

# **International Narcotics Control Strategy Report**

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## **Multilateral Activities**

### ***United Nations***

#### **United Nations Security Council Resolutions**

UN Security Council Resolutions (UNSCR) 1267, 1390 and 1455 obligate UN Member States to impose certain measures-namely, asset freezes, travel restrictions and an arms embargo-against individuals and entities associated with Usama Bin Ladin, or members of al-Qaida or the Taliban that are included on the consolidated list maintained and regularly updated by the UN 1267 Sanctions Committee. UNSCR 1452 allows for limited exceptions to the asset freeze provisions under certain circumstances. A Monitoring Group reports to the UN 1267 Sanctions Committee on the implementation of the resolutions.

#### **United Nations Security Council Resolution 1373**

On September 28, 2001 the United Nations Security Council adopted Resolution 1373 (UNSCR 1373) concerning terrorism. UNSCR 1373 requires States to take certain specified measures to combat terrorism. Among other things, it requires States to do the following: to freeze without delay funds, financial assets or other economic resources of persons who commit, attempt to commit, facilitate or participate in the commission of terrorist acts; to prohibit their nationals or any persons and entities within their territories from making any funds, financial assets or economic resources or other related services available-directly or indirectly-for the benefit of persons who commit, attempt to commit, facilitate or participate in the commission of terrorist acts; to ensure that terrorist acts are established as serious criminal offenses in domestic laws and regulations and that punishment duly reflects the seriousness of such terrorist acts; to deny safe haven to those who finance, plan, support or commit terrorist acts; and, to ensure that any person who participates in the financing, planning, preparation or perpetration of terrorist acts is brought to justice. UNSCR 1373 calls upon States to exchange information and cooperate to prevent the commission of terrorist acts.

UNSCR 1373 establishes a committee, the UN Counter-Terrorism Committee (CTC), to monitor implementation of the resolution and to receive reports from States on steps they have taken to implement the resolution.

#### **UN International Convention for the Suppression of the Financing of Terrorism**

On December 9, 1999, the United Nations General Assembly adopted the International Convention for the Suppression of the Financing of Terrorism. It was opened for signature from January 10, 2000 to December 31, 2001. This Convention requires parties to criminalize the provision or collection of funds with the intent that they be used, or in the knowledge that they are to be used, to conduct certain terrorist activity. Article 18 of the Convention requires states parties to cooperate in the prevention of terrorist

financing by adapting their domestic legislation, if necessary, to prevent and counter preparations in their respective territories for the commission of offenses specified in Article 2. To that end, Article 18 encourages implementation of numerous measures consistent with the FATF Forty Recommendations on Money Laundering. These measures, which states parties implement at their discretion, include the following: prohibiting accounts held by or benefiting people unidentified or unidentifiable; verifying the identity of the real parties to transactions; and, requiring financial institutions to verify the existence and the structure of the customer by obtaining proof of incorporation.

The Convention also encourages states parties to obligate financial institutions to report complex or large transactions and unusual patterns of transactions that have no apparent economic or lawful purpose, without incurring criminal or civil liability for good faith reporting; to require financial institutions to maintain records for five years; to supervise (for example, through licensing) money-transmission agencies; and to monitor the physical cross-border transportation of cash and bearer-negotiable instruments. Finally, the Convention addresses information exchange, including through the International Criminal Police Organization (Interpol). As of December 31, 2003, 107 states had become parties to the Convention; by December 31, 2004, 132 countries had become parties to the Convention.

### **UN Convention Against Transnational Organized Crime**

The UN Convention Against Transnational Organized Crime (Convention) was signed by 125 countries, including the United States, at a high-level signing conference December 12-14, 2000 in Palermo, Italy. It is the first legally binding multilateral treaty specifically targeting transnational organized crime. Two supplemental Protocols addressing trafficking in persons and migrant smuggling were also signed by many countries in Palermo. Each instrument enters into force on the ninetieth day after the 40th state deposits an instrument of ratification, acceptance, approval or accession. The Convention entered into force September 29, 2003, and the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children entered into force December 25, 2003. However, at the end of 2003, the Protocol against the Smuggling of Migrants by Land, Sea and Air had not yet entered into force. As of the end of 2003, 59 countries had become parties to the Convention and by December 31, 2004, 94 countries had become parties.

The Convention takes aim at preventing and combating transnational organized crime through a common toolkit of criminal law techniques and international cooperation. It requires states parties to have laws criminalizing the most prevalent types of criminal conduct associated with organized crime groups, including money laundering, obstruction of justice, corruption of public officials and conspiracy. The article on money laundering regulation requires parties to institute a comprehensive domestic regulatory and supervisory regime for banks and financial institutions to deter and detect money laundering. The regime will have to emphasize requirements for customer identification, record keeping and reporting of suspicious transactions.

### **UN Convention Against Corruption**

The UN Convention Against Corruption (Convention), signed by 96 countries, including the United States, at a high-level signing conference December 9-11, 2003 in Merida, Mexico, is the first legally binding multilateral treaty to address on a global basis the problems relating to corruption. The Convention expands on the provisions of existing regional anticorruption instruments to prevent corruption and provides channels for governments to recover assets that have been illicitly acquired by corrupt former officials. The Convention also provides for the criminalization of certain corruption-related activities such as bribery and money laundering, and for the provision of mutual legal assistance related to those activities. As the Convention against Transnational Organized Crime does, this Convention requires parties to institute a comprehensive domestic regulatory and supervisory regime for banks and financial institutions to deter and detect money laundering. That regime must emphasize requirements for customer identification, record keeping and reporting of suspicious transactions. As of December 2, 2004, 26 countries had become parties to the Convention.

## ***The Financial Action Task Force***

The Financial Action Task Force on Money Laundering (FATF), established at the G-7 Economic Summit in Paris in 1989, is an inter-governmental body whose purpose is the development of international standards and the promotion of policies aimed at combating money laundering and the financing of terrorism.

The FATF originally was given the responsibility of examining money laundering techniques and trends, evaluating anti-money laundering measures, and recommending additional steps to be taken. In 1990, the FATF first issued its Forty Recommendations on Money Laundering. These recommendations were designed to prevent proceeds of crime from being utilized in future criminal activities and affecting legitimate economic activity. Revised in 1996, and most recently in 2003, to reflect changes in money laundering patterns, these recommendations, along with the nine FATF Special Recommendations on Terrorist Financing, are widely acknowledged as the international standards in these areas.

The FATF monitors members' progress in implementing anti-money laundering measures, examines money laundering techniques and countermeasures, and promotes the adoption and implementation of effective anti-money laundering measures globally. In performing these activities, the FATF collaborates with various other international organizations, including several FATF-style regional bodies.

The FATF members include 31 jurisdictions and two regional organizations. The FATF members collectively represent the major financial centers of North America, South America, Europe, Africa, Asia, and the Pacific. The FATF member delegations are drawn from a wide range of disciplines, including experts from Ministries of Finance, Justice, Interior and Foreign Affairs; financial supervisory authorities; and law enforcement agencies. Argentina, Australia, Austria, Belgium, Brazil, Canada, Denmark, European Commission, Finland, France, Germany, Greece, Gulf Co-operation Council, Hong Kong China, Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Portugal, Russian Federation, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, United Kingdom and the United States are members of the FATF.

## **Non-Cooperative Countries and Territories (NCCT) Exercise**

In 2000, the FATF published its first list of jurisdictions deemed to be non-cooperative in the global fight against money laundering (NCCT). Inclusion on the list was determined by an assessment of the jurisdiction against 25 distinct criteria covering the following four broad areas:

- Loopholes in financial regulations;
- Obstacles raised by other regulatory requirements;
- Obstacles to international cooperation; and,
- Inadequate resources for preventing and detecting money laundering activities.

In deciding whether a jurisdiction should be removed from the NCCT list, the FATF membership must be satisfied that a jurisdiction has addressed the previously identified deficiencies. The FATF relies on its collective judgment and on-site visits, and attaches particular importance to reforms in the areas of criminal law, financial supervision, customer identification, suspicious activity reporting, and international co-operation. Legislation and regulations must have been enacted and have come into effect before removal from the list may be considered. Additionally, the FATF seeks to ensure that the jurisdiction is implementing needed reforms. Thus, information related to institutional infrastructure, the filing and utilization of suspicious transaction reports, examinations of financial institutions, and the conduct of money laundering investigations, is considered.

During 2004, the FATF removed Egypt, Guatemala and Ukraine from its list of non-cooperative jurisdictions. At the close of 2004, six jurisdictions remained on the FATF's NCCT list: Burma, Cook

Islands, Indonesia, Nauru, Nigeria, and Philippines. (Cook Islands, Indonesia, and the Philippines were removed in February 2005.)

### **Revision of the FATF Forty Recommendations on Money Laundering**

The FATF Forty Recommendations on Money Laundering constitute the generally accepted international anti-money laundering standard and cover such relevant areas as regulatory, supervisory and criminal law, as well as international cooperation. Money laundering methods and techniques change as new measures to combat money laundering are implemented and new technologies are developed. Therefore, in 2001 and again in 2003, the FATF embarked on a review of the FATF Forty Recommendations to ensure that they were current. The most recent effort was concluded in June 2003, when the FATF released its latest revised Forty Recommendations.

### **Combating the Financing of Terrorism**

Shortly after September 11, 2001, the FATF mandate was expanded beyond money laundering to support the worldwide effort to combat terrorist financing. During an extraordinary plenary meeting in Washington, D.C. in October 2001, the FATF adopted eight Special Recommendations on Terrorist Financing. These Special Recommendations now represent the international standard in this area.

The FATF membership completed self-assessments against the Special Recommendations, and the FATF called upon all countries and jurisdictions to take part in a similar exercise. During 2004, recognizing the growing importance of the use of bulk cash smuggling to move terrorist funds, the FATF added Special Recommendation (SR) IX, Cash Couriers, to address the cross-border transportation of currency and bearer negotiable instruments. The FATF also provided additional interpretation and guidance with respect to its recommendations on terrorist financing. Included in this effort was the issuance of interpretive notes on cash couriers and on countries' obligations to criminalize terrorist financing (SRs II and IX).

The FATF continues to work with jurisdictions that lack appropriate measures to combat terrorist financing. At the October 2003 Plenary, the FATF launched an assessment initiative in collaboration with the G-8's Counter Terrorism Action Group (CTAG). At the request of CTAG, the FATF began assessing the counterterrorist financing technical assistance needs of several jurisdictions. These assessments and follow up assistance by CTAG donor countries will assist countries in strengthening their counterterrorist financing regimes and in meeting the standards set by the FATF Special Recommendations as well as the relevant UN Security Council resolutions.

### **The FATF and the International Financial Institutions**

Money laundering and the financing of terrorism are worldwide concerns that undermine the integrity of domestic and global financial systems, increase risks and may impact national security. Since September 11, 2001, the international community has adopted a broad and comprehensive agenda to address these threats. As an important part of that effort, the International Financial Institutions (IFIs), notably the World Bank and the International Monetary Fund (IMF), agreed to take on an enhanced role in the global fight against money laundering and the financing of terrorism.

A significant part of this enhanced role involves integrating anti-money laundering and counterterrorist financing (AML/CTF) considerations into the IFIs' financial sector assessment, surveillance and diagnostic activities. The IMF and World Bank are now including such assessments in the course of their Financial Sector Assessment Program (FSAP) reviews and in other aspects of their engagement with members. The IMF and World Bank collaborated closely with the FATF, other international standard setters (the Basel Committee of Banking Supervisors, the International Association of Insurance Supervisors, the International Organization of Securities Commissions) and the Egmont Group of Financial Intelligence Units to develop a comprehensive and unified methodology for measuring countries' implementation of

AML/CTF principles, based on the FATF Forty Recommendations on Money Laundering and the FATF Special Recommendations on Terrorist Financing.

In 2004, the FATF, in cooperation with the IFIs, completed revising the comprehensive assessment methodology. The revised methodology was adopted by the FATF membership, and the IMF and World Bank Executive Boards agreed to use it to assess member compliance with AML/CTF principles.

### **The FATF 2004 Typologies Exercise**

The FATF conducted its annual typologies exercise (December 6-8, 2004), in Moscow, Russia to examine current and emerging methods, trends, and patterns in money laundering and terrorist financing, and to consider effective countermeasures. For the first time, the FATF invited a FATF style regional body, MONEYVAL, to co-chair the typologies exercise. The 2004 typologies exercise focused upon money laundering vulnerabilities in the insurance sector, human trafficking, and alternative remittance systems, and their relationships to terrorist financing.

### ***FATF-Style Regional Bodies (FSRBs)***

The FATF-style regional bodies (FSRBs), which are all observers of the FATF, have similar form and functions to those of the FATF, and some FATF members are also members of these bodies. The FSRBs are regional groups that interpret and implement the international standards developed by the FATF. The groups use peer pressure and mutual evaluations of member jurisdictions to encourage their laws' and practices' consistency with the FATF standards and recommendations. The FSRBs monitor those whose level of compliance is determined to be less than acceptable, and coordinate and/or provide technical assistance to those and other members. In 2004, two new groups were established—the Eurasian Group on Combating Money Laundering and Financing of Terrorism and the Middle Eastern Northern Africa Financial Action Task Force. The formation of these new groups leaves the Central Africa region as the only geographic region lacking a FSRB.

### **Asia/Pacific Group on Money Laundering**

In 2004, the Asia/Pacific Group on Money Laundering (APG) welcomed two new members—Cambodia and Mongolia—and is now comprised of 28 nations from South Asia, Southeast Asia, East Asia and the South Pacific. They include Australia, Bangladesh, Brunei Darussalam, Cambodia, Chinese Taipei, Cook Islands, Fiji Islands, Hong Kong China, India, Indonesia, Japan, Korea (Republic of), Macau China, Malaysia, Marshall Islands, Mongolia, Nepal, New Zealand, Niue, Pakistan, Palau, Philippines, Samoa, Singapore, Sri Lanka, Thailand, United States and Vanuatu. There are also 11 observer jurisdictions and 16 observer international and regional organizations in the APG.

The APG's mission is to contribute to the global fight against money laundering, organized crime and terrorist financing in the Asia/Pacific region by enhancing anti-money laundering and counterterrorist financing efforts.

### **Caribbean Financial Action Task Force**

The Caribbean Financial Action Task Force (CFATF) continues to advance its anti-money laundering initiatives within the Caribbean basin. The CFATF's 30 members include Anguilla, Antigua and Barbuda, Aruba, Commonwealth of the Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Costa Rica, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Montserrat, Netherlands Antilles, Nicaragua, Panama, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, Turks and Caicos Islands and Venezuela. Additionally, there are seven Cooperating and Supporting Nations (COSUNs) and 14 observer organizations.

Members of the CFATF subscribe to a Memorandum of Understanding (MOU) that delineates the CFATF's mission, objectives, and membership requirements. All members are required to make a political commitment to adhere to and implement the FATF Forty Recommendations on Money Laundering and the FATF Special Recommendations on Terrorist Financing, and to undergo peer review in the form of mutual evaluations to assess their level of implementation of the recommendations. Members are also required to participate in the activities of the body.

### **Council of Europe MONEYVAL**

MONEYVAL generally includes within its membership those Council of Europe member states that are not members of the FATF. MONEYVAL has 27 members: Albania, Andorra, Armenia, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, Hungary, Latvia, Liechtenstein, Lithuania, Macedonia, Malta, Moldova, Monaco, Poland, Romania, the Russian Federation, San Marino, Serbia and Montenegro, Slovakia, Slovenia and Ukraine. The terms of reference for the MONEYVAL Committee of the Council of Europe were amended in 2003 to permit the Russian Federation to continue its membership even after its accession to the FATF. MONEYVAL aims to encourage legal, financial and punitive measures among its members that are in line with international standards. To accomplish this, it relies on a system of mutual evaluations and peer pressure. MONEYVAL's mandate was most recently extended through the end of 2007.

Like the FATF, MONEYVAL has taken on additional responsibilities in the area of counterterrorist financing. In 2002, the Council's European Committee on Crime Problems revised MONEYVAL's terms of reference to specifically include the issue of financing terrorism. The current text recognizes the FATF Special Recommendations on Terrorist Financing as international standards and authorizes the evaluation of the performance of MONEYVAL member states in complying with these standards. The Council's Multidisciplinary Group on International Action Against Terrorism has pointed to MONEYVAL's evaluation work as a priority for Council of Europe action. The Council of Europe's Parliamentary Assembly, in its Recommendation 1584, has similarly recognized the importance of MONEYVAL's monitoring and evaluation of all aspects connected with the financing of terrorism.

### **Eastern and Southern African Anti-Money Laundering Group**

The Eastern and Southern African Anti-Money Laundering Group (ESAAMLG) was launched at a meeting of ministers and high-level representatives in Arusha, Tanzania, in August 1999 and held its first meeting in April 2000. The group maintains its Secretariat in Dar es Salaam, Tanzania. Its 14 member countries are Botswana, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. The United States, United Kingdom, Commonwealth Secretariat, United Nations and World Bank serve as cooperating nations and organizations.

ESAAMLG coordinates with other international organizations that study emerging regional typologies, develop institutional and human resource capacities, and coordinate technical assistance to accomplish its mission to implement the FATF Forty Recommendations to combat money laundering in the region.

### **Eurasian Group on Combating Money Laundering and Financing of Terrorism**

The Memorandum of Understanding establishing the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) was signed on October 6, 2004 by six member states: Belarus, China, Kazakhstan, Kyrgyz Republic, Russia and Tajikistan. Seven jurisdictions and nine international organizations were admitted as observers.

The EAG held its inaugural plenary on December 8, 2004 in Moscow, Russia. The Secretariat was officially formed, an Executive Secretary named and a 2005 work plan adopted. The primary goals of the EAG are to provide assistance to members in implementation of the FATF Recommendations; to analyze

regional trends in money laundering and terrorist financing; and, to promote cooperation within the region and coordinate technical assistance and programs with international organizations, working groups and interested jurisdictions.

### **Financial Action Task Force Against Money Laundering in South America**

The Memorandum of Understanding establishing the Financial Action Task Force Against Money Laundering in South America, (Grupo de Acción Financiera de Sudamerica Contra el Lavado de Activos or GAFISUD) was signed on December 8, 2000 by nine member states: Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Peru, Paraguay and Uruguay. Mexico, Portugal, Spain, France, and the United States participate as cooperating and supporting countries (PACOs). The Inter-American Development Bank, the International Monetary Fund, the United Nations Office for Drug Control and Crime Prevention, the Egmont Group, and the World Bank are observers to GAFISUD. In addition, the Organization of American States' Inter-American Drug Abuse Control Commission (OAS/CICAD) is a special advisory member. GAFISUD is committed to the adoption and implementation of the FATF Forty Recommendations and the FATF Nine Special Recommendations on Terrorist Financing. GAFISUD's mission also includes member self-assessment and mutual evaluation programs. A permanent Secretariat has been established in Buenos Aires, Argentina, and Uruguay has offered a training center as a permanent training venue for GAFISUD. GAFISUD has adopted an Action Plan to Counter Terrorism. GAFISUD has also endorsed the revised AML/CTF Methodology for assessing compliance with the FATF Recommendations and is using the Methodology in conducting its second round of mutual evaluations, which commenced in September 2004.

### **Middle East and North African Financial Action Task Force**

The Middle East North Africa Financial Action Task Force (MENAFATF) was launched at a meeting of ministers and high-level representatives in Bahrain, on November 29, 2004 and held its inaugural plenary the following day. The 14 founding members of the group are Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, the United Arab Emirates and Yemen. An initial work-plan has been drafted for the group.

### **Inter-Governmental Action Group Against Money Laundering**

The Heads of State and Government of the Economic Community of West African States (ECOWAS) established the Inter-Governmental Action Group Against Money Laundering (GIABA) in December 1999. GIABA's first meeting was held in Dakar, Senegal, in November 2000. Members include: Benin, Burkina Faso, Cape Verde Islands, the Gambia, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Liberia, Mauritania, Mali, Niger, Nigeria, Senegal and Togo. A Senegalese magistrate serves as the acting head of GIABA.

At the first meeting, GIABA endorsed the FATF Forty Recommendations on Money Laundering, recognized the FATF as an observer, and provided for self-assessment and mutual evaluation procedures to be carried out by GIABA. While the text prepared by the experts provided for a strong involvement of ECOWAS in the activities of GIABA, the Ministers agreed to give more autonomy to the new body. GIABA is a nascent organization that has not met since 2002, although in 2004 efforts were being made to revive the group.