combined total population of 8 million. Chicago is a major financial center with more than 300 banks and 30 U.S. branches of foreign banks. The city is home to the Federal Reserve Bank of Chicago, the seventh largest U.S. bank, and five of the top fifty banks by total assets in the nation.

Chicago is also a major international transportation center. O'Hare International Airport remains the commercial aviation capital of the world; international carriers offer direct service to 60 cities outside of the United States. Chicago is also a major railroad center, and has an international port that handles large amounts of cargo.

### *B. BSA Filings*

From 1998-99, Chicago area banks filed 800,615 Currency Transaction Reports (CTRs), with an aggregate value over \$30 billion. Chicago's number of CTRs exceeds the combined total of CTRs filed in Los Angeles and San Juan, and approaches the 878,460 filed in the New York/New Jersey area. The value of the CTRs exceeds the value of those filed in Los Angeles for this period. Chicago banks also filed nearly 5,000 Suspicious Activity Reports (SARs), compared to the 5,171 SARs filed in Los Angeles and 566 in San Juan during the same period.

### *C. Law Enforcement Activity*

Law enforcement staffing levels and money laundering-related cases are similar to other HIFCAs. The FBI reports a large number of active investigations involving significant money laundering transactions. Further, Chicago not only serves as the core city for the Great Lakes Organized Crime Drug Enforcement Task Force (OCDETF), but is also designated as a High Intensity Drug Trafficking Area (HIDTA).

## **2. Northern District of California (San Francisco)**

### *A. Demographic/Economic Information*

According to the Census Bureau, the San Francisco Consolidated Metropolitan Statistical Area (San Francisco/Oakland/San Jose) is ranked fifth in the United States. The area has the highest concentration in the United States for technology exports and the greatest access to the internet of any U.S. region. San Francisco is a major financial center, and is home to numerous national banks, a Federal Reserve Bank, and the Pacific Stock Exchange.

The San Francisco area has three major airports, with the Oakland International airport ranked 25th in the world for air cargo. The area has two major seaports. The Port of Oakland is the fourth largest in the country, and handles 98 percent of all containerized cargo that passes under the Golden Gate Bridge.

### *B. BSA Filings*

In 1999, San Francisco-area banks filed over 1.5 million CTR filings, with an aggregate value totaling \$80 billion. These numbers exceed the combined total of CTR filings and amounts for Los Angeles and San Juan, and exceed the number of CTRs filed in New York/New Jersey. Further, area banks filed more than 18,000 SARs in 1999.

### *C. Law Enforcement Activity*

The Financial Investigative Task Force (FITF) has been operating successfully in the Northern District of California for approximately seven years. Since 1993, the FITF has initiated 147 investigations, 20 of which developed into full money laundering investigations. The FITF will serve as the foundation of the new HIFCA Task Force. In addition, the area serves as the San Francisco Bay Area HIDTA, and home to the Pacific OCDEF.

### **\* OBJECTIVE 2: ENHANCE USE OF FEDERAL CRIMINAL AND CIVIL ASSET FORFEITURE LAWS.**

Congress has recognized that illegal proceeds are the lifeblood of large-scale criminal operations. Through forfeiture statutes, Congress has empowered law enforcement to attack criminal enterprises at their roots by seizing and forfeiting illicit proceeds involved in, and property traceable to, money laundering activity.

To enhance use of federal criminal and civil asset forfeiture laws directed at major money laundering activity, this year's *Strategy* proposes four priorities: (1) local HIFCA strategic planning; (2) large-scale asset forfeiture case training to federal, state, and local law enforcement; (3) aggressive investigations of assets designated by OFAC's Foreign Terrorist and Narcotics Sanctions Programs; and (4) measured evaluation of investigations and prosecutions that lead to asset forfeiture. These priorities will ensure that forfeiture is a top priority in our efforts to disrupt and dismantle major money laundering activities.

### **Priority 1: HIFCA Task Forces will submit action plans to intensify use of federal asset forfeiture laws.**

**Lead:** Assistant Secretary for Enforcement, Department of Treasury;  
Assistant Attorney General, Criminal Division, Department of Justice.

**Goals:** Implement HIFCA action plans and intensify use of federal asset forfeiture in money laundering prosecutions. By January 2002, HIFCA Task Forces will submit asset forfeiture action plans to the Treasury Assistant Secretary (Enforcement) and Justice Assistant Attorney General for review and approval.

To ensure effective utilization of federal forfeiture laws in dismantling major money laundering operations, each HIFCA Task Force will design a local asset forfeiture action plan to intensify the area's use of federal forfeiture laws. HIFCA Task Forces should consult with DOJ's Asset Forfeiture and Money Laundering Section and the Treasury's Executive Office of Asset Forfeiture to aid in design and implementation of their action plans. Each Task Force will submit its action plan to the Treasury Assistant Secretary for Enforcement and Justice Assistant Attorney General for review and approval.

Action plans provide customized strategies and funding options for each HIFCA Task Force, but plans and strategies do not fight crime. Task Forces *must implement* their strategies and administrators must review Task Force performance to ensure that forfeiture is a priority in our fight against money laundering. On a quarterly basis, each HIFCA Task Force will prepare reports that summarize the value of assets seized and forfeited.

**Priority 2: Provide asset forfeiture training that emphasizes major case development to federal, state, and local law enforcement officials.**

**Lead:** Director, Federal Law Enforcement Training Center (FLETC);  
Chief, Asset Forfeiture and Money Laundering Section, Criminal  
Division, Department of Justice.

**Goals:** Develop advanced asset forfeiture training programs. By September 2001, the Chief, Asset Forfeiture and Money Laundering Section, Criminal Division, and Director, Executive Office of Asset Forfeiture, Department of the Treasury, will assess current forfeiture training programs. FLETC, in concert with the Chief, Asset Forfeiture and Money Laundering Section, Criminal Division, and Director, Executive Office of Asset Forfeiture, will develop a new advanced asset forfeiture training program by January 2002.

This year's *Strategy* requires continued education of federal, state, and local investigators, analysts, and prosecutors concerning asset forfeiture statutory modifications and case law developments. In 2000, Congress enacted extensive changes to civil asset forfeiture law in the Civil Asset Forfeiture Reform Act of 2000 (CAFRA). The CAFRA altered the burden of proof in civil asset forfeiture cases, authorized appointment of counsel in certain circumstances, allowed for pre-trial release of property in certain circumstances, changed the requirements of the innocent owner defense, and codified *Bajakajian's* "grossly disproportional" test of excessive forfeitures under the Eighth Amendment's Excessive Fines Clause.<sup>7</sup> Sweeping legislative modifications often have chilling effects on law enforcement efforts because investigators and prosecutors are uncertain of the application of the legislative changes and prefer to take the approach of "wait and see." Advanced asset forfeiture training programs, therefore, must inform law enforcement of significant statutory changes such as CAFRA, and instruct them how to investigate and prosecute successfully under the new provisions.

---

<sup>7</sup> See *United States v. Bajakajian*, 524 U.S. 321 (1998).

Training programs must also reflect the *2001 Strategy*'s primary emphasis—to focus enforcement efforts against major money laundering organizations. Advanced asset forfeiture training will include extensive sessions that focus on the lessons learned from successful large-scale investigations and prosecutions such as Operations *Casablanca*, *Dinero*, and *Greenback*. Training programs will teach investigators, analysts, and prosecutors how to use federal forfeiture statutes to the fullest extent and strip major money launderers of their illicit proceeds.

**Priority 3: Aggressively exploit OFAC-held information about blocked assets of foreign terrorist groups and agents and of those individuals and entities appearing on the OFAC Narcotics Sanctions Programs designation lists for potential forfeiture.**

**Lead:** Director, Office of Foreign Assets Control, Department of the Treasury; Office of the Deputy Attorney General, Department of Justice.

**Goals:** Pursue investigative leads developed from exploitation of information concerning assets blocked pursuant to OFAC's Narcotic Sanctions Programs or Foreign Terrorists Programs. By October 2001, create a mechanism to develop investigative leads and evidence from exploitation of information concerning assets blocked pursuant to OFAC's Narcotics Sanctions or Foreign Terrorists Programs. FLETC will incorporate this mechanism into its advanced asset forfeiture training programs.

The President, through the promulgation of Executive Orders<sup>8</sup> pursuant to the International Emergency Economic Powers Act (IEEPA),<sup>9</sup> and Congress, through the enactment of other statutes,<sup>10</sup> have established sanctions programs that prohibit named foreign terrorists, foreign drug kingpins, and their fronts and operatives from using their assets within U.S. jurisdiction or engaging in business or other financial activities with U.S. persons, including companies or individuals. Asset blockings are a valuable tool to fight foreign-origin threats to U.S. national security and foreign policy, including foreign criminal organizations. The *2001 Strategy* requires that law enforcement step beyond the sanctions programs and use the sanctions-based asset blockings as a “force multiplier” to pursue all foreign terrorist and narcotics program asset blockings as leads for potential forfeitures through money laundering prosecutions.

Inter- and intra-agency cooperation is essential to implement this priority. OFAC, the Executive Office of Asset Forfeiture, and bureau heads will cooperate to design a mechanism that identifies leads from OFAC-held information relating to blocked assets of foreign narcotics traffickers and terrorists, as well as from the relevant administrative record in support of a designation. Criminal investigative agencies will, thereafter, pursue these leads to determine if legal cause exists to civilly or criminally forfeit the assets.

**Priority 4: Measure assets forfeited or seized pursuant to money laundering prosecutions.**

---

<sup>8</sup> See, e.g., Executive Order 12978.

<sup>9</sup> See 50 U.S.C. § 1701-06.

<sup>10</sup> See 21 U.S.C. § 1901-08; 8 U.S.C. § 1182.

**Lead:** Director, Executive Office of Asset Forfeiture, Department of the Treasury;  
Chief, Asset Forfeiture and Money Laundering Section, Criminal Division, Department of Justice.

**Goals:** Design a reporting system to report forfeiture of assets related to money laundering activity. By October 2001, establish interagency working group to develop asset forfeiture reporting system. By March 2002, establish a new asset forfeiture reporting system and implement its usage throughout the United States.

Federal law enforcement must develop a method to measure the costs and benefits of asset forfeiture strategies so that future programs can allocate resources where they are most needed and productive. A comprehensive system of measurement must distinguish between seizures and forfeitures related to money laundering. Accurate measurements will allow federal law enforcement to quantitatively measure the benefits of anti-money laundering efforts, including all “criminal contributions” that underwrite enforcement programs in the form of civil and criminal asset forfeitures.

**\* OBJECTIVE 3: ENHANCE INTRA-AGENCY AND INTER-AGENCY COORDINATION OF MONEY LAUNDERING INVESTIGATIONS.**

**Priority 1: Coordinate and consolidate existing Suspicious Activity Report (SAR) Review Teams in every U.S. Attorney’s Office, and develop SAR Review Teams where they do not exist.**

**Lead:** Under Secretary for Enforcement, Department of the Treasury;  
Assistant Attorney General, Criminal Division, Department of Justice.

**Goals:** Implement SAR review teams where feasible. By December 2001, contact United States Attorneys and encourage them to create SAR review teams, where they do not exist, and increase the participation of additional federal agencies in existing SAR review teams. By January 2002, United States Attorneys should create SAR review teams where deemed appropriate, and report on the efforts of the new and existing SAR teams.

SARs provide valuable information that enables law enforcement to identify and target money launderers, other criminals, and forfeitable assets.<sup>11</sup> However, the evidence necessary to advance a money laundering investigation usually is not immediately evident in the SAR, and finding relevant information, as well as identifying the wider trends and patterns hidden in the SARs requires patient analysis.

SAR review teams evaluate all SARs filed in their respective federal district. Teams are composed of an Assistant United States Attorney and representatives from federal, state, and local law enforcement agencies. Various districts have successfully implemented SAR Review

---

<sup>11</sup> A Suspicious Activity Report can be viewed and downloaded at <<http://www.treas.gov/fincen/forms.html>>.



Teams that assess SARs to coordinate investigations, set and assess investigative strategies, and generate cases.

FinCEN and law enforcement agencies are currently developing and testing state-of-the-art data mining tools. These systems will allow investigators and prosecutors to streamline and enhance the SAR review process by identifying and linking investigative leads, trends, and patterns contained in SARs. Data mining technology provides an organized investigative window of money laundering and related financial crimes that allows the user to manipulate the data to identify proactive and reactive leads. FinCEN has current contracts with experts in the data mining field to design these advanced analytical tools, and will provide demonstrations of these systems to U.S. Attorneys and investigators as soon as the modules are developed.

Based on past SAR Review Team successes and FinCEN's technological advances, all United States Attorneys' Offices are strongly encouraged to implement standardized SAR Review Team programs to develop, realize, and utilize the full investigative value of SAR information.

**\* OBJECTIVE 4: EXPAND EFFORTS TO DISMANTLE THE BLACK MARKET PESO EXCHANGE (BMPE) MONEY LAUNDERING SYSTEM.**

The Black Market Peso Exchange (BMPE) is the largest money laundering system in the Western Hemisphere. Colombian narcotics traffickers are the primary users of BMPE, repatriating up to \$5 billion annually to Colombia.

The BMPE is a system that converts and launders illicit drug proceeds from dollars to Colombian pesos. For example, dealers sell Colombian drugs in the U.S. in return for U.S. dollars. The dealers thereafter sell the U.S. currency to a Colombian black market peso broker's agent in the United States. In return for the dealer's U.S. currency deposit, the BMPE agent deposits the agreed-upon equivalent<sup>12</sup> of Colombian pesos into the cartel's bank account in Colombia. At this point, the cartel has successfully converted its drug dollars into pesos, and the Colombian broker and his agent now assume the risk for integrating the drug dollars into the U.S. banking system. The broker funnels the money into financial markets by selling the dollars to Colombian importers, who then purchase U.S. goods that are often smuggled into Colombia to avoid taxes and customs duties.

In response to BMPE, the Treasury Department has formed the BMPE Working Group, which unites law enforcement, banking, and other agencies in an effort to dismantle the BMPE system. The BMPE Working Group continues to develop comprehensive plans to coordinate all available investigative, regulatory, and trade policy tools to form a multi-faceted attack against BMPE.

**Priority 1: Work with the private sector to conclude and implement a comprehensive "best practices" BMPE anti-money laundering system.**

**Lead:** Assistant Secretary for Enforcement, Department of the Treasury;  
Deputy Assistant Attorney General, Criminal Division.

---

<sup>12</sup> The currency transaction rate is discounted because the broker and his agent must assume the risk of evading BSA reporting requirements when they later place the dollars into the U.S. financial system.

**Goals:** Implement the private sector's comprehensive "best practices" BMPE anti-money laundering compliance program. By January 2002, coordinate a workshop for industry leaders to finalize their anti-money laundering "best practices" compliance program and begin to develop an implementation strategy. By May 2002, the BMPE anti-money laundering "best practices" compliance program should be implemented.

The BMPE functions when peso brokers are able to facilitate the purchase of U.S. manufactured trade goods with illicit proceeds. A major step towards dismantling the BMPE is to restrict these transactions so that they cannot occur. Therefore, law enforcement must intensify its efforts to educate the business community about BMPE activity, especially those industries that are particularly vulnerable to BMPE.

In June 2000, the Departments of Treasury and Justice personnel briefed senior industry officials on the operations of the BMPE and discussed the vulnerability of the industries to the BMPE system. Treasury and Justice offered to host three workshops that would assist the industries to develop BMPE anti-money laundering compliance programs along with best practices guidelines designed to minimize the likelihood that their products will be sold on the black market in Colombia. Following the first two meetings, industry officials prepared and circulated a BMPE anti-money laundering compliance program draft. The *2001 Strategy* tasks the Assistant Secretary for Enforcement to continue these efforts by hosting the third private industry workshop to finalize the "best practices" document and to oversee and monitor the implementation of its provisions.

**Priority 2: Identify and report patterns and trends in the BMPE.**

**Lead:** Assistant Commissioner for Investigations, U.S. Customs Service.

**Goals:** Identify and track patterns and trends of suspected BMPE funds into the financial system, and focus enforcement efforts accordingly. By January 2002, prepare a report that outlines trends and patterns in BMPE, and prepare training programs to educate industry and enforcement officials accordingly. Conduct BMPE outreach and training to industries that may receive suspicious payments, and expand effort to reach out to and educate free trade zone merchants operating in the U.S. about the BMPE and due diligence to avoid involvement in money laundering operations.

In the BMPE, the peso broker must arrange for the placement of street currency into the financial system or for the bulk shipment of the currency out of the United States. The Money Laundering Coordination Center (MLCC), operated by the U.S. Customs Service, conducts strategic analyses of operational and financial intelligence to identify the most common methods for the placement of narcotics proceeds into the financial system. MLCC also identifies specific businesses and individuals that are suspected of participating in the BMPE, and refers the information to the appropriate field office for investigation.

The MLCC continues to track wire transfers of accounts that belong to suspected violators. Customs, the Financial Crimes Enforcement Network (FinCEN), United States Postal Inspection Service (USPIS), IRS-CI, DEA, FBI and other members of the BMPE Working Group<sup>13</sup> will continue to analyze operational intelligence, postal money order data, SARs, and other BSA information in efforts to identify BMPE transaction patterns of money laundering organizations. The BMPE Working Group members will continue their outreach to alert both the business and banking industry of emerging trends in the BMPE and emerging money laundering systems.

**Priority 3: Train law enforcement to identify, understand, investigate, and prosecute BMPE schemes.**

**Lead:** Director, Federal Law Enforcement Training Center, (FLETC);  
Director, Money Laundering Communications Center (MLCC), U.S. Customs Service.

**Goals:** Deliver BMPE training to law enforcement officials to ensure the complete investigation of these international schemes. By January 2002, FLETC will develop a training module on BMPE. The training will focus on schemes, culpable parties, and specific investigative techniques. By February 2002, FLETC will schedule its training sessions, with principal focus on the HIFCA Task Forces.

BMPE is a unique and complex scheme that utilizes legitimate United States companies to facilitate the transfer of drug proceeds from the U.S., where the profits are generated, to Columbia, where the cartel owners reside. Evidence exists that indicates that legitimate U.S. companies knowingly have sold goods to individuals and businesses involved in BMPE operations. Successful investigations should target all facets of the scheme, to include the drug dealer, the peso broker, money service businesses, and U.S. individuals and businesses, where appropriate.

**Priority 4: Enhance website that promotes law enforcement's fight against the BMPE money laundering system.**

**Lead:** Assistant Commissioner for Investigations, U.S. Customs Service.

**Goals:** Enhance and maintain a web site that: (1) promotes awareness of the BMPE money laundering system; (2) lists the Colombian financial institutions authorized to issue payments for U.S. trade goods; and (3) links users to the OFAC website's list of Specially Designated Narcotics Traffickers (SDNTs) of Colombia with which U.S. persons are prohibited from dealing. By November 2001, design and implement a BMPE web site.

Law enforcement must relay BMPE information and news to many small companies in addition to industry giants. Businesses and enforcement officials need up-to-date access to lists of Colombian companies that lawfully may engage in international commerce with U.S. businesses.

---

<sup>13</sup> The BMPE Working Group is discussed and defined *supra* at Goal 1, Objective 4.

An enhanced BMPE web site, hosted by U.S. Customs Service at [www.customs.gov](http://www.customs.gov), will provide this much-needed access.

**Priority 5: Conclude multinational study with the governments of Colombia, Aruba, Panama, and Venezuela in the cooperative fight against the BMPE.**

**Lead:** Director, Office of Policy Development, Office of Enforcement, Department of the Treasury.

**Goals:** By October 2001, the BMPE Experts Working Group will prepare a report that recommends initiatives to each participating government. During October 2001, the multinational BMPE Experts Working Group will produce a report that recommends BMPE initiatives to participating governments.

On August 29, 2000, at the initiative of Treasury Enforcement, representatives from Colombia, Aruba, Panama, Venezuela, and the U.S. signed the "Black Market Peso Exchange System Multilateral Working Group Directive." On October 21, 2000, the BMPE Task Force participated in the first meeting of the Experts Working Group, a 30-member group created by the BMPE Multilateral Directive. The members of the Experts Working Group discussed how the BMPE money laundering system affects each of the respective countries, developed a common understanding of how the BMPE system operates, learned how BMPE transactions are documented, examined loopholes in existing laws, and discussed methods to improve international cooperation.

The multinational BMPE study undertaken by Colombia, Aruba, Panama, Venezuela, and the U.S. has enhanced the cooperation between these governments in combating the BMPE. Although much of the narcotics-related money laundering involves Colombia, Colombia does not bear the brunt of the BMPE alone. All of the governments participating in the study are directly affected by the BMPE, and the study has already led to improved communication and cooperation, including enhanced support for law enforcement efforts.

During the remainder of 2001, the United States will continue to participate in the Experts Working Group and contribute to the drafting of a report that concludes and recommends policies that will improve international cooperation in efforts to combat and dismantle the BMPE.

**\* OBJECTIVE 5: ENACT LEGISLATION TO ADDRESS DEFICIENCIES IN CURRENT MONEY LAUNDERING LAWS.**

Although the *2001 Strategy* mandates vigorous enforcement of existing money laundering laws, the *Strategy* also recognizes that the dynamic nature of money laundering activity requires the U.S. to periodically reexamine existing statutory schemes. The Departments of Treasury and Justice will seek to enhance law enforcement's ability to bring money launderers to justice by working with Congress to implement legislation that addresses the deficiencies in current money laundering statutes.

**Priority 1: Work to introduce legislation to address deficiencies in current federal money laundering statutes.**

**Lead:** Assistant Attorney General, Criminal Division, Department of Justice;  
Under Secretary for Enforcement, Department of the Treasury;

**Goals:** Enact Money Laundering legislation that addresses current deficiencies in federal money laundering law.

The fight against money laundering should enjoy broad bipartisan support. The Under Secretary for Enforcement and the Assistant Attorney General, Office of Legislative Affairs, will work in close coordination with the Assistant Attorney General, Criminal Division, to submit a money laundering bill which will address deficiencies in the current federal money laundering statutes, and enhance criminal money laundering enforcement.

The Departments of Justice and the Treasury will work together to introduce this legislation, and, if enacted, will seek to implement any new authorities.

---

## GOAL 2:

### MEASURE THE EFFECTIVENESS OF ANTI-MONEY LAUNDERING EFFORTS.

---

Federal law enforcement must be able to objectively measure the effectiveness of its law enforcement efforts. If anti-money laundering initiatives are not making a significant difference in disrupting money laundering activity, principles of good government mandate that law enforcement discontinue those efforts.

To evaluate our anti-money laundering initiatives, we must compare current results against past efforts. At the very least, the government should be able to report on a regular basis the significance and number of money laundering investigations, prosecutions, and convictions; the number of seizures; the value of property forfeited in all money laundering related cases; and the criminal market-place price of laundering money. Law enforcement must use this data to compare past and present performance and determine whether progress is being made in combating money laundering.

The *2001 Strategy* tasks the Financial Crimes Enforcement Network (FinCEN) to develop a comprehensive information system that collects relevant data from law enforcement agencies with respect to money laundering enforcement efforts. These data collections will provide law enforcement with a clearer picture of money laundering “hot spots,” which will guide policy decisions on the proper allocations of resources, and, at the same time, identify “gaps” where money laundering investigations should be enhanced or prioritized.

**\* OBJECTIVE 1: INSTITUTIONALIZE SYSTEMS TO MEASURE SUCCESS OF MONEY LAUNDERING ENFORCEMENT EFFORTS AND RESULTS.**

**Priority 1: Devise and implement a uniform money laundering case reporting system.**

**Lead:** Director, Financial Crimes Enforcement Network (FinCEN);  
Director, Organized Crime Drug Enforcement Task Force, Department of Justice.

**Goals:** Develop a uniform case reporting mechanism to be used by all federal law enforcement agencies to record information that relates to money laundering investigations, prosecutions, convictions, and forfeitures. By September 2001, the Director of FinCEN, the Chief, Asset Forfeiture and Money Laundering Section, and the Director, Bureau of Justice Statistics, will convene a high-level working group to establish standardized reporting procedures for each federal law enforcement agency involved in money laundering investigations and prosecutions.

FinCEN and the Bureau of Justice Statistics are ideally positioned to create a money laundering case reporting system. The Director of FinCEN, under the supervision of the Under Secretary for Enforcement, in conjunction with the Assistant Attorney General, Criminal Division, will convene a high-level working group to establish standardized reporting procedures for each federal law enforcement agency for money laundering investigations and prosecutions. However, the reporting procedure will not only report the number of investigations, prosecutions, convictions, seizures, and forfeitures related to money laundering, but also develop a standardized method that determines the significance of each case. Our reports must be weighted to reflect the size and sophistication of organizations successfully dismantled, or for example, whether we are convicting heads of organizations, professional money launderers, or low-level smurfs. Similarly, law enforcement must assess the complexity of the investigative effort that was needed to achieve a successful result. A comprehensive, but readily applicable array of criteria must be developed to give law enforcement the most accurate picture of its efforts.

Developing an accurate uniform information system is a top priority of the *2001 Strategy*, and FinCEN will identify the necessary investment in technology and infrastructure to put these uniform reporting mechanisms in place as quickly as possible to include the resource requirements of affected agencies.

**Priority 2: Research other methods for determining the effectiveness of federal anti-money laundering efforts, including whether law enforcement is impacting the cost of laundering money.**

**Lead:** Director, Financial Crimes Enforcement Network (FinCEN);  
Money Laundering Coordination Center, U.S. Customs Service;  
Chief, Asset Forfeiture and Money Laundering Section, Criminal  
Division, Department of Justice.

**Goals:** Develop methodology for determining the baseline commission percentage for laundering money. By October 2001, the director of FinCEN and the Chief of Asset Forfeiture and Money Laundering Section will establish an interagency group to develop a model to determine the baseline commission percentage for laundering money, so that this figure can be tracked over time.

Law enforcement agencies know from undercover work and experience in money laundering investigations that money launderers generally receive a percentage of the funds laundered. Some evidence suggests that the cost of laundering money currently ranges from 8% to 20% of principal. If law enforcement's efforts to combat money laundering are successful, the criminal marketplace should reflect that success as professional money launderers demand higher rates of commission. Thus, one way to determine the effectiveness of anti-money laundering efforts is whether the cost of laundering money is increasing. The *2001 Strategy* tasks FinCEN to explore additional criminal marketplace costs and develop a comprehensive model of the professional money launderer's price of doing business.

**Priority 3: Develop analytic tools to identify money laundering trends.**

**Lead:** Director, Financial Crimes Enforcement Network (FinCEN);  
Assistant Commissioner for Investigations, U.S. Customs Service.

**Goals:** Implement software solutions to assist in the extraction of trend and pattern information from the national Suspicious Activity Report database. By January 2002, FinCEN will complete the design, development and implementation of a system capable of identifying geographically based trends and patterns in financial transactions reported as suspicious by the nation's financial industry.

The criminal activity of money laundering, particularly laundering undertaken by organized criminal groups, those engaged in large-scale tax evasion, and those that divert public funds in other countries, usually involves complex financial transactions that are conducted along convoluted pathways across increasingly broad geographic areas. Improved understanding of the money laundering environment is essential (1) to identify the most serious money laundering threats, (2) to predict possible directions in which money laundering methods may evolve (often tied to advances in technology), (3) to measure the effectiveness in law enforcement and regulatory efforts to shut off or slow down the movement of criminal proceeds, and (4) to determine "hot spot" money laundering areas to guide policy makers in determining the appropriate allocation of resources.

Federal law enforcement agencies historically have had little success in identifying trends and patterns in money laundering because the available data has been geared more to the identification of investigative subjects than to the methods, techniques and pathways supporting illicit financial transactions. Implementation of the Suspicious Activity Report (SAR) requirement in 1996, however, created an opportunity to begin to study seriously the trends and patterns in money laundering. SARs contain detailed information about suspicious activity, and most importantly, a narrative section in which the filer can detail why they viewed the reported transaction as unusual.

During FY-2000, FinCEN began development of a system that arranges information contained within the national SAR database into an understandable set of derivative databases that are more easily accessible for analysis. The prototype system will make it possible to construct trends and patterns in organized criminal financial activity by pinpointing the geographic scope of the activity, defining the nature of the activity, and building a profile of the subjects involved in the activity.

Further development of the prototype system is necessary, especially in the areas of improving user interface and generating a fully developed series of automated reports to assist in the trend and pattern analysis of large-scale, complex money laundering activity.

**Priority 4: Review the costs and resources devoted to anti-money laundering efforts to allow for inform budget allocations.**



**Lead:** Assistant Secretary for Management, Department of the Treasury;  
Assistant Attorney General for Administration, Department of Justice;  
Office of Management and Budget (OMB).

**Goals:** Develop a comprehensive budget review of resources devoted to anti-money laundering programs, and ensure that these resources are most appropriately and effectively used. By October 2001, the Departments of Treasury and Justice, in coordination with the Office of Management and Budget, will establish a high-level working group to include all elements of federal government that have a role in anti-money laundering programs to identify enforcement-related expenses.

Determining the effectiveness of money laundering initiatives must include a review of law enforcement costs. To capture the costs of enforcement, we will create an interagency working group that will develop a uniform system that identifies costs through timely collection of data relating to money laundering enforcement. This information will guide policy makers, who must review current spending levels and determine if those levels are consistent with the goals and objectives expressed in the *2001 Strategy*.

---

### GOAL 3:

#### **PREVENT MONEY LAUNDERING THROUGH COOPERATIVE PUBLIC-PRIVATE EFFORTS AND NECESSARY REGULATORY MEASURES.**

---

In addition to the Goal 1 component of aggressive enforcement, the *2001 Strategy* emphasizes prevention. Efforts to prevent money laundering must include an effective regulatory regime and close cooperation between the public and private sectors to deny money launderers easy access to the financial sector.

In creating and implementing effective regulatory procedures, policy makers must balance the needs of law enforcement against the compliance costs and privacy interests of the financial industry and the public. At the very least, Treasury must ensure that the information required to be reported is effectively utilized for investigative purposes. With the implementation of Goal 2, law enforcement will continually measure the effectiveness of its programs, and evaluate how to refine regulations to increase regulatory benefits and decrease regulatory burdens.

All regulations and guidance procedures that the government proposes must be reasonable and cost-effective. Government must renew its commitment to balance the value of reported information with the cost of compliance and privacy concerns. Therefore, to design and implement an effective and efficient preventative program, the government must (1) examine the efficacy of existing reporting obligations, (2) expand, as necessary, the types of financial institutions that are subject to BSA reporting requirements, (3) increase the usefulness of information that financial institutions report to law enforcement and federal financial supervisory agencies, and (4) enhance the ability of U.S. financial institutions to defend against money laundering, including through the use of foreign correspondent banks.

#### **\* OBJECTIVE 1: EXAMINE THE EFFICACY OF EXISTING REPORTING REQUIREMENTS.**

The Bank Secrecy Act (BSA) imposes requirements on financial institutions to report currency transactions over \$10,000 and transactions of a suspicious nature. This information is intended to assist law enforcement in their money laundering investigations. Reporting requirements, however, impose costs on the financial sector. The *2001 Strategy* recognizes that the United States must be sensitive to these added costs. To this end, Treasury Enforcement must obtain accurate information on actual costs of compliance imposed on financial institutions. Our policy makers must be able to rely on accurate data, and evaluate whether the benefits of regulation justify the costs imposed. The *2001 Strategy* is committed to ensuring that the costs imposed on financial institutions are neither unreasonable nor overly burdensome.

#### **Priority 1: Survey depository institutions to determine the actual costs of Currency Transaction Reports (CTRs) and Suspicious Activity Reports (SARs).**

**Lead:** Assistant Secretary for Enforcement, Department of the Treasury;  
Assistant Secretary for Financial Markets, Department of the Treasury;  
Director, Financial Crimes Enforcement Network (FinCEN).

**Goals:** Prepare a detailed report regarding the CTR and SAR reporting costs imposed on depository institutions, including large, medium, and small sized institutions. By February 2002, the Department of the Treasury will prepare a survey that will be posted on federal bank regulators' and FinCEN's websites.

The *2001 Strategy* tasks the Bank Secrecy Act Advisory Group<sup>14</sup> to work with FinCEN and federal bank regulators to develop a survey to determine the costs of federal regulatory compliance imposed on large, medium, and small-scale depository institutions. The creators of the survey must ensure an appropriate statistical sample of the financial industry and distribute the surveys accordingly. Because such a survey may impose significant costs to disseminate, FinCEN and the federal bank regulators will prepare a web-based version, which institutions can access on all of the agencies' websites.

**Priority 2: Increase utilization of existing Currency Transaction Report (CTR) filing exemptions for low-risk financial transactions.**

**Lead:** Assistant Secretary for Enforcement, Department of the Treasury;  
Assistant Secretary for Financial Markets, Department of the Treasury;  
Director, Financial Crimes Enforcement Network (FinCEN).

**Goals:** Increase utilization of current CTR filing exemptions. By November 2001, FinCEN will consult with the Bank Secrecy Act Advisory Group to develop a methodology to increase usage of current CTR filing exemptions.

The Bank Secrecy Act (BSA) requires certain financial institutions to preserve specified transaction and account records, and file CTRs for currency transactions of more than \$10,000 with the Department of the Treasury.<sup>15</sup> In 1994, Congress enacted legislation to reduce the number of CTRs filed by exempting certain low-risk transactions, including currency transactions conducted by state government agencies or other financial institutions, entities on major stock exchanges, and "qualified business customers" who operate cash intensive businesses and make frequent cash deposits.<sup>16</sup> Many entities in the financial sector, however, continue to report exempted transactions.

---

<sup>14</sup> The Bank Secrecy Act Advisory Group is chaired by the Under Secretary for Enforcement, Department of the Treasury. It is co-chaired by the Assistant Secretary for Enforcement, the Director of FinCEN, and a representative of the financial sector. Congress created the group to act as a liaison between law enforcement and the private sector regarding BSA-related reporting information. See Pub. L. 102-550, Title XV, Subtitle F, § 1564, 106 Stat. 4073 (1992).

<sup>15</sup> See 31 C.F.R. 103.22; 31 U.S.C. § 5313.

<sup>16</sup> See 31 U.S.C. § 5313(d)-(g) (providing mandatory CTR-filing exemptions including transactions between a depository institutions, state or federal deposits, and deposits by any business or category of businesses that have little or no value for law enforcement purposes, and discretionary exemptions including "qualified business customers").

The Treasury Department must work to educate the financial sector about CTR-exempt transactions. FinCEN estimates that if financial institutions complied with current transaction exemptions, annual CTR filings would be reduced by at least 30 percent, substantially decreasing the burden imposed on the financial sector, FinCEN, and FinCEN's customers. Moreover, there is no reason to report cash transactions that have no value to law enforcement. If financial institutions know about the transaction exemptions, we must work with them to determine why they are not taking advantage of the exemptions, and develop mechanisms that will enable them to change their reporting systems so that exempted transactions are not reported to the Treasury Department.

**Priority 3: Survey financial sector regarding the possible expansion of currency transaction reporting exemptions.**

**Lead:** Assistant Secretary for Enforcement, Department of the Treasury;  
Assistant Secretary for Financial Markets, Department of the Treasury;  
Director, Financial Crimes Enforcement Network (FinCEN).

**Goals:** Submit a report that outlines the financial industry's recommendations for further CTR filing exemptions. By January 2002, FinCEN will meet with the Bank Secrecy Act Advisory Group to examine possible additional categories of CTR filing exemptions.

Each year, FinCEN receives over 12 million currency transaction reports (CTRs). This volume places a huge burden on the financial sector, FinCEN, and FinCEN's customers. Millions of these reports, however, are of little value to law enforcement because they are low-risk transactions and subject to CTR filing exemptions.

FinCEN has published a temporary rule, which went into effect last year, that would expand the types of accounts that may be exempted from CTR reporting. Efforts should be made to encourage banks to use this rule, and in addition, FinCEN will meet with financial sector representatives to examine additional categories of CTR filing exemptions for low-risk transactions. CTR reduction is a priority and we must further reduce CTR filings without exempting those that have criminal investigative value.

**\* OBJECTIVE 2: EXPAND THE TYPES OF FINANCIAL INSTITUTIONS SUBJECT TO EFFECTIVE BANK SECRECY ACT REQUIREMENTS AS NECESSARY.**

Previous *National Money Laundering Strategies* identified the fact that depository institutions are subject to more stringent BSA requirements than other types of financial institutions as a weakness in the anti-money laundering strategy. Currently, only those institutions that come under the jurisdiction of the federal bank supervisory agencies are required to file SARs. To rectify this weakness, the *2000 Strategy* called upon the Department of the Treasury to issue final rules requiring suspicious activity reporting by money services businesses (MSBs) and casinos, and to work with the Securities and Exchange Commission (SEC) in proposing rules for suspicious activity reporting by brokers and dealers in securities. The priorities below reflect the progress that has been made in this area, and reaffirm our commitment to accomplish each task.

**Priority 1: Propose rules for reporting suspicious activity by brokers and dealers in securities.**

**Lead:** Director, Financial Crimes Enforcement Network (FinCEN);  
Assistant Secretary for Enforcement, Department of the Treasury;  
Securities Exchange Commission (SEC).

**Goals:** Issue a proposed rule and draft form for suspicious activity reporting by securities brokers and dealers (SAR-S), and begin to develop compliance guidance for the industry. Additionally, continue to educate the industry about the need to develop systems to guard against and detect money laundering abuse by its customers. By January 2002, FinCEN will prepare and circulate for public comment a proposed rule requiring brokers and dealers in securities to file SARs. By June 2002, after review of the comments, Treasury will determine whether to issue a final rule. FinCEN will also work with SEC staff to develop guidance materials to help the industry to comply with the new rule.

FinCEN has discussed with SEC staff, the industry's self-regulatory organizations, law enforcement, and representatives from the securities industry, the measures necessary to implement an effective and practical system to detect and report suspicious transactions conducted by customers of brokers and dealers.

These organizations were predominantly of the view that because of the manner in which financial activity is conducted through brokerage firms, special rules and systems need to be applied to this industry to ensure conformity with existing examination and enforcement programs of securities regulators. Further, special rules and systems are appropriate because the securities industry generally is not utilized during the "placement" stage of a money laundering operation. However, the services and products provided by the securities industry, including (i) the efficient transfer of funds between accounts and to other financial institutions, (ii) the ability to conduct international transactions, and (iii) the liquidity of securities, do provide opportunities for money launderers to obscure and move illicit funds.

In 2000, FinCEN and the SEC met with federal banking regulators and federal and state law enforcement to discuss several key issues associated with the development of a SAR regulatory regime for broker-dealers. Thereafter, FinCEN drafted a proposed rule and, in April 2001, submitted it to the staff of the SEC for its review on technical and policy grounds. In June 2001, the SEC staff provided FinCEN with comprehensive written comments and suggestions. FinCEN will continue to work closely with the staff of the SEC to finalize and publish a proposed SAR rule by January 2002, and publish a final rule by June 2002, if Treasury decides to issue the rule following the public comment period.

Implementation of a SAR regime for the securities industry is an extension of FinCEN's broader effort to implement a comprehensive system of suspicious activity reporting for all significant providers of financial services. FinCEN, in consultation with the SEC, intends to issue a proposed rule requiring SAR reporting for broker-dealers in securities, together with a draft

SAR-S reporting form. After the proposed rule's publication, FinCEN will hold at least two regional meetings to receive specific input on ways to make these requirements as effective as possible without imposing undue burdens on the industry or its customers. The input gained from these meetings will then be used in the preparation of the final rule, as well as the subsequent SAR guidance document.

**Priority 2: Educate money services businesses (MSBs) about their obligations under the new rules that require them to register and report suspicious activity.**

**Lead:** Director, Financial Crimes Enforcement Network (FinCEN);  
Assistant Secretary for Enforcement, Department of the Treasury;  
Compliance Director, Small Business/Self-Employed Division, Internal Revenue Service (IRS).

**Goals:** Accelerate implementation schedule to ensure meeting new implementation dates. By December 2001, publish final MSB registration form and proposed SAR form, and complete registration guidance materials and web site.

FinCEN has been actively addressing three challenges: (i) the complexity of the MSB industry<sup>17</sup> and the impact this complexity has on the implementation of the new reporting rules; (ii) the need to build the government program infrastructure to implement both rules simultaneously; and (iii) orchestrating the educational outreach program to such a diverse industry through development of forms, guidance, and other materials. To address these challenges, FinCEN has issued two rules. First, the MSB industry must register with the Department of the Treasury and, second, two classes of MSB's must report suspicious activity: (i) money transmitters; and (ii) issuers, sellers, and redeemers of money orders and travelers checks.

To ensure the rules are implemented effectively, efficiently, and cohesively, FinCEN has extended the MSB registration date to June 30, 2002, and the MSB suspicious activity reporting requirement to October 1, 2002. This will allow the industries, FinCEN, and the IRS to operate the registration system before adding the additional SAR requirements, as well as allowing the outreach campaign to continue.

FinCEN has made progress in each category through meetings with a number of industry representatives, hiring a contractor to develop the outreach campaign, holding focus groups throughout the country which developed information used to guide the creation of the rest of the education campaign, and publication of the proposed MSB registration form. Additional efforts are underway to create the necessary program and training materials, to build the various databases needed to process and house the data collected, and to work with the IRS to develop the implementation program. Development of the final MSB and proposed SAR form, as well as the website and guidance materials, will help prepare the industry for compliance. The website will contain a guide which will allow any MSB to determine whether it is subject to the BSA,

---

<sup>17</sup> The MSB industry is comprised of more than eight multi-national corporations and 160,000 independent or local businesses across the country that serve as agents of the larger companies or offer independent products.

and if so, how the BSA applies to that MSB and what the MSB must do to comply with the regulation.

The Secretary of the Treasury has delegated the responsibility to the IRS to examine certain non-bank financial institutions, including MSBs, to ensure compliance with the BSA.<sup>18</sup> The IRS performs essential functions to administer the BSA, including identifying institutions that are subject to BSA requirements, educating them regarding their BSA obligations, and conducting BSA compliance examinations. The IRS will name an MSB liaison to FinCEN to work on MSB and SAR implementation planning by September 1, 2001, and a comprehensive MSB implementation plan regarding functions, including the hiring and training of additional staff, will be submitted by December 31, 2001.

**Priority 3: Provide an additional opportunity for the industry to comment on a draft rule requiring the reporting of suspicious activity by casinos and card clubs.**

**Lead:** Director, Financial Crimes Enforcement Network (FinCEN);  
Assistant Secretary for Enforcement, Department of the Treasury;  
Compliance Director, Small Business/Self-Employed Division, Internal Revenue Service (IRS).

**Goals:** Issue a clarification and seek industry comments on a proposed rule requiring suspicious activity reporting for the casino and card club industries. Once the rule and form are issued, FinCEN will engage in a comprehensive outreach program with the casino and card club industries and with their state regulators, and provide revised guidance to the industry on SAR compliance issues. By December 2001, FinCEN will renotice the proposed SAR rule and invite comment on whether the standards for reporting suspicious activity are flexible and clear enough to apply to suspicious activity in a casino or card club. After considering these comments, FinCEN will finalize the SAR rule and thereafter provide outreach and guidance to the industry on these new requirements. In addition, FinCEN will publish for comment a proposed final SAR form and instructions.

On May 18, 1998, FinCEN published a proposed rule in the Federal Register that requires casinos and card clubs subject to the BSA to report suspicious transactions. The proposed standards for reporting were similar to those in effect for banks, but with a lowered threshold of \$3,000. A new form was developed—Suspicious Activity Report for Casinos (SARC)—and is currently utilized by Nevada casinos, which are already subject to a state requirement to file SARCs with FinCEN.

After FinCEN issued the proposed SAR rule for casinos and card clubs, it received a significant number of written and oral comments expressing concern that the standards for reporting suspicious activity did not fully address the activities of a casino or card club. FinCEN will renotice in December 2001 and will seek further comments, with a goal of issuing a final rule.

---

<sup>18</sup> See 31 C.F.R. § 103.46(b)(8) and Treasury Directive 15.41.

Once the rule is finalized, FinCEN will undertake a concerted outreach effort (which will include SAR compliance guidance) with the casino and card club industries and their state regulators to assist federal authorities in ensuring compliance with these new requirements.

**\* OBJECTIVE 3: INCREASE USEFULNESS OF REPORTED INFORMATION TO LAW ENFORCEMENT AGENCIES AND THE FINANCIAL INDUSTRY.**

Information sharing among law enforcement, regulators, and the regulated industry is crucial to the success of this country's anti-money laundering strategy. The past year has seen increased public-private sector dialogue about law enforcement's use of reported information and how the government's analysis of reported information could be made more useful not only to law enforcement, but to the financial industry itself. As noted elsewhere in the *2001 Strategy*, reporting requirements impose costs on financial institutions, and thus the government must restrict its reporting requirements to that information which is useful for fighting financial crime. In 2001, FinCEN will continue its work to ensure that the SAR program operates as a collaborative effort among all the parties involved.

**Priority 1: Provide feedback to FinCEN on the use of SARs and other BSA information.**

**Lead:** Assistant Secretary for Enforcement, Department of the Treasury;  
Deputy Assistant Attorney General, Criminal Division, Department of Justice.

**Goals:** Require upper level supervision to ensure that law enforcement provides feedback to FinCEN regarding the utility of BSA-related information. By October 2001, FinCEN will meet with the federal law enforcement bureaus that receive FinCEN reports to assess (i) how the enforcement bureaus are providing feedback to FinCEN, (ii) any problems or issues the bureaus have in this area, and (iii) methods to resolve these problems.

Federal law requires financial institutions to submit currency transaction reports (CTRs) and suspicious activity reports (SARs) to FinCEN. In 2000, FinCEN received and processed 12 million CTRs and 125,000 SARs. FinCEN is tasked with organizing these reports in a manner that assists law enforcement in conducting financial crimes investigations. Law enforcement can access the reports to link banks, customers, accounts, and transactions, and aid them in coordinating investigations, assessing strategies, and generating cases. FinCEN must ensure that BSA-related material is being utilized effectively. However, without feedback from the agencies about "if," "how," and "when" the information is being used, FinCEN cannot evaluate or change its programs to fit the needs of law enforcement.

The *2001 Strategy* directs FinCEN to continue current efforts to obtain feedback from law enforcement agency users. FinCEN will track law enforcement usage and utility of automated queries of BSA-related data as well as FinCEN's analytical reports. If law enforcement personnel do not respond after initial inquiries, the Director of FinCEN will request feedback directly from the appropriate law enforcement agency head. If the agency head does not respond



to the FinCEN Director, the Assistant Secretary for Enforcement and the Deputy Assistant Attorney General, Criminal Division, will seek and obtain the required information. FinCEN will coordinate this data and provide appropriate feedback information to federal financial supervisory agencies as needed.

**Priority 2: Continue to provide information to financial institutions and law enforcement from SARs and other BSA reports concerning the utility of these reports.**

**Lead:** Director, Financial Crimes Enforcement Network (FinCEN);  
Assistant Secretary for Enforcement, Department of the Treasury.

**Goals:** Prepare and disseminate two issues of *The SAR Activity Review—Trends, Tips and Issues*, and implement an industry-driven survey mechanism to determine the value of the publication. By November 2001, FinCEN will publish two issues of *The SAR Activity Review*. In cooperation with the financial industry, FinCEN will develop a survey designed to statistically capture viable feedback on the value of the publication to the industry, and to provide financial institutions the opportunity to suggest changes in format, content, and overall objectives.

The Bank Secrecy Act Advisory Group created a SAR Feedback Subcommittee, co-chaired by FinCEN and the American Bankers Association, to develop and implement a system for addressing industry interest in understanding the value of BSA information—especially SARs—to government recipients of the information. The Subcommittee is composed of representatives of the financial industry, financial regulators, law enforcement, and FinCEN.

The Subcommittee agreed to prepare and disseminate a periodic report that would address the three primary areas of concern identified in initial meetings: (i) analytic feedback on money laundering trends, patterns and methodologies; (ii) utility and usage of SARs by law enforcement; and (iii) banking industry compliance with BSA requirements. The Subcommittee agreed that the report, *The SAR Activity Review—Trends, Tips and Patterns*, would initially be published twice a year with an ultimate goal of up to four issues annually. The first issue was published in October 2000, and the second issue was released in June 2001.

Financial industry representatives, federal regulators and federal law enforcement are expected to continue to actively participate in the Working Group. FinCEN will continue to coordinate the collection of SAR use and utility information from Treasury participants, including the Customs Service, Secret Service, and Internal Revenue Service. The Department of Justice, including the Federal Bureau of Investigation, will continue to contribute to this work.

**Priority 3: Continue to identify and implement enhancements to examination procedures where necessary to address the ever-changing nature of money laundering.**

**Lead:** All Federal Bank Regulators.

**Goals:** Ensure that anti-money laundering supervision is risk-focused, with increased emphasis on identifying those institutions or practices that are most susceptible to money laundering. Each federal bank supervisory agency will continue to review existing examination procedures and, when necessary, revise, develop and implement new examination procedures consistent with the goal identified above. By October 2001, the OTS will issue supplemental guidance to examiners based on its analysis of the efforts of other agencies.

In September 2000, the OCC issued its updated Bank Secrecy Act/Anti-Money Laundering Examination Handbook, applicable to banks supervised by the OCC and to national bank examiners. The handbook establishes examination procedures to evaluate a bank's system to detect and report suspicious activity, and identifies common money laundering schemes (e.g., structuring, the Black Market Peso Exchange, Mexican Bank Drafts, and factored third-party checks). The handbook also identifies high-risk products and services, including international correspondent banking relationships, special use accounts, and private banking, and establishes examination procedures to address these subjects. The revised examination procedures are more risk-focused, and require transaction testing at every bank examination.

As described above, the OCC initiated a program to identify banks that may be vulnerable to money laundering and to examine those banks using agency experts and specialized procedures. Some of those examinations focused on foreign correspondent banking. Banks are selected for such examinations based on, among other things, their location in high-intensity drug trafficking or money laundering areas, law enforcement leads, excessive currency flows, significant private banking activities, suspicious activity reporting and large currency transaction reporting patterns, and funds transfers or account relationships with drug source or stringent bank secrecy countries.

In addition to these efforts undertaken by the OCC, the OTS implemented examination procedures that were updated in 1999. The FDIC is also in the process of issuing revised Bank Secrecy Act/Anti-Money Laundering risk-focused examination procedures. The Federal Reserve Board has incorporated the use of Risk-Focused Supervision Modules in their examination process. These modules are intended to move the examination procedures to a more risk-focused approach, concentrating less on technical compliance and more on ensuring that banks implement effective systems to manage operational, legal, and reputational risks as they pertain to anti-money laundering efforts and BSA compliance.

As part of their examination efforts, the federal bank supervisory agencies will consider how banks have tested compliance with their anti-money laundering controls as required under existing rules, and whether changes in the role of internal auditors would be appropriate. Depending on the results of that review, the federal bank supervisory agencies may also consider whether to propose a role for external auditors regarding procedures used in the banks' management review.

**Priority 4: Study how technological change impacts money laundering enforcement.**

**Lead:** Assistant Attorney General, Criminal Division, Department of Justice;  
Director, United States Secret Service;  
Director, Financial Crimes Enforcement Network (FinCEN).

**Goals:** Determine if technologically advanced payment systems have been used to conduct illicit activity, and if so, plan a conference in 2002 to consider the implications of technological change on money laundering enforcement efforts and regulations. By January 2002, Treasury will form a working group to study whether technologically advanced payment systems have been used to launder dirty money. If it is determined that these systems have been used to commit illicit financial crimes, the committee will organize and sponsor a conference during 2002 to explore strategic responses.

Technology provides money launderers new avenues to disguise the source and ownership of their illicit proceeds. Internet money transfers and new payment technologies such as “e-cash,”<sup>19</sup> electronic purses, and smart-card based electronic payment systems, make it more difficult for law enforcement to trace money laundering activity and potentially easier for money launderers to use and store their illegitimate funds. Although the Bank Secrecy Act requires financial institutions to file reports and record transactions, the internet offers “peer to peer” transactions and other payment methods that may take place without the intermediation of a financial institution. These faceless transactions and anonymous dealings pose new challenges to law enforcement that must be addressed.

FATF has recognized the challenges of electronic money transfers and storage, and has directed countries “to pay special attention to money laundering threats inherent in new or developing technologies that may favor anonymity, and take measures, if needed, to prevent their use in money laundering schemes.”<sup>20</sup> The Department of the Treasury will organize an interagency planning group to determine if individuals are using these methods to conduct illicit financial activity. Thereafter, the planning group will sponsor a conference to be held during 2002 that will explore the implications of technological change on money laundering enforcement efforts. The conference will review electronic money laundering methods and recommend strategies to counter these schemes.

**Priority 5: Continue to address the role of legal and accounting professionals in combating money laundering.**

---

<sup>19</sup> Electronic cash, or “e-cash,” is a digital representation of money and may reside on a “smart card” or on a computer hard drive. Using special readers, users subtract stored monetary value from the card or, in the case of computer e-cash, deduct monetary value from the electronic account when a purchase is made. When the monetary value is depleted, the user discards the card or, in some systems, restores value using specially equipped machines. Telephone calling cards are the most widely used stored-value smart cards.

Smart cards can also store vast quantities of data in a highly secure manner. Smart cards can serve many functions, including credit, debit, security (building or computer access), and storage of medical or other records. Depending on the specifications determined by the issuer, e-cash value stored on a smart card may be transferred between individuals in a peer-to-peer fashion or between consumers and merchants.

<sup>20</sup> Financial Action Task Force’s Forty Recommendations, No. 13, [http://www.oecd.org/fatf/40Recs\\_en.htm](http://www.oecd.org/fatf/40Recs_en.htm) (visited July 15, 2001).

**Lead:** Director, Financial Crimes Enforcement Network (FinCEN);  
Chief, Asset Forfeiture and Money Laundering Section, Criminal  
Division, Department of Justice.

**Goals:** Educate legal and accounting professional organizations with regard to anti-money laundering efforts. Analyze within the FATF's review of the Forty Recommendations the appropriate role of these professionals in combating money laundering. By February 2002, develop a draft approach within the FATF to discuss with industry representatives and non-FATF members the role of professionals within the Forty Recommendations.

Because of the role they play as "gatekeepers" to the domestic and international financial system, professionals such as lawyers and accountants may be positioned to detect and deter money laundering or to facilitate the crime. A Gatekeepers Working Group has engaged in a first round of candid discussions with a range of professional bodies to solicit their efforts in assuring that their members and the businesses they serve are not unwittingly complicit in money laundering. The Working Group will continue its efforts to analyze existing professional legal and accounting literature and standards for their application, or adequacy, to detect and prevent money laundering. The Working Group plans an assessment of recent and planned educational efforts, especially as they relate to the complementary efforts of the FATF Working Group C on Gatekeepers.

**\* OBJECTIVE 4: ENHANCE THE ABILITY OF U.S. FINANCIAL INSTITUTIONS TO DEFEND AGAINST MONEY LAUNDERING THROUGH FOREIGN CORRESPONDENT BANKS.**

**Priority 1: Discuss approaches to reduce the threat of money laundering posed by foreign correspondent banks.**

**Lead:** Under Secretary for Enforcement, Department of the Treasury;  
Under Secretary for Domestic Finance, Department of the Treasury.

**Goals:** Develop a set of "best practices" to minimize the money laundering exposure of financial institutions via the private banking and correspondent banking sectors of their business. By October 2001, Treasury Department officials and federal bank regulatory representatives will establish a federal/private working group to examine the threat of money laundering posed by foreign correspondent banks. The working group will make recommendations to reduce the threat of money laundering exposure to these banks.

The use by unknown foreign account holders of a U.S. financial institution's correspondent bank account through that foreigner's own bank hinders law enforcement's ability to combat money laundering. The U.S. Senate's Permanent Subcommittee on Investigations recognized this problem and issued a comprehensive staff report on the vulnerability of correspondent banking to money laundering activity. Although federal regulators exercise Bank Secrecy Act regulatory authority over a financial institution's activities in the United States, the regulators do not have

the statutory authority to regulate non-U.S. operations of a foreign-licensed institution or the affiliate of a foreign-licensed institution that operates outside the United States because the BSA does not have extraterritorial application.

Law enforcement must address money laundering in all its forms. Therefore, Treasury officials and federal bank regulators will convene a working group to draft guidelines for anti-money laundering policies and procedures that relate to correspondent banking, including shell banks, offshore banks, and institutions in high-risk areas. The working group will consider current efforts to address the problem, including the New York Clearing House Association's draft guidelines concerning correspondent bank policies and the OCC's program to identify banks that may be especially vulnerable to money laundering activity.<sup>21</sup> The working group should also consider whether to propose that FATF address foreign correspondent banking in the revision of its Forty Recommendations.

The Department of the Treasury will continue to encourage U.S. financial institutions to review existing and future relationships with correspondent account customers to determine whether to apply heightened anti-money laundering safeguards to any of these relationships.

**Priority 2: Require foreign banks that maintain a correspondent account in the U.S. to appoint an agent who is authorized to accept service of legal process.**

**Lead:** Under Secretary for Domestic Finance, Department of the Treasury;  
Under Secretary for Enforcement, Department of the Treasury;

**Goals:** Issue a proposed regulation to require U.S. banks that offer correspondent accounts to foreign financial institutions to require those institutions to appoint an agent in the U.S. who is authorized to accept service of legal process. By December 2001, officials from the Department of the Treasury will draft a proposed regulation.

Federal regulatory and enforcement officials need to be able to access the records of non-U.S. citizens who move money in, out, and, through the U.S. via correspondent bank accounts that foreign banks maintain with U.S. banks. Currently, no provision requires the foreign bank to accept service of process in the U.S. for information relating to the users of its correspondent account, and the foreign banks are not required to produce records relating to those accounts as a condition of maintaining a correspondent account with a U.S. financial institution.

The Department of the Treasury and other interested agencies will draft and issue a proposed regulation to require U.S. banks that offer correspondent accounts to foreign banks to require those banks to appoint an agent in the U.S. who is authorized to accept service of legal process for information relating to the correspondent account that the foreign bank maintains in the U.S.

---

<sup>21</sup> The OCC selects banks vulnerable to money laundering for examination based on location in high-intensity drug trafficking or money laundering areas, law enforcement leads, excessive currency flows, significant private banking activities, suspicious activity reporting patterns, large currency transaction reporting patterns, and fund transfers or account relationships with drug sources or countries with stringent bank secrecy laws.

---

**GOAL 4:**

**COORDINATE LAW ENFORCEMENT EFFORTS WITH  
STATE AND LOCAL GOVERNMENTS TO FIGHT  
MONEY LAUNDERING THROUGHOUT THE UNITED STATES**

---

The *2001 Strategy* recognizes the importance of state and local government in money laundering prevention, detection, and enforcement, and draws upon this important resource in its fight against money laundering.

The Money Laundering and Financial Crimes Strategy Act of 1998 created the Financial Crime-Free Communities Support Program (C-FIC).<sup>22</sup> Overseen by the Department of the Treasury and administered by the Department of Justice's Bureau of Justice Assistance (BJA), Office of Justice Programs (OJP), C-FIC is designed to provide technical assistance, training, and information on best practices to support state and local law enforcement efforts to detect and prevent money laundering and other financial crime activity. In FY2000, Congress appropriated \$2.9 million for C-FIC, and in October 2000, Congress awarded inaugural C-FIC grants to nine different agencies throughout the country.

The Departments of the Treasury and Justice have solicited new applications from eligible candidates and intend to disperse \$2.5 million in C-FIC funds by September 2001. The Departments of the Treasury and Justice will also continue to reach out to state and local partners for input on the *Strategy* to ensure consistency between federal, state and local priorities and programs.

**\* OBJECTIVE 1: PROVIDE SEED CAPITAL FOR STATE AND LOCAL COUNTER-MONEY LAUNDERING ENFORCEMENT EFFORTS.**

**Priority 1: Review applications and award grants under the C-FIC program.**

**Lead:** Assistant Secretary for Enforcement, Department of the Treasury;  
Director, Bureau of Justice Assistance (BJA), Department of Justice.

**Goals:** Award approximately \$2.5 million in C-FIC grant funds to eligible applicants. By September 28, 2001, complete review of C-FIC applications and award the next round of C-FIC monies.

The Treasury Department, in coordination with the Justice Department, operates the C-FIC program on a competitive basis. C-FIC grants are to be used as seed money for state and local programs that seek to address money laundering systems within their areas. State and local personnel can use grant funds, for example, to build or expand financial intelligence computer systems, train officers to investigate money laundering activity, or hire auditors to monitor

---

<sup>22</sup> See Pub. L. 105-310, 112 Stat. 2941 (1998).

money flows in certain types of high-risk businesses. In assessing and analyzing the peer review rankings, BJA and Treasury give special preference, pursuant to 31 U.S.C. § 5354(b), to applicants who “demonstrate collaborate efforts of two or more State and local law enforcement agencies or prosecutors who have a history of Federal, State, and local cooperative law enforcement and prosecutorial efforts in responding to such criminal activity.”<sup>23</sup>

The emphasis of C-FIC grants is to award applicants who propose a strategic and collaborative response to money laundering activity. An applicant’s location in or near a HIFCA will be considered a favorable factor for a C-FIC candidate, as HIFCAs are areas that have been formally designated as areas of serious money laundering concern that merit an increased focus of federal, state, and local efforts. Although state and local programs within HIFCAs are particularly appropriate grant candidates, any qualifying state or local law enforcement agency or prosecutor’s office may compete for and be eligible to receive a C-FIC grant. Applications for C-FIC grants are now available.<sup>24</sup>

**Priority 2: Evaluate the progress of existing C-FIC grant recipients.**

**Lead:** Assistant Secretary for Enforcement, Department of the Treasury;  
Director, Bureau of Justice Assistance (BJA), Department of Justice.

**Goals:** Treasury and Justice will collect information from the 2000 C-FIC recipients and evaluate the effectiveness of the program. In August 2001, BJA will collect information from each C-FIC regarding the effectiveness of the program.

Following a competitive process, the Department of the Treasury selected nine initial grantees of C-FIC funds in Fall 2000. The initial grantees and the approved use of their C-FIC monies are as follows:

*San Diego Police Department:* The San Diego Police Department (SDPD) applied for C-FIC monies to fund two full-time detectives to work on money laundering investigations and to participate on the existing SAR review team administered by the U.S. Attorney’s Office for the Southern District of California. The C-FIC-funded detectives were to communicate regularly with both the Los Angeles and Southwest border HIFCA Task Forces. The SDPD was also to use the C-FIC funds to purchase computer equipment and provide training necessary for analytical support.

*San Bernardino County Sheriff’s Department:* The San Bernardino County, California Sheriff’s Department requested C-FIC monies to fund the creation of a money laundering investigations task force unit, which functions within a regional narcotics task force. C-FIC monies were to fund the unit’s personnel costs while San Bernardino County pays for the unit’s operational and

---

<sup>23</sup> 31 U.S.C. § 5354(b).

<sup>24</sup> The Department of the Treasury and BJA have developed the application package for the next round of C-FIC grant funds, and posted the materials on the BJA website ([www.ojp.usdoj.gov/BJA](http://www.ojp.usdoj.gov/BJA)). Applications were due by July 6, 2001. It is anticipated that the Department of the Treasury will award approximately \$2.5 million in C-FIC grant monies, but that no single C-FIC grant will exceed \$300,000.

administrative expenses. The unit was to target the shipment of bulk cash across the Mexican border.

*New York State Police:* The New York State Police applied for C-FIC funds to create a financial crimes investigation team to focus on money laundering investigations in upstate New York. The C-FIC monies were to pay for personnel expenses and cover the costs of purchasing computer support equipment. The financial crimes investigation unit was to work with State and local law enforcement agencies, regulatory agencies, and financial institutions to identify suspicious activity and to conduct preliminary investigations. The unit was to exchange information with the New York/New Jersey HIFCA Task Force, and collaborate with state regulatory and enforcement agencies.

*New York Attorney General's Office:* The New York Attorney General's Organized Crime Strike Force applied for C-FIC monies to commission a non-public study to analyze the major geographic money laundering problem areas within New York. The study was expected to enhance law enforcement's ability to allocate its resources in order to have the greatest deterrent effect on narcotics sales in New York.

*Arizona Attorney General's Office:* The Arizona Attorney General's Office requested C-FIC funds to establish a Southwest Border Money Transmitter Program to examine the domestic movement of laundered funds through money transmitters and money service businesses (MSBs). The C-FIC-funded program was to target bulk shipment of cash along the Southwest border, a primary purpose of the Southwest border HIFCA Task Force.

*Texas Attorney General's Office:* The Texas Attorney General's Office, Special Crimes Division requested C-FIC monies to fund a bulk currency prosecution project in order to expand the number of bulk cash smuggling investigations and prosecutions. The Texas Attorney General's project was to focus on the movement of cash through correspondent accounts, money exchanges, and armored car services.

*Illinois State Police:* The Illinois State Police applied for C-FIC monies to fund a money laundering intelligence and investigations support unit. The State Police was also to use C-FIC funds to finance training programs and purchase computer equipment to support the unit.

*Chicago Police Department:* The Chicago Police Department applied for C-FIC monies to create a money laundering unit to develop and investigate cases for prosecution. The officers in the unit were to receive training in accounting, finance, banking, economics, real estate, computers, and business law, as needed.

*Florida State Attorney's Office, 15th Judicial District (West Palm Beach):* The Florida State Attorney's Office in West Palm Beach, Florida requested C-FIC grant monies to establish a task force to review Suspicious Activity Reports (SARs) in order to identify and target significant money laundering targets in the region. The task force was to share intelligence about money laundering activity with appropriate law enforcement agencies.



BJA will circulate a questionnaire to C-FIC award winners in July 2001 and January 2002 to collect information (number of arrests, indictments, seizures, and forfeitures that related to the C-FIC program) to help determine the effectiveness of the grants. The questionnaire will also measure the program's coordination and cooperation with HIFCA Task Forces.

**\* OBJECTIVE 2: IMPROVE COORDINATION WITH STATE AND LOCAL ENFORCEMENT AGENCIES.**

HIFCA Task Forces, the centerpiece of the federal government's enforcement effort, are designed to include the participation of all relevant state and local enforcement, regulatory, and prosecution agencies. The *2001 Strategy*, therefore, makes it a priority to ensure that state and local personnel participate as strategic members of the HIFCA Task Forces.

**Priority 1: Increase involvement of state and local enforcement agencies through participation in the HIFCA Task Forces and SAR Review Teams.**

**Lead:** Assistant Secretary for Enforcement, Department of the Treasury;  
HIFCA Task Forces;  
HIFCA Working Group.

**Goals:** Each HIFCA Task Force and SAR Review Team will expand state and local participation in money laundering investigations and prosecutions. By January 2002, each HIFCA Task Force will report to the HIFCA Working Group regarding the participation of state and local enforcement, regulatory, and prosecution agencies in the Task Force, and notify the Working Group about how the Task Force will seek to expand participation to include all relevant entities.

The active participation of state and local enforcement, regulatory, and prosecution agencies is vital to the success of federal money laundering programs. State and local officials have in-depth knowledge about the activities and persons that operate within their jurisdiction. HIFCA Task Forces and SAR Review Teams, therefore, will seek to incorporate and leverage this information and talent whenever possible.

The New York/New Jersey HIFCA Task Force already employs the talents of the New York City District Attorney's Offices and the New York State Banking regulators in its work, and is a good model of federal, state, and local cooperation and coordination.

**\* OBJECTIVE 3: ENHANCE THE EFFECTIVENESS OF STATE AND LOCAL LAW ENFORCEMENT'S ACCESS TO AND USE OF BANK SECRECY ACT (BSA) DATA.**

The active participation of state and local law enforcement in accessing BSA data is crucial to their effectiveness in combating money laundering. State and local law enforcement agencies have direct access to BSA information through FinCEN's Gateway Program. This program is available to all 50 states, the District of Columbia, and the Commonwealth of Puerto Rico. It is

imperative that FinCEN has the capability to control access and audit usage of the BSA information.

**Priority 1: Provide the most effective and efficient methods for accessing BSA data.**

**Lead:** Director, Financial Crimes Enforcement Network (FinCEN).

**Goals:** Enhance law enforcement's electronic access to the BSA data in a secure environment. By December 2001, establish a prototype secure electronic link between FinCEN's Gateway Secure Outreach Web and RISS.net. Develop a plan to provide Gateway users with access to Gateway resources via the RISS.net.

Technological advances in the delivery of data requires FinCEN to evaluate new and emerging capabilities and incorporate appropriate systems to further enhance the Gateway Program. The six federally-funded Regional Information Sharing Systems whose membership is comprised of many of the FinCEN/Gateway Coordinating agencies have developed a nationwide information sharing network (RISS.net). The utility of this existing secure network, which is presently being utilized by state, local, and certain federal agencies, will enhance the Gateway Program.

**Priority 2: Improve the Gateway System.**

**Lead:** Director, Financial Crimes Enforcement Network (FinCEN).

**Goals:** Enhance networking and audit/inspection capabilities. By January 2002, FinCEN will improve the efficiency of the networking process, add additional law enforcement databases, and conduct at least ten field inspections of Gateway users.

One of the key elements of the Gateway process allows FinCEN to alert two or more agencies about information on the same subjects of interest. This alert process provides a coordination mechanism for money laundering investigations conducted worldwide. The access to BSA-related data through the Gateway process is provided through a secure and carefully monitored system. FinCEN's managers and Gateway staff personnel audit queries through record reviews and on-site visits to ensure all inquiries are connected to actual or potential criminal violations.

**Priority 3: Continue to provide training and outreach to state and local law enforcement regarding access to and utility of BSA data.**

**Lead:** Director, Financial Crimes Enforcement Network (FinCEN).

**Goals:** Conduct outreach to Gateway users. In October 2001, FinCEN will host a Gateway State and Local Coordinator conference. By January 2002, FinCEN will publish the first in a series of "newsletters" that educate Gateway users of issues such as system changes, trends in usage, and success stories.

Through training for state and local law enforcement officers, FinCEN will re-enforce the importance of BSA-related information available to them and demonstrate how that information is accessed, analyzed, and utilized in money laundering investigations. In-service or re-training is also critical to Gateway users to keep them informed of system changes and money laundering trends. The “newsletters” will serve as an interim communication medium to keep users current on relevant issues.

---

## GOAL 5:

### STRENGTHEN INTERNATIONAL COOPERATION TO COMBAT THE GLOBAL PROBLEM OF MONEY LAUNDERING

---

Law enforcement cannot limit its fight against money laundering to domestic efforts. Money launderers know that illegitimate funds can escape detection and forfeiture more easily when dispersed from country to country. Computer technology has provided the means to transfer funds quickly, easily, and silently, and offshore banks are increasingly accessible, offering tax havens and secrecy in exchange for small service fees.

Money launderers also take advantage of the laws and protections of foreign states to escape investigation and prosecution. Various nation-states have critical deficiencies in their anti-money laundering regimes: they have not enacted laws that prohibit money laundering; they do not aggressively enforce existing anti-money laundering legislation; or they fail to cooperate internationally to investigate and prosecute money launderers at large.

*These global problems require a global response.* The 2001 Strategy calls on the United States to (1) enhance international cooperation and effectiveness in investigating and prosecuting money launderers, (2) continue its active role in FATF and other regional task force bodies, (3) spearhead efforts to provide technical assistance, as appropriate, to non-cooperating countries and territories who have shown a willingness to change their practices, (4) work with international financial institutions to enhance anti-money laundering efforts, and (5) take unilateral action, as necessary, against money laundering threats.

#### **\* OBJECTIVE 1: ENHANCE INTERNATIONAL COOPERATION AND EFFECTIVENESS IN INVESTIGATING AND PROSECUTING MONEY LAUNDERERS.**

To successfully investigate and prosecute persons involved in complex, transnational money laundering schemes, U.S. law enforcement agencies must work in close coordination with their foreign counterparts. For example, in the early 1990's, the DEA, IRS-CI, and the FBI engaged in *Operation Dinero*, a multi-year undercover investigation that focused on the drug money laundering operations of the Cali cartels. U.S. law enforcement, in conjunction with agencies in Canada, the United Kingdom, Spain, and Italy, seized over \$90 million in cash and other property, nine tons of cocaine, and arrested 116 people as a result of the investigation. Similarly, during *Operation Green Ice*, which also targeted the financial infrastructure of the Cali drug cartel, British and Canadian law enforcement authorities assisted U.S. Customs, DEA, and IRS-CI in conducting the criminal money laundering and drug investigation. Law enforcement authorities from Italy, Colombia, Spain, Costa Rica, and the Cayman Islands also participated. As a result of the investigation, law enforcement officials seized approximately \$66 million in U.S. currency and property, nearly 14,000 pounds of cocaine, 16 pounds of heroin, and arrested over 250 people.

The *2001 Strategy* recognizes that this type of international cooperation and coordination is critical in the global fight against money laundering. Although foreign law enforcement officials do cooperate with each other on a case-by-case basis, the United States should enhance international law enforcement efforts by, (i) considering coverage of money laundering offenses as a key objective in setting priorities for extradition and mutual legal assistance treaty negotiations, (ii) stressing the importance of asset forfeiture as a tool to combat money laundering, and (iii) exploring the feasibility of establishing model international financial task forces.

**Priority 1: Review key existing extradition and mutual legal assistance treaties and recommend that coverage of money laundering offenses be considered an important objective in assessing future treaty negotiations.**

**Lead:** Office of International Affairs, Department of Justice;  
Office of the Legal Advisor, Department of State.

**Goals:** Complete a report that identifies key U.S. extradition and mutual legal assistance treaties that do not provide for extradition of money launderers or full cooperation in money laundering investigations. By January 2002, identify priority countries whose extradition or mutual legal assistance relationships with the United States have impeded money laundering investigations or extradition of money launderers.

Successful international cooperation in money laundering prosecutions and investigations requires that the United States ensure extradition of money launderers and mutual legal assistance on money laundering matters in bilateral treaty agreements. Appropriate officials from the Departments of State, Justice, and Treasury will work to (i) identify the priority countries from whom extradition or mutual legal assistance is needed in support of money laundering investigations and prosecutions, (ii) review the treatment of money laundering offenses under any applicable treaties with these countries, and (iii) provide this information to the Department of State, with a recommendation that the Department of State consider coverage of money laundering offenses as an important objective in assessing USG priorities for amending existing treaties or negotiating new ones.

**Priority 2: Enhance international cooperation of money laundering investigations through equitable sharing of seized assets.**

**Lead:** Assistant Secretary for Enforcement, Department of the Treasury;  
Assistant Attorney General, Criminal Division, Department of Justice.

**Goals:** Enhanced cooperation in international money laundering investigations through increased utilization of the international asset sharing provisions under federal law. By January 2002, establish an interagency working group to explore how international cooperation in money laundering investigations can be enhanced by pursuing international equitable sharing of assets.

Sharing the proceeds of forfeited assets among nations enhances international cooperation by creating an incentive for countries to work together in combating international drug trafficking and money laundering. The value of sharing confiscated proceeds is acknowledged in the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. Article 5, paragraph 5(b)(ii), provides that parties may enter into agreements on a regular or case-by-case basis to share the proceeds or property derived from drug trafficking and money laundering.<sup>25</sup> One commentator noted: “Such asset-sharing agreements may be among the most potent inducements to international cooperation and may result in significant enhancements of law enforcement capabilities in producing and transit states.”<sup>26</sup>

The United States Code provides the United States government with the authority to transfer forfeited assets to a foreign country.<sup>27</sup> As a general rule, the amount of the forfeited funds shared with the cooperating foreign country should reflect the proportional contribution of the foreign government in the specific case that gave rise to forfeiture relative to the assistance provided by other foreign and domestic law enforcement participants.

From its inception in 1989 through December 2000, the international asset-sharing program administered by the Department of Justice has resulted in the forfeiture by the United States of \$389,229,323, of which \$169,397,853 has been shared with 26 foreign governments that cooperated and assisted in the investigations. Since 1994, the Department of the Treasury shared over \$21 million with seventeen different countries. The Department of Justice should continue and seek to expand their international asset sharing programs. Likewise, the *2001 Strategy* requires that the Department of the Treasury make more productive use of its ability to encourage international cooperation through international asset sharing.

**Priority 3: Enhance mechanisms for the international exchange of financial intelligence through support and expansion of membership in the Egmont Group of financial intelligence units (FIUs) and report developments to U.S. law enforcement.**

**Lead:** Director, Financial Crimes Enforcement Network (FinCEN).

**Goals:** Promote and expand recognition, membership, and participation in the Egmont Group, and report to U.S. law enforcement on Egmont developments and

---

<sup>25</sup> United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, Dec. 20, 1988, 28 I.L.M. 493, art. 5, at 504-07 (1989).

<sup>26</sup> David P. Stewart, *Internationalizing the War on Drugs: The U.N. Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances*, 18 DEN. J. INT'L L. & POL'Y 387, 396 (1990).

<sup>27</sup> See 18 U.S.C. § 981(i)(1).

To transfer forfeited proceeds or property to a foreign country, the following requirements must be satisfied: (i) direct or indirect participation by the foreign government in the seizure or forfeiture of the property; (ii) authorization by the U.S. Attorney General or Secretary of the Treasury; (iii) approval of the transfer by the U.S. Secretary of State; (iv) authorization in an international agreement between the United States and foreign country to which the property is being transferred, and, if applicable, (v) certification of the foreign country under the Foreign Assistance Act of 1961.

*Id.*

trends analysis. By December 2001, promote the recognition and use of FIUs by U.S. law enforcement agencies through an awareness campaign. By January 2002, FinCEN will connect at least seven new FIUs to the Egmont Secure Web. FinCEN will continue to reach out to new Egmont Group members and priority countries to encourage the introduction of anti-money laundering legislation, and support the development of financial intelligence units in these countries. FinCEN will also expand the number of investigative information exchanges via the financial intelligence unit network, consistent with the Egmont Group principles. FinCEN will report to U.S. law enforcement on new Egmont partners and the availability of information through the Egmont process.

One of the most important developments in the implementation of international counter-money laundering standards has been the successful cooperation between and among FIUs. These entities are created to receive international suspicious activity reports (required under their respective domestic laws), analyze financial information related to law enforcement activity, disseminate information to domestic enforcement agencies, and exchange information internationally.

There are now fifty-three financial intelligence units participating in the “Egmont Group” of FIUs. As an active participant, FinCEN arranged 159 information exchanges in 2000. FinCEN is currently in the process of arranging training initiatives with many of the new FIUs and has already taken a lead role in the first Egmont-sponsored training seminar in 2001.

FIUs can play a critical role in ongoing investigations and in the effective implementation of anti-money laundering measures. FinCEN will initiate a program to better inform law enforcement agencies of the opportunity to obtain financial intelligence from our Egmont partners. FinCEN will report to U.S. law enforcement on a regular basis on Egmont developments, including trends analysis to enhance the efforts of our domestic law enforcement agencies to complete the financial component of civil and criminal investigations.

**Priority 4: Explore the feasibility of establishing model international financial task forces to plan and coordinate significant multilateral money laundering investigations.**

**Lead:** Under Secretary for Enforcement, Department of the Treasury.

**Goals:** Discuss with our foreign law enforcement counterparts the feasibility of establishing multilateral law enforcement task forces to target major money laundering enterprises and professional money launderers that operate transnationally. The Departments of Treasury, Justice, and State, together with leading Treasury and Justice law enforcement bureaus involved in international money laundering investigations, will establish an interagency working group to discuss the formation of a model international money laundering task force that targets professional money launderers and their organizations.

The United States has built a record of successful cooperative international investigations with Canada, the United Kingdom, and other foreign countries. With the active participation of the Department of State and senior officials from Justice and the Treasury, key law enforcement bureaus with a successful track record in international investigations should consider approaching law enforcement officials in strategically allied countries to discuss the formation of an international financial crimes task force. The task force would focus on professional money launderers and major money laundering organizations that operate in or through the United States and other countries participating in the task force. Task force members would jointly investigate multinational money laundering organizations and systems through shared intelligence and operational experiences. The participating law enforcement agencies would determine how best to structure the task force and assign responsibilities. The international financial crimes task force should further coordinate activities and work closely with INTERPOL.

**\* OBJECTIVE 2: CONTINUE ACTIVE PARTICIPATION IN FATF AND FATF-STYLE REGIONAL ORGANIZATIONS.**

The international community has generated momentum to combat illicit money laundering. The *2001 Strategy* seeks to take advantage of that momentum and continue the multilateral efforts that have begun to produce positive and identifiable changes in the global fight against money laundering.

In June 2000, the Financial Action Task Force (FATF) posted fifteen jurisdictions on a list of non-cooperative countries and territories (NCCTs) because of serious deficiencies in their anti-money laundering systems. FATF assesses its member countries based on national compliance with FATF's Forty Recommendations<sup>28</sup> (a list of anti-money laundering measures), and other countries based on the twenty-five criteria<sup>29</sup> (a list of practices considered to impede the international fight against money laundering). In response, many NCCTs took corrective action to eliminate bank secrecy laws and strengthen reporting requirements to make their financial systems less vulnerable to abuse from criminal activities. In fact, in June 2001, FATF removed four countries from the original NCCT list because they substantially progressed in implementing anti-money laundering measures. However, FATF added six new countries to the list after of a second round of reviews. In short, the international community can credit the FATF-NCCT list for encouraging countries to improve their anti-money laundering systems.<sup>30</sup>

The United States should continue to support and actively participate in the FATF and other FATF-style regional bodies to make financial systems less vulnerable to financial crimes and money laundering.

---

<sup>28</sup> The Forty Recommendations can be viewed and downloaded on the Financial Action Task Force's homepage at <[http://www.oecd.org/fatf/40Recs\\_en.htm](http://www.oecd.org/fatf/40Recs_en.htm)>.

<sup>29</sup> The 25 Criteria and a list of all non-cooperative countries and territories (NCCTs) can be viewed and downloaded on the Financial Action Task Force's homepage at <[http://www.oecd.org/fatf/FATDocs\\_en.htm#Non-Cooperative](http://www.oecd.org/fatf/FATDocs_en.htm#Non-Cooperative)>.

<sup>30</sup> In the summer of 2001, the Russian Federation completed work on a long-awaited comprehensive money laundering reform law.



**Priority 1: Continue the United States' role within FATF in identifying and monitoring the progress of non-cooperative countries and territories (NCCTs).**

**Lead:** Under Secretary for Enforcement, Department of the Treasury;  
Assistant Attorney General, Criminal Division, Department of Justice;  
Assistant Secretary, International Narcotics and Law Enforcement  
Affairs, Department of State.

**Goals:** Work through FATF to complete the second round of NCCT reviews to identify non-cooperating countries. Throughout the year, monitor the progress made by listed jurisdictions in addressing noted deficiencies and implementing corrective measures, and monitor progress made by countries removed from NCCT list in June 2001. By September 2001, (1) attend FATF plenary meeting, (2) complete the second round of NCCT reviews, and (3) participate within the FATF to remove from the NCCT list all jurisdictions that have taken appropriate measures to address previously identified deficiencies in their anti-money laundering regimes. By October 2001, impose counter-measures for listed jurisdictions that have failed to demonstrate the willingness to meaningfully respond to their NCCT listing.

The U.S. has supported FATF financially and played an active role in its governance. The *2001 Strategy* mandates that the U.S. continue its involvement at every level, including efforts to enhance its role in FATF and other regional bodies. With strong leadership, FATF can continue to increase its momentum and leverage international resources and influence against non-compliant jurisdictions in its international fight against money laundering.

**Priority 2: Work within the FATF to revise the Forty Recommendations to reflect the experience of the international community, including the evolution of money laundering activities, and the relationship of the Recommendations to the criteria used to determine whether countries are "non-cooperative" in the fight against money laundering.**

**Lead:** Assistant Secretary for Enforcement, Department of the Treasury;  
Assistant Attorney General, Criminal Division, Department of Justice.

**Goals:** Discuss the full range of issues under consideration in connection with the review of the FATF Forty Recommendations. Encourage an open and inclusive process to ensure that the views of non-FATF members are considered. By November 2001, the U.S. will develop interagency agreed positions on the issues under consideration by the three working groups established for the review of the Forty Recommendations (customer identification, corporate vehicles, and "gatekeepers"). By February 2002, the U.S. delegation will work to ensure the publication of draft issue papers by the FATF soliciting public comment on the review of the Recommendations.

In 1990, the FATF established Forty Recommendations deemed essential to establish an effective counter-money laundering regime. The international community has since recognized the Forty Recommendations as the standard of an effective anti-money laundering regime. The Financial Stability Forum, established by the G-7, has included the FATF Forty Recommendations as one of the 12 key standards in its Compendium of Standards. More recently, the U.N. Convention on Transnational Organized Crime included specific reference to the FATF Forty Recommendations in connection with a provision requiring states to implement civil measures to control money laundering. The International Monetary Fund and World Bank have also recognized the FATF Forty as the accepted standard in combating money laundering.

FATF periodically revises the Forty Recommendations to address new anti-money laundering challenges. In 1996, for example, FATF revised the recommendations (i) to expand the predicate offenses for money laundering beyond drugs to all serious crimes, (ii) to require mandatory suspicious transaction reporting, and (iii) to recognize the inherent threat posed by new technologies. To preserve the continued vitality of the FATF Forty Recommendations and reflect the experience of the international community in this area over the past eleven years, FATF must again revise its principles for action.

In 2000, the FATF agreed to initiate a review of the Forty Recommendations, including the issues of particular concern identified in the June 2000 report on Non-Cooperative Countries and Territories (NCCTs). The FATF discussed the best methods for approaching this exercise and agreed that work should begin to conduct an initial examination of the specific issues of concern. In 2001, the FATF established several working groups to facilitate and complete this process.

In 2001, the U.S. will work with the FATF to revise the FATF Forty to reflect our experience and the evolution of money laundering activities, and to address any inconsistencies between the existing recommendations and the FATF's 25 Criteria for determining whether jurisdictions are "non-cooperative" in the fight against money laundering.

**\* OBJECTIVE 3: PROVIDE TECHNICAL ASSISTANCE TO JURISDICTIONS WILLING AND COMMITTED TO STRENGTHENING THEIR ANTI-MONEY LAUNDERING EFFORTS.**

The U.S. cannot combat money laundering effectively as long as there are safe havens available to move illicit proceeds. FATF has identified a number of these safe havens through the "non-cooperative countries and territories" (NCCT) process. The U.S. believes that in addition to adopting the necessary laws and regulations to combat money laundering, many NCCT jurisdictions also require substantial assistance in operating the necessary institutions to investigate and prosecute money launderers.

**Priority 1: Provide technical assistance to NCCT jurisdictions, as appropriate, to develop strong domestic anti-money laundering legislation.**

**Lead:** Assistant Secretary for International Narcotics and Law Enforcement Affairs, Department of State.

**Goals:** Identify NCCT jurisdictions that have demonstrated a commitment to correcting their anti-money laundering deficiencies and make recommendations for providing assistance to help these jurisdictions draft anti-money laundering legislation and/or critical analysis of their legislative proposals. On an ongoing basis, monitor developments in NCCT jurisdictions that need anti-money laundering legislation, and make recommendations for delivering needed technical assistance through designated expert teams. By December 2001, recommend use of available U.S. assistance funds to satisfy anticipated technical assistance needs.

The United States, its G-7 partners, and other FATF members have valuable experience in crafting effective, comprehensive anti-money laundering legislation. The challenge is to concentrate this wealth of experience and deliver it to jurisdictions that are struggling to develop an area of financial oversight, which may, in many instances, be completely new. To accomplish this goal, the United States must coordinate with its international partners to avoid duplication of effort and ensure that appropriate experts are engaged and utilized in the most productive manner.

**Priority 2: Recommend the optimal use of U.S. Government and international expertise in developing and providing appropriate technical assistance to NCCT institutions and jurisdictions.**

**Lead:** Assistant Secretary, International Narcotics and Law Enforcement Affairs, Department of State.

**Goals:** Convene an inter-agency working group to consider how best to optimize U.S. government technical expertise to develop strong anti-money laundering infrastructures in NCCT jurisdictions. By September 2001, identify the members of the inter-agency working group and by December 2001, the group will recommend a plan to marshal and deliver, as appropriate, U.S. and international technical assistance to address the money laundering deficiencies occurring in NCCT jurisdictions.

The Departments of Treasury, Justice, and State offer various international anti-money laundering training and technical assistance programs. Most of the funding used to carry out international anti-money laundering training and technical assistance programs is appropriated to the Department of State. The objective is to coordinate the delivery of these programs to avoid duplication of efforts, identify gaps in training, and to ensure that training efforts are comprehensive and effective. An inter-agency working group will be formed to coordinate and ensure that technical assistance draws upon the proper mix of private sector, governmental, and international resources.

**\* OBJECTIVE 4: WORK WITH THE INTERNATIONAL MONETARY FUND AND WORLD BANK TO ENHANCE ANTI-MONEY LAUNDERING EFFORTS.**

Money laundering has the potential to weaken the rule of law and increase the risks to domestic and global financial systems. Because of these macroeconomic concerns, the International Financial Institutions (IFIs) have agreed to take on an enhanced role in the global fight against money laundering. In April 2001, the IMF and World Bank Executive Boards recognized the FATF Forty Recommendations as the accepted international anti-money laundering standard. The IFIs also agreed to: a) intensify their focus on anti-money laundering elements in all relevant supervisory principles; b) work more closely with major international anti-money laundering groups; c) increase the provision of technical assistance; d) include anti-money laundering concerns in their surveillance and other operational activities when macroeconomic relevant, and e) undertake additional studies and publicize the importance of countries acting to protect themselves against money laundering. This agenda embraces the goals of the *2001 Strategy*.

Money laundering is a problem of global dimensions that requires concerted and cooperative action on the part of a broad range of institutions. The submission of the IMF/World Bank report creates an opportunity for the United States and the Financial Action Task Force (FATF) to work with these institutions on anti-money laundering issues. The United States will coordinate with G-7 and FATF members to ensure that the IMF and World Bank incorporates the Forty Recommendations into their operational work and promote the Forty Recommendations as the international standard.

**Priority 1: The United States will work with other nations, the IFIs, and FATF, in an effort to incorporate anti-money laundering issues into the IFIs on-going work and programs, including the development of a separate “Reports on Observance of Standards and Codes” (ROSC) module on money laundering.**

**Lead:** Deputy Assistant Secretary, International Monetary and Financial Policy, Department of the Treasury

**Goals:** IFIs will incorporate the FATF Forty Recommendations and evaluation of anti-money laundering concerns into their on-going operations with member countries this year (including as part of Financial Sector Assessment Programs (FSAPs)). By February 2002, IFIs will incorporate anti-money laundering concerns into their FSAPs, and FATF will draft and present to the IMF a ROSC module on money laundering.

In April 2001, the IMF stated, “Money laundering is a problem of global concern. It poses a threat to financial system integrity, and may undermine the sound functioning of financial systems, good governance and the fight against corruption. The important link between financial market integrity and financial stability is underscored by the key principles for financial sector supervision.”<sup>31</sup> In addition to recognizing the FATF Forty, the IFIs recognize the need to factor anti-money laundering concerns into their work with members’ financial sectors.

As part of an enhanced engagement on anti-money laundering, the IFIs have agreed to: work closely with FATF and other major international anti-money laundering groups; increase the provision of technical assistance; include anti-money laundering concerns in their surveillance

---

<sup>31</sup> *IMF Executive Board Discussed Money Laundering*, IMF Public Information Notice No. 01/41, April 29, 2001.

and other operational activities (including as part of FASPs); and, undertake additional studies and publicize the importance of countries taking steps to protect themselves against money laundering. During the second half of 2001, the IFIs and FATF plan to resolve how the Bank and Fund can adapt and operationalize the FATF Forty Recommendations, consistent with IFI mandates and processes.

The United States, its G-7 partners, and other FATF members have urged the IFIs to incorporate the relevant FATF Forty into a separate ROSC module on money laundering. Such a module would provide a comprehensive and articulated guide for assessing the status and performance of a country's anti-money laundering regime.

**Priority 2: Support IFI steps to provide necessary technical assistance and regulatory training that furthers anti-money laundering efforts.**

**Lead:** Deputy Assistant Secretary, International Monetary and Financial Policy, Department of the Treasury.

**Goals:** Foster enhanced IFI and international engagement in developing technical assistance programs ready for implementation in early 2002. By January 2002, the United States, along with its G-7 and FATF partners, will work with the IMF and World Bank towards a proposal to provide technical assistance to willing jurisdictions.

The *2001 Strategy* recognizes that the IMF and the World Bank have indicated their willingness to work with other international organizations and provide technical assistance to countries in order to combat global money laundering. The United States along with the other G-7 countries should build upon this momentum and seek to work with the IMF and World Bank to implement training programs for nations that are struggling in their fight against money laundering.

**Priority 3: Support bilateral, regional, and multilateral efforts in financial fora to urge countries and territories to adopt and adhere to international anti-money laundering standards.**

**Lead:** Deputy Assistant Secretary, International Monetary and Financial Policy, Department of the Treasury.

**Goals:** Timely stock taking of IMF assessments of offshore financial centers' supervisory and regulatory regimes. Help foster and implement initiatives focused on anti-money laundering and financial abuse in regional money laundering fora, and by the Multilateral Development Banks (MDBs). Continue to raise money laundering issues with foreign officials in bilateral settings, as appropriate. By early next year, review with other G-7 the MDBs action plan to help members implement codes and standards.

The Financial Stability Forum's (FSF) spring 2000 report of offshore financial centers concluded that enhanced implementation of international standards by OFCs, particularly with regards to

regulation and supervision, disclosure and information sharing, would help to prevent criminal abuse of the international financial system. The G-7 meeting in Rome in July 2001 called on the FSF to prepare a report on the progress in implementing its recommendations and options for any future action to be made at the Finance Ministers' meeting in September 2001.

At a meeting of the Committee on Hemispheric Financial Issues (CHFI) in Ottawa in the spring of 2001, member Finance Ministers called on the IMF and World Bank to recognize the FATF Forty Recommendations as the international anti-money laundering standard, and asked them to incorporate relevant portions of the FATF Forty in their on-going operations with members, including a ROSC module on money laundering. During the first half of 2001, APEC member Finance Ministers indicated their support for anti-money laundering efforts conducted by the Asia Development Bank and the Asia Pacific Group on Money Laundering (APG).

At the July 2001 meeting in Rome, the G-7 asked the MDBs to play a more proactive role in assisting borrowers to develop institutional capacity and appropriate strategies to meet international codes and standards, including FATF anti-money laundering standards. The G-7 asked for a joint MDB report, including an Action Plan that outlined their role in supporting implementation of codes and standards to be prepared by the end of 2001.

**\* OBJECTIVE 5: TAKE COORDINATED ACTION AGAINST MONEY LAUNDERING THREATS, AS NECESSARY.**

The United States will combat international money laundering by taking unilateral action against money laundering threats, as necessary. In practice, this translates into domestic efforts that block and seek to forfeit assets designated by OFAC's Foreign Terrorist and Narcotics Sanctions Programs.<sup>32</sup> In addition, the *2001 Strategy* mandates that the United States initiate appropriate countermeasures against those countries that do not have or seek to create appropriate anti-money laundering laws or enforcement mechanisms. Imposition of counter-measures, however, should be made after an evaluation of the potentially adverse effects on the U.S. banking industry.

**Priority 1: Continue to provide guidance to domestic financial institutions regarding international money laundering risks.**

**Lead:** Under Secretary for Enforcement, Department of the Treasury.

**Goals:** Maintain a current set of advisories on NCCT jurisdictions. In October 2001, issue new advisories for countries added to the NCCT list.

The *2001 Strategy* mandates that the Department of the Treasury, under the existing authority of the Bank Secrecy Act (BSA), issue bank advisories to domestic financial institutions in response to countries that fail to implement appropriate anti-money laundering regimes. Advisories will ensure that our financial institutions are informed about the heightened risk of doing business with these countries. The advisories, coupled with the multilateral initiative of the FATF in

---

<sup>32</sup> For a discussion of the *2001 Strategy's* proposal to target blocked assets designated by OFAC's Foreign Terrorist and Narcotics Sanctions Programs for potential forfeiture, see *supra* Goal 1, Objective 2, Priority 3.

naming non-cooperative jurisdictions, will encourage nations to improve their anti-money laundering regimes.

**Priority 2: Initiate appropriate countermeasures against non-cooperative countries and territories.**

**Lead:** Secretary of the Treasury;  
Secretary of State;  
Office of the Comptroller of the Currency (OCC).

**Goals:** Initiate appropriate countermeasures against jurisdictions that have made inadequate progress in combating money laundering. By October 2001, the Department of the Treasury, with the Departments of State and Justice, will determine what countermeasures, if any, to enact against Nauru, the Philippines, and Russia.

In June 2001, “FATF recommend[ed] to its members the application of counter-measures . . . to Nauru, the Philippines, and Russia, which were identified as non-cooperative . . . and which have not made adequate progress, unless their governments enact significant legislation to address FATF-identified money laundering concerns.”<sup>33</sup> FATF recommended the following counter-measures:

- “Stringent requirements for identifying clients and enhancement of advisories, including jurisdiction-specific financial advisories, to financial institutions for identification of the beneficial owners before business relationships are established with individuals or companies from these countries;
- Enhanced relevant reporting mechanisms or systematic reporting of financial transactions on the basis that financial transactions with such countries are more likely to be suspicious;
- In considering requests for approving the establishment in FATF member countries of subsidiaries or branches or representative offices of banks, taking into account the fact that the relevant bank is from an NCCT;
- Warning non-financial sector businesses that transactions with entities within the NCCTs might run the risk of money laundering.”<sup>34</sup>

None of these countermeasures should impose an unreasonable burden on our domestic financial institutions. Before any such measures are taken, the Department of the Treasury will review the potentially adverse effects of the measures on the U.S. financial services industry.

---

<sup>33</sup> See FATF Review to Identify Non-Cooperative Countries or Territories: Increasing the Worldwide Effectiveness of Anti-Money Laundering Measures, The Financial Action Task Force on Money Laundering, at 3 (June 1999). Since June 2001, each of the three countries identified has taken legislative steps to address the FATF’s concerns.

<sup>s</sup> *Id.*





---

**APPENDIX 1:**  
**CONSULTATIONS**

---

The following Agencies, Bureaus, and Offices contributed to the *2001 National Money Laundering Strategy*:

Commodity Futures Trading Commission  
Department of Justice  
    -- Asset Forfeiture and Money Laundering Section  
    -- Criminal Division  
Department of State  
Department of the Treasury  
Drug Enforcement Administration  
Federal Bureau of Investigation  
Federal Deposit Insurance Corporation  
Federal Law Enforcement Training Center  
Federal Reserve Board  
Financial Crimes Enforcement Network  
Internal Revenue Service  
Interpol  
National Credit Union Administration  
Office of the Comptroller of the Currency  
Office of Foreign Assets Control  
Office of National Drug Control Policy  
Office of Thrift Supervision  
Treasury Executive Office of Asset Forfeiture  
United States Customs Service  
United States Postal Inspection Service  
United States Secret Service  
United States Securities and Exchange Commission

---

## APPENDIX 2:

### FEDERAL MONEY LAUNDERING ENFORCEMENT AND COMPLIANCE AGENCIES

---

Several federal agencies share the responsibility for enforcing our criminal money laundering laws and ensuring compliance with the BSA's recordkeeping and reporting requirements.

#### LAW ENFORCEMENT

The Departments of Justice and the Treasury are the key federal agencies responsible for enforcing the criminal prohibitions of money laundering found in 18 U.S.C. § 1956 and 1957.

#### The Department of the Treasury

The Secretary of the Treasury, through the Under Secretary (Enforcement), oversees the money laundering enforcement efforts of the Treasury. Treasury bureaus involved in enforcing the counter-money laundering laws include the Financial Crimes Enforcement Network (FinCEN), Internal Revenue Service-Criminal Investigative Division (IRS-CI), the United States Customs Service (Customs), the United States Secret Service (USSS), the Bureau of Alcohol, Tobacco and Firearms (ATF), and the Executive Office of Asset Forfeiture (EOAF).

- The Financial Crimes Enforcement Network (FinCEN) establishes, oversees, and implements policies and programs that link law enforcement, financial, and regulatory communities into a single information-sharing network. FinCEN accomplishes this mission by (1) supporting the financial aspect of federal, state, and international law enforcement investigative efforts, (2) fostering interagency and global cooperation against domestic and international financial crimes, and (3) providing U.S. policy makers with strategic analysis of domestic and worldwide money laundering developments, trends, and patterns. Through cost-effective administration of the Bank Secrecy Act (BSA) and other Treasury authorities, FinCEN serves as the nation's central clearinghouse for broad-based intelligence and information sharing that helps illuminate the financial trail for investigators. These reports assist in building investigations and planning new strategies to combat financial crimes.
- The IRS-CI investigates criminal and civil money laundering and currency reporting violations under the criminal and financial codes of Titles 18 and 31, and has primary investigative jurisdiction for money laundering crimes involving banks and other financial institutions. It shares investigative jurisdiction with several other federal law enforcement agencies of criminal money laundering violations. This authority is often shared with the federal law enforcement agency with the investigative authority over the predicate crime, if such crime is outside the investigative jurisdiction of IRS-CI.

- Customs' primary anti-money laundering role is to conduct illegal drug and currency interdiction at U.S. borders. Customs also enforces the reporting of currency and monetary instruments brought into or removed from the United States, as required by the BSA. Customs has a broad grant of authority to conduct international financial crime and money laundering investigations and initiatives within its role as a border enforcement agency. This jurisdiction is triggered by the illegal movement of criminal funds, services, or merchandise across national borders. Customs enforcement efforts focus on international criminal organizations whose corrupt influence often affect trade, economic, and financial systems on a global basis. In addition, Customs operates the Money Laundering Coordination Center (MLCC), which serves as a depository for all intelligence information gathered through undercover money laundering investigations and functions as the coordination and deconfliction center for both domestic and international undercover money laundering operations.
- The Secret Service and ATF both investigate money laundering cases as part of their traditional law enforcement functions. The jurisdiction of the Secret Service includes computer crimes, counterfeiting and many crimes involving the misuse of national banks and federally chartered thrift institutions.
- The Executive Office for Asset Forfeiture (EOAF) is the Department of the Treasury's focal point for asset forfeiture matters and is responsible for developing and implementing asset forfeiture policy for the four Treasury law enforcement bureaus and the United States Coast Guard. The mission of EOAF is to affirmatively influence the consistent and strategic use of asset forfeiture by Treasury law enforcement bureaus to disrupt and dismantle criminal enterprises. EOAF supports the law enforcement bureaus' money laundering efforts by reimbursing investigative expenses as well as funding task force or joint operations with other federal, state, and local law enforcement organizations. Additionally, Fund management has emphasized longer, more in-depth investigations and high impact forfeitures by focusing funding initiatives on investigative needs.

## **The Department of Justice**

The Attorney General, as the chief law enforcement officer of the United States, is responsible for the enforcement of all federal law. Through the Deputy Attorney General and the Assistant Attorney General for the Criminal Division, and in conjunction with the 94 United States' Attorneys, the Attorney General oversees prosecutions for money laundering offenses. The Asset Forfeiture and Money Laundering section (AFMLS) of the Criminal Division, the Special Operations Division (SOD), the Federal Bureau of Investigation (FBI), and the Drug Enforcement Agency (DEA) are the principal Department of Justice (DOJ) components engaged in the investigation and prosecution of money laundering.

- AFMLS is the DOJ's focal point for money laundering and asset forfeiture matters. The Section devises and implements DOJ policy initiatives in the domestic and international arenas with particular emphasis in the work of the Financial Action Task Force and related matters, and in negotiating international forfeiture sharing agreements. Working

closely with law enforcement agencies and the United States Attorneys, AFMLS participates and aids in the coordination of domestic and international multi-district investigations and prosecutions. The Section implements DOJ money laundering and asset forfeiture guidelines and provides legal advice and training to the United States Attorney's Offices and investigative agencies.

- The FBI has investigative authority over more than 200 violations of federal law, including money laundering offenses, whether the laundering is related to drug trafficking, terrorism, bank fraud or espionage. The FBI has sole or concurrent jurisdiction in 133 of the 164 "specified unlawful activities" that form predicate crimes for money laundering prosecutions. The FBI gathers and analyzes intelligence data to identify and target the major international and domestic money laundering organizations. In addition, the FBI conducts long-term complex undercover money laundering operations to target the criminal money launderer as well as the underlying criminal activity. The FBI considers money laundering as a principal as well as an ancillary violation that is pursued in all FBI investigations.
- The Justice Department's Special Operations Division is a joint national coordinating and support entity initially comprised of agents and analysts from the DEA, the FBI, the U.S. Customs Service, and prosecutors from the Justice Department's Criminal Division. SOD coordinates and supports regional and national-level criminal investigations and prosecutions against major criminal drug-trafficking organizations. Where appropriate, state and local investigative and prosecutive authorities are fully integrated into SOD-coordinated drug enforcement operations. SOD's financial component, which includes IRS-CI, assembles all available information to identify and target the financial infrastructure of SOD targets, assists in coordinating investigations and prosecutions, and assists in seizing and forfeiting the proceeds, assets, and instrumentalities of these major drug trafficking organizations.
- The DEA is a specialized bureau of the Department of Justice whose sole mission is the enforcement of the U.S. drug trafficking laws. DEA places emphasis on the financial aspects of drug trafficking and works closely with federal, state, local and county law enforcement agencies in money laundering investigations.

## **Department of State**

The Department of State is responsible for the day-to-day liaison with foreign governments on policy matters, including money laundering. Primary responsibility for money laundering matters is vested in the Department's Bureau for International Narcotics and Law Enforcement Affairs (INL), which participates in anti-money laundering initiatives in a variety of ways, including publishing an annual report on international money laundering, helping to coordinate with other agencies intelligence and training and technical assistance on money laundering, and providing considerable funding for international anti-money laundering training. A prime focus of INL's training program is a multi-agency approach to addressing international financial crime, law enforcement development, organized crime fighting, and counternarcotics training. Supported by and in cooperation with INL, the Justice Department, Treasury Department

components (*i.e.*, FinCEN and the Office of the Comptroller of the Currency), the Board of Governors of the Federal Reserve, and non-governmental organizations offered law enforcement and criminal justice programs worldwide.

### **United States Postal Service**

The Postal Inspection Service is the investigative arm of the U.S. Postal Service. It has investigative jurisdiction for money laundering in connection with Postal related predicate offences, such as mail fraud. The Postal Inspection Service also investigates money laundering involving the cash purchase of postal money orders, which money launderers often use to transport value out of the country.

### **Office of National Drug Control Policy**

The Office of National Drug Control Policy (ONDCP) designates High Intensity Drug Trafficking Areas (HIDTAs) to reduce illegal drug trafficking and drug-related crimes and violence in designated high trafficking areas. A significant portion of HIDTA-related efforts is targeted at the laundering of the proceeds of narcotics trafficking. In 1998, Congress reauthorized the ONDCP authority, which is codified at 21 U.S.C. § 1706.

## **REGULATORY COMPLIANCE**

The recordkeeping and reporting requirements of the BSA are a critical component of the counter-money laundering regime. Ensuring that financial institutions and other covered persons and entities comply with these regulatory requirements is the responsibility of a broad range of executive branch and independent agencies including the federal banking regulators, the Securities and Exchange Commission, and the Internal Revenue Service's Examination Division. In addition, other agencies, including the Commodity Futures Trading Commission, assist in this process through the sharing of information and other cooperative efforts.

### **Federal Banking Regulators**

The periodic compliance examinations conducted by the federal banking agencies and regulators – *i.e.*, the Office of the Comptroller of the Currency; the Office of Thrift Supervision; the Board of Governors of the Federal Reserve System; the Federal Deposit Insurance Corporation; and the National Credit Union Administration – significantly deter money laundering. These regulators ensure that institutions that they supervise have in place adequate anti-money laundering internal controls and procedures that include, among other things, procedures to ensure compliance with the reporting and recordkeeping provisions of the BSA and procedures to detect and report suspicious activity. If, in the course of a compliance review, a federal banking regulator detects a suspicious transaction that involves potential money laundering, it ensures that either the bank or the agency files a SAR with FinCEN. In addition, when a regulator determines that a bank has failed to comply with the reporting requirements of the BSA, it may refer the case to FinCEN for possible civil penalties. The regulators may also pursue administrative enforcement action under the authority provided by 12 U.S.C. § 1818.

## **The Securities and Exchange Commission**

The Securities and Exchange Commission (SEC) regulates the U.S. securities markets and market participants, and enforces U.S. securities laws. The SEC also has the statutory responsibility to establish accounting, auditing and independence standards, and to oversee the accounting profession to assure that public company financial statements are prepared and audited utilizing the highest quality accounting, auditing and independence standards. The SEC's chief responsibility with respect to money laundering is to assure compliance with the BSA's reporting, recordkeeping, and record retention obligations by securities brokers and dealers. The SEC investigates and prosecutes securities fraud, which is a predicate offense of money laundering. In monitoring for and taking action against securities fraud, the SEC complements the work of criminal law enforcement authorities in their efforts to combat money laundering.

## **Internal Revenue Service**

The Internal Revenue Service's Examination Division (IRS-Exam) has regulatory authority for civil compliance with the BSA for many non-bank financial institutions (NBFI) such as currency dealers or exchangers, check-cashers, issuers and sellers or redeemers of traveler's checks/money orders or similar monetary instruments, licensed transmitters of funds, telegraph companies, certain casinos and agents/agencies/branches or offices within the United States of banks organized under foreign law. IRS-Exam conducts on-site BSA compliance exams to ensure that NBFIs are in compliance with the reporting, recordkeeping and compliance program requirements of the BSA, and is also responsible for examining and monitoring compliance with the currency reporting requirement on trades and businesses

## **Commodity Futures Trading Commission**

The Commodity Futures Trading Commission (CFTC) administers and enforces federal futures and options laws. Although money laundering is not a violation of the laws enforced by the CFTC, it may be accomplished through acts that separately violate these laws, such as wash sales, accommodation trades, fictitious transactions and the filing of false reports, and therefore could result in a CFTC enforcement action.

---

**APPENDIX 3:**

**Equitable Sharing Payments to Foreign Countries from the  
Departments of Justice and the Treasury**

---

**TREASURY FORFEITURE FUND**  
**Equitable Sharing To Foreign Countries**  
**Fiscal Years 1994-2001 (As of 6/1/01)**

58

Country	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	Totals
Aruba	\$0	\$36,450	\$0	\$32,660	\$0	\$0	\$0	\$0	\$69,000
Bahamas	\$0	\$342,000	\$0	\$0	\$0	\$0	\$0	\$0	\$342,000
Cayman Islands	\$0	\$0	\$0	\$0	\$682,980	\$0	\$2,680,803	\$0	\$3,363,783
Canada	\$116,658	\$67,280	\$21,725	\$130,625	\$8,394	\$42,119	\$241,446	\$603,422	\$1,231,549
Dominican Republic	\$0	\$0	\$0	\$0	\$0	\$0	\$63,885	\$0	\$63,885
Egypt	\$0	\$0	\$0	\$0	\$0	\$999,187	\$0	\$0	\$999,187
Guernsey	\$0	\$0	\$0	\$145,045	\$0	\$0	\$0	\$0	\$145,045
Honduras	\$0	\$0	\$0	\$0	\$0	\$139,720	\$0	\$0	\$139,720
Jersey	\$0	\$0	\$0	\$1,049,991	\$0	\$0	\$0	\$0	\$1,049,991
Mexico	\$0	\$6,030,000	\$0	\$0	\$0	\$0	\$0	\$0	\$6,030,000
Netherlands	\$0	\$0	\$0	\$0	\$0	\$0	\$1,717,213	\$0	\$1,717,213
Nicaragua	\$58,587	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$58,587
Panama	\$39,971	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$39,971
Portugal	\$0	\$0	\$0	\$0	\$0	\$0	\$85,840	\$0	\$85,840
Qater	\$0	\$60,000	\$0	\$0	\$0	\$0	\$0	\$0	\$60,000
Switzerland	\$0	\$79,992	\$335,408	\$0	\$37,669	\$938,576	\$903,934	\$0	\$2,295,579
United Kingdom	\$0	\$670,049	\$145,754	\$17,784	\$449,567	\$739,225	\$1,019,499	\$279,443	\$3,321,321
<b>TOTALS</b>	<b>\$215,216</b>	<b>\$7,285,751</b>	<b>\$502,887</b>	<b>\$1,376,895</b>	<b>\$1,178,610</b>	<b>\$2,858,827</b>	<b>\$6,712,620</b>	<b>\$882,865</b>	<b>\$21,012,671</b>

July 24, 2001



**DOJ Summary Transfers of to Foreign Asset Countries Sharing**

Name of Case or Investigation	Total Amount Forfeited in the US	Recipient Country	Amount of Transfer	Transfer Date
Operation Polar Cap (S.D. Florida) DEA 21 U.S.C. 881	\$3,000,000.00	Canada <sup>1</sup>	\$1,000,000.00	August 1989
		Switzerland <sup>2</sup>	\$1,000,000.00	August 1989
In re Isle of Man (S.D. Florida) 21 U.S.C. 881	\$4,973,274.70	United Kingdom <sup>3</sup>	\$2,486,637.63	04-Dec-91
US v. \$2,421,327.43 (N.D. Florida) 21 U.S.C. 881	\$2,421,327.43	Canada	\$807,109.00	11-Dec-91
In re Isle of Man (S.D. Florida) DEA (D. Massachusetts)	\$3,800,000.00	B.V.I. <sup>4</sup>	\$640,730.45 \$1,797,155.18	20-Dec-91 03-Apr-92
Transfer of \$1,173,229 to the Cayman Islands W.D. La., S.D. Tex. M.D. Pa., S.D. Ind. D. Me., DEA - E.D.N.C. 21 U.S.C. 881	\$24,000,000.00 (approximate)	Cayman Islands <sup>5</sup>	\$1,173,229.00	13-Mar-92
Jose Rodriguez Gacha (M.D. Florida) 21 U.S.C. 881	\$7,457,020.00	Switzerland	\$2,485,673.00	24-Mar-92
	\$4,265,271.33	Colombia <sup>4</sup>	\$900,000.00	25-Feb-92
(91-640-CI v-J-10)	\$1,008,245.66	Colombia	\$1,573,385.28	13-Nov-92
		Switzerland	\$1,421,667.20	20-Nov-96
		Isle of Man <sup>7</sup>	\$335,862.39	01-Jun-96
Res'd for Colo. \$12,279,348 (originally \$10,104,348.00)	\$54,313,044.00	Luxembourg <sup>8</sup>	\$18,104,348.00	23-May-97
		Colombia	\$5,825,000.00	16-Dec-96
US v. \$ 43 Million (D. of Puerto Rico) 21 U.S.C. 881	\$13,848,450.00	Venezuela <sup>9</sup>	\$1,384,845.00	24-Mar-92
US v. Taboada (D. South Carolina) FBI 21 U.S.C. 881	\$133,931.00	Switzerland	\$93,751.00	10-Apr-92

In re Seizure of \$100,000 (S.D. Texas) DEA 21 U.S.C. 881	\$100,000.00	Paraguay <sup>10</sup>	\$70,000.00	25-Jun-92
SDNY and 12 DEA Admin Cases DEA 1 - C.D. Cal. DEA 3 - E.D.N.Y. DEA 8 - E.D. La. 21 U.S.C. 881	\$620,000.00	Guatemala <sup>11</sup>	\$227,147.94	23-Jul-92
US v. \$279,895 US v. \$733,988 (M.D. Florida) 21 U.S.C. 881	\$279,895.00 \$733,988.00	Guatemala Guatemala	\$139,947.50 \$148,797.60	23-Jul-92 23-Jul-92
Vessel named "Aguja" (S.D. Florida) DEA 21 U.S.C. 881	\$120,000.00 (approximate)	Costa Rica <sup>12</sup>	\$120,000.00	17-Aug-92
US v. \$1,007,611 (W.D. Texas) 21 U.S.C. 881	\$1,007,611.00	Guatemala	\$302,283.00	08-Oct-92
US v. \$53,964 in Canadian Currency (W.D. New York) 21 U.S.C. 881(a)(1)(6)	\$43,551.97	Canada	\$16,445.88	Aug 27, 1992
In re Seizure of \$325,703, DEA No. 101156 (S.D. Florida) DEA	\$325,703.00	Argentina <sup>13</sup>	\$162,851.50	26-May-93
In re Seizure of \$39,480 and \$63,000 DEA Seizure Nos. 103598, 103599	\$102,480.00	Egypt <sup>14</sup>	\$51,240.00	check mailed 10-Aug-93
US v. Luytjes (M.D. Pennsylvania) 21 U.S.C. 881	\$2,174,869.00	Switzerland	\$1,087,344.50	09-Sep-93

US v. Newton/Datz and Bloomfield (E.D. New York) 21 U.S.C. 881	\$22,284,237.20	Switzerland	\$8,183,626.10 \$2,958,492.50	01-Oct-93 23-Nov-93
In re Seizures Nos. 120458 and 120461 (S.D. Florida) DEA 21 U.S.C. 881	\$146,214.00	Bahamas <sup>15</sup>	\$108,510.00	08-Oct-93
In re Seizure of \$11,220 DEA Case No. GZ 90-0048 (US v Bacha, E.D. Va.) 21 U.S.C. 881	\$11,220.00	Hungary <sup>16</sup>	\$8,415.40	24-Feb-94
US v. Fernandez (M.D. Florida) 21 U.S.C. 881	\$1,212,509.80	Switzerland	\$806,254.90	07-Mar-94
US v. McCarthy (N.D. Indiana) 21 U.S.C. 881	\$321,624.79	Canada	\$64,324.98	15-Mar-94
US v. Michael LeBoss (W.D. Washington) 21 U.S.C. 881	\$41,000.00	Liechtenstein <sup>17</sup>		01-Apr-97 Check re-issued
US v. Kubosh (N.D. Texas) 21 U.S.C. 881	\$1,057,432.72	Cayman Islands	\$422,387.87	19-Apr-94
In re \$47,500 (Rolzis) (S.D. N.Y.) DEA	\$47,500.00	Romania <sup>18</sup>	\$23,700.00	15-Jul-94
U.S. v. Hugo Reyes Torres Funds 21 U.S.C. 881 18 U.S.C. 981	\$11,500,065.06 \$664,685.54	Switzerland Ecuador <sup>19</sup> Ecuador	\$3,833,092.02 \$3,833,092.02 \$330,316.96	19-Sep-94 13-Oct-95 27-Jun-94
US v. Hickey (N.D. Indiana) S CR-86-01 (01)	\$1,488,569.00	Guernsey <sup>20</sup>	\$297,713.00	25-Oct-94

Fair Rose of Sharon DEA Case No. 1991X019	\$81,500.00	Netherlands Antilles <sup>21</sup>	\$22,500.00	01-Nov-94
Seizure of \$150,120 from Darrell Chambers DEA Case No. 17930033 (E.D. Michigan)	\$150,120.00	Bahamas	\$58,323.00	14-Nov-94
US v. \$2,146,084.56 (M.D. Florida) 21 U.S.C. 851	\$2,146,084.56	Switzerland	\$1,073,042.00	23-Dec-94
Operation Softshoe Administrative Forfeitures FBI - N.D.Cal.	\$134,922.49	Canada	\$27,907.77	21-Jun-95
	\$44,000.00	Canada	\$19,878.66	17-Jun-96
		Canada	\$10,150.80	30-May-97
David Shmuel (D. Mass., N.D. N.Y.)	\$173,848.55	Israel <sup>22</sup>	\$34,768.55	27-Jun-95
Ancaletto Case DEA Case No. MK84Z004 (D. Cal.)	\$45,033.00	Canada	\$13,509.94	26-Oct-95
Alarcon Mengual Case (N.D. Florida)	\$2,039,140.94	Switzerland	\$679,699.62	26-Oct-95
	\$2,730,902.00	Canada	\$135,919.12	24-Jan-96
		Switzerland	\$1,365,409.62	18-Nov-96
		Canada	\$138,528.58	28-May-98
US v. Herberito Rodriguez (N.D. Florida)	\$3,740,125.70	Switzerland	\$1,417,786.28	30-Nov-95
		Canada	\$51,302.11	05-Jun-96
The Ayala Brothers DEA case No G1-93-0358 S.D. Fla.	\$102,690.00	Ecuador	\$51,345.00	10-May-96
Santa Cruz Londono (E.D. N.Y.)	\$12,461,193.74	United Kingdom	\$523,392.44	15-Dec-95
		Luxembourg	\$1,000,000.00	08-Mar-96
U.S. v. Michael J.P. Green S.D. Fla., C.D. Cal.	\$1,029,366.10	United Kingdom	\$529,507.96	17-Jul-96
U.S. v. Real Property Five Civil Forfeiture cases (M.D. Fla.) Derrick Walpole	\$762,908.07	United Kingdom	\$463,598.76	17-Jul-96

U.S. v. Midvale Development Corp. et al. (W.D. Wa.) 18 U.S.C. 981	\$124,528.00	Cayman Islands	\$12,470.87	31-Oct-96
U.S. v. \$33,967.00 in United States Currency (C.D. Cal.) USPS case	\$33,967.00	United Kingdom	\$8,940.81	03-Dec-96
In re Seizure of \$460,000 from Narko Tellegah DEA Case #C1-95-0113 S.D. N.Y.	\$460,000.00	United Kingdom	\$68,922.15	06-May-97
U.S. v. All monies, etc. in Swiss Bank Corp. London (E.D. Texas) Martinez	\$584,617.00	United Kingdom Cayman Islands	\$175,316.22 \$58,438.74	29-Sep-97 13-May-98
US v 220 NW 132 Ave. Miami Tellechea, S.D. Fla.	\$149,036.08	Canada	\$74,518.04	16-Dec-97
Jose Roberto Martinez DEA Administrative case (S.D. Fla.)	\$60,000.00	Cayman Islands	\$19,800.00	13-May-98
M/V Pegasus DEA Administrative case No. CT 82Z001 (S.D.N.Y.)	\$249,730.00	Ecuador	\$49,946.00	08-Apr-98
U.S. v. Montalbo, et al., Case No. 95-0142-Cr. and	\$2,176,415.00	Costa Rica	\$428,920.50	23-Jun-98
U.S. v. Premises and Real Property, etc. (Efraim)	\$178,511.42	Israel	\$34,954.52	10-Aug-98
US v. Stephen Lloyd Chula Cr. Case No. 94-0689-B DEA (S.D. California)	\$368,197.00	Costa Rica	\$184,098.50	14-Oct-98

Jorge Luis Cantieri FBI Admin. forfeiture Case No. 3010-04-F-139	\$17,923.00	Canada	\$14,338.15	03-Dec-98
Ives Charest DEA Admin. forfeiture Case No. C7970084	\$45,250.00	Canada	\$24,887.50	03-Dec-98
US v. Julio Nasser David, et al. Case No. 94-131-CR (SD Fla)	\$178,032,044.00 \$9,108,712.00 \$490,928.36	Switzerland	\$89,016,022.00 \$4,554,088.00 \$245,484.18	18-Dec-98 23-Dec-99 23-Oct-00
Daniel Berger DEA Admin. forfeiture Case No. GH960118 (CD. Cal)	\$214,322.00	Switzerland	\$107,161.13	05-Feb-99
Walter Furst Admin. Forfeiture Case No. R1960825 (CD. Cal)	\$22,055.00	Switzerland	\$10,630.43	05-Feb-99
Farina (D.Col.) U.S v. \$1,814,807.93 Case No. 97-S-1928	\$1,814,807.93	United Kingdom Hong Kong S.A.R. <sup>25</sup>	\$181,466.89 \$907,403.00	03-Jun-99 21-Jun-00
Operation Dinero (N.D. Ga) U.S. v. \$295,375.28 No. 1:94-CV-3340-AC U.S. v. \$3,531,149.00 No. 1:95-CV-0153-AC	\$3,826,524.28	United Kingdom Anguilla <sup>24</sup>	\$229,517.39 \$328,528.99	03-Jun-99 24-Aug-99
Luz Mary Durango DEA Admin. Forfeiture Case No. C1960051	\$28,665.00	Ecuador	\$14,327.50	18-May-99
U.S. v. Midkiff DEA and D of Oregon Drug money laundering case	\$453,184.30	Switzerland	\$228,447.68	24-Jul-00

U.S. v. Haddad DEA and SD Texas Drug trafficking	\$101,830.24	Canada	\$37,809.97	02-Aug-00
U.S. v. Esquivel DEA/Admin FR and SDFL CS Payment Drug trafficking	\$99,000.00	Ecuador	\$14,850.00	22-Aug-00
Phan Case/ DEA Admin 21 U.S.C 881 ND GA	\$38,720.00	Thailand <sup>35</sup>	\$19,144.00	09-Nov-00
U.S. v. All Funds, Securities, etc 18 U.S.C. § 981(l) Blair Down USPIS and W.D. Wa.	\$400,000.00	Barbados <sup>36</sup>	\$100,000.00	27-Dec-00
U.S. v. Barnette 18 U.S.C. § 981(a)(1)(A) FBI and USAO MD Fla	\$1,225,000.00	United Kingdom	\$612,500.00	28-Dec-00
Greenberg / DEA Admin Seattle, WA and LA, CA 21 U.S.C 881	\$248,190.00	Canada (shared directly to RCM)	\$89,129.62 \$12,500.00	05-Mar-01
U.S. v. Fuqua Mobile Home (Francine Corbell-For. Bank Fraud) FBI and USAO SD Fla	\$39,567.38	Canada	\$31,653.89	22-Mar-01
Luis Cano/DEA/SDFLA 21 U.S.C. 881	\$1,627,713.32	Dominican Republic <sup>37</sup>	\$1,139,399.77	02-Apr-01
US v. \$393,892.66 (Op. Green Ice DEA and SD Cal 881 (e))	\$393,892.66	Cayman Islands	\$146,874.34	11-May-01
US v. Frederick Taft USPIS and EDPA 881	\$304,629.35	Canada	\$151,794.92	20-Jun-01
<b>Totals</b>	<b>\$391,843,315.65</b>		<b>\$170,969,204.87</b>	

---

## APPENDIX 4:

### The Forty Recommendations of the Financial Action Task Force on Money Laundering

---

#### A. GENERAL FRAMEWORK OF THE RECOMMENDATIONS

1. Each country should take immediate steps to ratify and to implement fully, the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (the Vienna Convention).
2. Financial institution secrecy laws should be conceived so as not to inhibit implementation of these recommendations.
3. An effective money laundering enforcement program should include increased multilateral co-operation and mutual legal assistance in money laundering investigations and prosecutions and extradition in money laundering cases, where possible.

#### B. ROLE OF NATIONAL LEGAL SYSTEMS IN COMBATING MONEY LAUNDERING

##### Scope of the Criminal Offence of Money Laundering

4. Each country should take such measures as may be necessary, including legislative ones, to enable it to criminalize money laundering as set forth in the Vienna Convention. Each country should extend the offence of drug money laundering to one based on serious offences. Each country would determine which serious crimes would be designated as money laundering predicate offences.
5. As provided in the Vienna Convention, the offence of money laundering should apply at least to knowing money laundering activity, including the concept that knowledge may be inferred from objective factual circumstances.
6. Where possible, corporations themselves - not only their employees - should be subject to criminal liability.

##### Provisional Measures and Confiscation

7. Countries should adopt measures similar to those set forth in the Vienna Convention, as may be necessary, including legislative ones, to enable their competent authorities to confiscate property laundered, proceeds from, instrumentalities used in or intended for use in the commission of any money laundering offence, or property of corresponding value, without prejudicing the rights of bona fide third parties.



Such measures should include the authority to: 1) identify, trace and evaluate property which is subject to confiscation; 2) carry out provisional measures, such as freezing and seizing, to prevent any dealing, transfer or disposal of such property; and 3) take any appropriate investigative measures.

In addition to confiscation and criminal sanctions, countries also should consider monetary and civil penalties, and/or proceedings including civil proceedings, to void contracts entered into by parties, where parties knew or should have known that as a result of the contract, the State would be prejudiced in its ability to recover financial claims, e.g. through confiscation or collection of fines and penalties.

### **C. ROLE OF THE FINANCIAL SYSTEM IN COMBATING MONEY LAUNDERING**

**8.** Recommendations 10 to 29 should apply not only to banks, but also to non-bank financial institutions. Even for those non-bank financial institutions which are not subject to a formal prudential supervisory regime in all countries, for example bureaux de change, governments should ensure that these institutions are subject to the same anti-money laundering laws or regulations as all other financial institutions and that these laws or regulations are implemented effectively.

**9.** The appropriate national authorities should consider applying Recommendations 10 to 21 and 23 to the conduct of financial activities as a commercial undertaking by businesses or professions which are not financial institutions, where such conduct is allowed or not prohibited. Financial activities include, but are not limited to, those listed in the attached annex. It is left to each country to decide whether special situations should be defined where the application of anti-money laundering measures is not necessary, for example, when a financial activity is carried out on an occasional or limited basis.

#### **Customer Identification and Record-keeping Rules**

**10.** Financial institutions should not keep anonymous accounts or accounts in obviously fictitious names: they should be required (by law, by regulations, by agreements between supervisory authorities and financial institutions or by self-regulatory agreements among financial institutions) to identify, on the basis of an official or other reliable identifying document, and record the identity of their clients, either occasional or usual, when establishing business relations or conducting transactions (in particular opening of accounts or passbooks, entering into fiduciary transactions, renting of safe deposit boxes, performing large cash transactions).

In order to fulfill identification requirements concerning legal entities, financial institutions should, when necessary, take measures:

- (i) to verify the legal existence and structure of the customer by obtaining either from a public register or from the customer or both, proof of incorporation, including information concerning the customer's name, legal form, address, directors and provisions regulating the power to bind the entity.

- (ii) to verify that any person purporting to act on behalf of the customer is so authorised and identify that person.

**11.** Financial institutions should take reasonable measures to obtain information about the true identity of the persons on whose behalf an account is opened or a transaction conducted if there are any doubts as to whether these clients or customers are acting on their own behalf, for example, in the case of domiciliary companies (i.e. institutions, corporations, foundations, trusts, etc. that do not conduct any commercial or manufacturing business or any other form of commercial operation in the country where their registered office is located).

**12.** Financial institutions should maintain, for at least five years, all necessary records on transactions, both domestic or international, to enable them to comply swiftly with information requests from the competent authorities. Such records must be sufficient to permit reconstruction of individual transactions (including the amounts and types of currency involved if any) so as to provide, if necessary, evidence for prosecution of criminal behaviour.

Financial institutions should keep records on customer identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence for at least five years after the account is closed.

These documents should be available to domestic competent authorities in the context of relevant criminal prosecutions and investigations.

**13.** Countries should pay special attention to money laundering threats inherent in new or developing technologies that might favour anonymity, and take measures, if needed, to prevent their use in money laundering schemes.

### **Increased Diligence of Financial Institutions**

**14.** Financial institutions should pay special attention to all complex, unusual large transactions, and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose. The background and purpose of such transactions should, as far as possible, be examined, the findings established in writing, and be available to help supervisors, auditors and law enforcement agencies.

**15.** If financial institutions suspect that funds stem from a criminal activity, they should be required to report promptly their suspicions to the competent authorities.

**16.** Financial institutions, their directors, officers and employees should be protected by legal provisions from criminal or civil liability for breach of any restriction on disclosure of information imposed by contract or by any legislative, regulatory or administrative provision, if they report their suspicions in good faith to the competent authorities, even if they did not know precisely what the underlying criminal activity was, and regardless of whether illegal activity actually occurred.

**17.** Financial institutions, their directors, officers and employees, should not, or, where appropriate, should not be allowed to, warn their customers when information relating to them is being reported to the competent authorities.

**18.** Financial institutions reporting their suspicions should comply with instructions from the competent authorities.

**19.** Financial institutions should develop programs against money laundering. These programs should include, as a minimum:

- (i) the development of internal policies, procedures and controls, including the designation of compliance officers at management level, and adequate screening procedures to ensure high standards when hiring employees;
- (ii) an ongoing employee training programme;
- (iii) an audit function to test the system.

### **Measures to Cope with the Problem of Countries with No or Insufficient Anti-Money Laundering Measures**

**20.** Financial institutions should ensure that the principles mentioned above are also applied to branches and majority owned subsidiaries located abroad, especially in countries which do not or insufficiently apply these Recommendations, to the extent that local applicable laws and regulations permit. When local applicable laws and regulations prohibit this implementation, competent authorities in the country of the mother institution should be informed by the financial institutions that they cannot apply these Recommendations.

**21.** Financial institutions should give special attention to business relations and transactions with persons, including companies and financial institutions, from countries which do not or insufficiently apply these Recommendations. Whenever these transactions have no apparent economic or visible lawful purpose, their background and purpose should, as far as possible, be examined, the findings established in writing, and be available to help supervisors, auditors and law enforcement agencies.

### **Other Measures to Avoid Money Laundering**

**22.** Countries should consider implementing feasible measures to detect or monitor the physical cross-border transportation of cash and bearer negotiable instruments, subject to strict safeguards to ensure proper use of information and without impeding in any way the freedom of capital movements.

**23.** Countries should consider the feasibility and utility of a system where banks and other financial institutions and intermediaries would report all domestic and international currency transactions above a fixed amount, to a national central agency with a computerised data base, available to competent authorities for use in money laundering cases, subject to strict safeguards to ensure proper use of the information.

24. Countries should further encourage in general the development of modern and secure techniques of money management, including increased use of checks, payment cards, direct deposit of salary checks, and book entry recording of securities, as a means to encourage the replacement of cash transfers

25. Countries should take notice of the potential for abuse of shell corporations by money launderers and should consider whether additional measures are required to prevent unlawful use of such entities.

### **Implementation and Role of Regulatory and Other Administrative Authorities**

26. The competent authorities supervising banks or other financial institutions or intermediaries, or other competent authorities, should ensure that the supervised institutions have adequate programs to guard against money laundering. These authorities should co-operate and lend expertise spontaneously or on request with other domestic judicial or law enforcement authorities in money laundering investigations and prosecutions.

27. Competent authorities should be designated to ensure an effective implementation of all these Recommendations, through administrative supervision and regulation, in other professions dealing with cash as defined by each country.

28. The competent authorities should establish guidelines which will assist financial institutions in detecting suspicious patterns of behaviour by their customers. It is understood that such guidelines must develop over time, and will never be exhaustive. It is further understood that such guidelines will primarily serve as an educational tool for financial institutions' personnel.

29. The competent authorities regulating or supervising financial institutions should take the necessary legal or regulatory measures to guard against control or acquisition of a significant participation in financial institutions by criminals or their confederates.

## **D. STRENGTHENING OF INTERNATIONAL CO-OPERATION**

### **Administrative Co-operation**

#### *Exchange of general information*

30. National administrations should consider recording, at least in the aggregate, international flows of cash in whatever currency, so that estimates can be made of cash flows and reflows from various sources abroad, when this is combined with central bank information. Such information should be made available to the International Monetary Fund and the Bank for International Settlements to facilitate international studies.

31. International competent authorities, perhaps Interpol and the World Customs Organisation, should be given responsibility for gathering and disseminating information to competent authorities about the latest developments in money laundering and money laundering techniques. Central banks and bank regulators could do the same on their network. National authorities in

various spheres, in consultation with trade associations, could then disseminate this to financial institutions in individual countries.

*Exchange of information relating to suspicious transactions*

**32.** Each country should make efforts to improve a spontaneous or "upon request" international information exchange relating to suspicious transactions, persons and corporations involved in those transactions between competent authorities. Strict safeguards should be established to ensure that this exchange of information is consistent with national and international provisions on privacy and data protection.

**Other Forms of Co-operation**

*Basis and means for co-operation in confiscation, mutual assistance and extradition*

**33.** Countries should try to ensure, on a bilateral or multilateral basis, that different knowledge standards in national definitions - i.e. different standards concerning the intentional element of the infraction - do not affect the ability or willingness of countries to provide each other with mutual legal assistance.

**34.** International co-operation should be supported by a network of bilateral and multilateral agreements and arrangements based on generally shared legal concepts with the aim of providing practical measures to affect the widest possible range of mutual assistance.

**35.** Countries should be encouraged to ratify and implement relevant international conventions on money laundering such as the 1990 Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime.

*Focus of improved mutual assistance on money laundering issues*

**36.** Co-operative investigations among countries' appropriate competent authorities should be encouraged. One valid and effective investigative technique in this respect is controlled delivery related to assets known or suspected to be the proceeds of crime. Countries are encouraged to support this technique, where possible.

**37.** There should be procedures for mutual assistance in criminal matters regarding the use of compulsory measures including the production of records by financial institutions and other persons, the search of persons and premises, seizure and obtaining of evidence for use in money laundering investigations and prosecutions and in related actions in foreign jurisdictions.

**38.** There should be authority to take expeditious action in response to requests by foreign countries to identify, freeze, seize and confiscate proceeds or other property of corresponding value to such proceeds, based on money laundering or the crimes underlying the laundering activity. There should also be arrangements for coordinating seizure and confiscation proceedings which may include the sharing of confiscated assets.

**39.** To avoid conflicts of jurisdiction, consideration should be given to devising and applying mechanisms for determining the best venue for prosecution of defendants in the interests of justice in cases that are subject to prosecution in more than one country. Similarly, there should be arrangements for coordinating seizure and confiscation proceedings which may include the sharing of confiscated assets.

**40.** Countries should have procedures in place to extradite, where possible, individuals charged with a money laundering offence or related offences. With respect to its national legal system, each country should recognise money laundering as an extraditable offence. Subject to their legal frameworks, countries may consider simplifying extradition by allowing direct transmission of extradition requests between appropriate ministries, extraditing persons based only on warrants of arrests or judgements, extraditing their nationals, and/or introducing a simplified extradition of consenting persons who waive formal extradition proceedings.

**Annex to Recommendation 9: List of Financial Activities undertaken by business or professions which are not financial institutions**

1. Acceptance of deposits and other repayable funds from the public.
2. Lending<sup>1</sup>.
3. Financial leasing.
4. Money transmission services.
5. Issuing and managing means of payment (e.g. credit and debit cards, cheques, traveller's cheques and bankers' drafts...)
6. Financial guarantees and commitments.
7. Trading for account of customers (spot, forward, swaps, futures, options...) in:
  - (a) money market instruments (cheques, bills, CDs, etc.) ;
  - (b) foreign exchange;
  - (c) exchange, interest rate and index instruments;
  - (d) transferable securities;
  - (e) commodity futures trading.
8. Participation in securities issues and the provision of financial services related to such issues.
9. Individual and collective portfolio management.
10. Safekeeping and administration of cash or liquid securities on behalf of clients.
11. Life insurance and other investment related insurance.
12. Money changing.

---

1 Including inter alia

- consumer credit
- mortgage credit
- factoring, with or without recourse
- finance of commercial transactions (including forfaiting)

---

## APPENDIX 5:

### The Twenty-Five FATF Criteria for Determining Non-Cooperative Countries and Territories

---

#### A. Loopholes in financial regulations

(i) *No or inadequate regulations and supervision of financial institutions*

1. Absence or ineffective regulations and supervision for all financial institutions in a given country or territory, onshore or offshore, on an equivalent basis with respect to international standards applicable to money laundering.

(ii) *Inadequate rules for the licensing and creation of financial institutions, including assessing the backgrounds of their managers and beneficial owners*

2. Possibility for individuals or legal entities to operate a financial institution without authorization or registration or with very rudimentary requirements for authorization or registration.

3. Absence of measures to guard against holding of management functions and control or acquisition of a significant investment in financial institutions by criminals or their confederates.

(iii) *Inadequate customer identification requirements for financial institutions*

4. Existence of anonymous accounts or accounts in obviously fictitious names.

5. Lack of effective laws, regulations, agreements between supervisory authorities and financial institutions or self-regulatory agreements among financial institutions on identification by the financial institution of the client and beneficial owner of an account:

- no obligation to verify the identity of the client;
- no requirement to identify the beneficial owners where there are doubts as to whether the client is acting on his own behalf;
- no obligation to renew identification of the client or the beneficial owner when doubts appear as to their identity in the course of business relationships;
- no requirement for financial institutions to develop ongoing anti-money laundering training programs.

6. Lack of a legal or regulatory obligation for financial institutions or agreements between supervisory authorities and financial institutions or self-agreements among financial institutions to record and keep, for a reasonable and sufficient time (five years), documents connected with the identity of their clients, as well as records on national and international transactions.



7. Legal or practical obstacles to access by administrative and judicial authorities to information with respect to the identity of the holders or beneficial owners and information connected with the transactions recorded.

*(iv) Excessive secrecy provisions regarding financial institutions*

8. Secrecy provisions which can be invoked against, but not lifted by competent administrative authorities in the context of inquiries concerning money laundering.

9. Secrecy provisions which can be invoked against, but not lifted by judicial authorities in criminal investigations related to money laundering.

*(v) Lack of efficient suspicious transactions reporting system*

10. Absence of an efficient mandatory system for reporting suspicious or unusual transactions to a competent authority, provided that such a system aims to detect and prosecute money laundering.

11. Lack of monitoring and criminal or administrative sanctions in respect to the obligation to report suspicious or unusual transactions.

**B. Obstacles raised by other regulatory requirements**

(i) Inadequate commercial law requirements for registration of business and legal entities

12. Inadequate means for identifying, recording and making available relevant information related to legal and business entities (name, legal form, address, identity of directors, provisions regulating the power to bind the entity).

*(ii) Lack of identification of the beneficial owner(s) of legal and business entities*

13. Obstacles to identification by financial institutions of the beneficial owner(s) and directors/officers of a company or beneficiaries of legal or business entities.

14. Regulatory or other systems which allow financial institutions to carry out financial business where the beneficial owner(s) of transactions is unknown, or is represented by an intermediary who refuses to divulge that information, without informing the competent authorities.

**C. Obstacles to international co-operation**

*(i) Obstacles to international co-operation by administrative authorities*

15. Laws or regulations prohibiting international exchange of information between administrative anti-money laundering authorities or not granting clear gateways or subjecting exchange of information to unduly restrictive conditions.

16. Prohibiting relevant administrative authorities to conduct investigations or inquiries on behalf of, or for account of their foreign counterparts.

17. Obvious unwillingness to respond constructively to requests (e.g. failure to take the appropriate measures in due course, long delays in responding).

18. Restrictive practices in international co-operation against money laundering between supervisory authorities or between FIUs for the analysis and investigation of suspicious transactions, especially on the grounds that such transactions may relate to tax matters.

*(ii) Obstacles to international co-operation by judicial authorities*

19. Failure to criminalise laundering of the proceeds from serious crimes.

20. Laws or regulations prohibiting international exchange of information between judicial authorities (notably specific reservations to the anti-money laundering provisions of international agreements) or placing highly restrictive conditions on the exchange of information.

21. Obvious unwillingness to respond constructively to mutual legal assistance requests (e.g. failure to take the appropriate measures in due course, long delays in responding).

22. Refusal to provide judicial co-operation in cases involving offences recognized as such by the requested jurisdiction especially on the grounds that tax matters are involved.

**D. Inadequate resources for preventing and detecting money laundering activities**

*(i) Lack of resources in public and private sectors*

23. Failure to provide the administrative and judicial authorities with the necessary financial, human or technical resources to exercise their functions or to conduct their investigations.

24. Inadequate or corrupt professional staff in either governmental, judicial or supervisory authorities or among those responsible for anti-money laundering compliance in the financial services industry.

*(ii) Absence of a financial intelligence unit or of an equivalent mechanism*

25. Lack of a centralized unit (i.e., a financial intelligence unit) or of an equivalent mechanism for the collection, analysis and dissemination of suspicious transactions information to competent authorities.