Money Laundering

Money Laundering

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Money Laundering

A. What Is Money Laundering?

- Money laundering is the process of concealing the existence, illegal source, or application of income derived from criminal activity.
- Money laundering results in disguising of the source of criminal income to make it appear legitimate. In other words, money laundering makes assets appear to have been obtained through legal means, with legally-earned income or to be owned by third parties, who have no relationship to the true owner.
- Money laundering activities produce substantial profits and create the incentive for money launderers to find a way to disguise those funds without attracting attention to the underlying activity involving money laundering and thus they avoid prosecution, conviction and confiscation of their illegal funds.

B. What Is The Size of Money Laundering Globally?

- Money laundering occurs outside the normal range of economic statistics.
- International Monetary Fund has estimated the global volume of money laundering in 2001 to be between $1.6- $1.8 trillion (around 2 to 5 percent of the world's GDP).
- Drugs accounted for one third of all money laundering operations, but corruption was equally dispersed.

C. Examples of Money Laundering

- Examples of money laundering activities include organized crime, drug trafficking, prostitution, gambling, funding terrorism, illegal arms sales and smuggling.
- Regarding the financial services industry, money laundering activities include embezzlement, insider trading, bribery, tax evasion and fraud schemes.

D. Stages of Money Laundering:

- The placement stage: the launderer introduces his/her illegal profits into the financial system. e.g. purchasing a series of monetary instruments (checks, money orders, securities, etc.)

- The Layering stage: the launderer engages in a series of conversions or movements of the funds through the purchase and sales of investment instruments, or the launderer might simply wire the funds through a series of accounts at various banks across the globe, thus giving these funds a legitimate appearance.
- The Integration stage: the funds re-enter the legitimate economy allowing them to be retained, invested or used to acquire goods or assets.

E. Organizations Combating Money Laundering:

1- Financial Action Task Force (FATF)

Efforts to deter the use of the international financial system for money laundering purposes, began to be taken seriously, in the 1980s which led to:

- The establishment of the **FATF**, the Paris-based multinational group formed in 1989 by the Group of Seven industrialized nations to foster international action against money laundering and culminated by the publication of its 40 Recommendations in 1990.
- The FAFT requires countries to establish a **Financial Intelligence Unit (FIU)**, to serve as a national center for the collection, analysis and dissemination of suspicious transaction reports and other information regarding potential money-laundering. It is usually a central national agency responsible for receiving, analyzing and disseminating to the competent authorities, disclosures of financial information concerning suspected proceeds of crime, required by national legislation or regulation, in order to counter money laundering
- On 14 February 2000, the **FATF** published its first report on Non-Cooperative Countries and Territories (NCCTs) in the context of identifying key anti-money laundering weaknesses in jurisdictions inside and outside its membership. The report described a process designed to identify jurisdictions which have rules and practices that can impede the fight against money laundering and to encourage these jurisdictions to implement international standards in this area.
- The FATF developed a process to seek out critical weaknesses in anti-money laundering systems in order to reduce the vulnerability in financial systems to

money laundering by ensuring that all financial centers adopt and implement measures for the prevention, detection and punishment of money laundering according to internationally recognized standards.

- Egypt is on the current list of NCCTs (as of 21 June 2002) under the category of jurisdictions, which have passed legislation and are taking steps to implement the recently enacted legislation. Egypt enacted Law No. 80/2002 for Combating Money Laundering on 22 May 2002.

2- International Organization of Securities Commissions (IOSCO)

- IOSCO is assembled of securities commissions, that regulate some of the world's internationalized markets. IOSCO members review major regulatory issues related to international securities and cooperate together to promote high standards of regulation in order to maintain just, efficient and sound markets.
- IOSCO adopted, in October 1992, a report and resolution encouraging its members to take necessary steps to combat money laundering in securities and futures markets through:
  - Customer identifying information that is gathered and recorded by financial institutions.
  - Setting the adequacy and extent of record-keeping requirements.
  - Enhancing the ability of relevant authorities to identify and prosecute money launderers.

3- Security Industry Association (SIA)

- The SIA brings together the shared interests of more than 600 securities firms in the US, including investment banks, broker-dealers, and mutual fund companies to accomplish common goals. SIA guides its members and their employees in the securities industry through highlighting their fundamental role in the continued growth and development of the capital markets, as well as their responsibility to issuers and investors.

- SIA implemented in coordination with the Office of Foreign Assets Control (OFAC), initiatives to help its member firms (securities firms) be aware of the trading restrictions and asset freezes imposed by OFAC.

- SIA cooperated with the General Accounting Office's survey of anti-money laundering compliance in the securities industry.
- SIA is involved in industry-wide training on anti-money laundering issues. Thus SIA also held money laundering and regulation road shows for brokerage industry.

4- Securities and Exchange Commission (SEC)

- The primary mission of the SEC in the US is to protect investors and maintain the integrity of the securities markets. The SEC oversees stock exchanges, broker-dealers, investment advisors, mutual funds, etc. where it is concerned primarily with promoting disclosure of important information, enforcing the securities laws and protecting investors.

- In the 1980's, the SEC conducted a number of special examinations that focused on broker-dealer compliance with the Bank Secrecy Act (BSA), which contains anti-money laundering rules for broker-dealers.
- SEC has actively participated in a variety of groups, both domestic and international, that promote anti-money laundering initiatives, such as the Treasury's Financial Crimes Enforcement Network (FinCEN), as the Money Laundering Working Group, the Financial Action Task Force, and the Bank Fraud Working Group.

- SEC works closely with IOSCO to raise awareness among foreign securities regulators regarding money laundering.

5- Financial Services Authority (FSA)

- FSA is charged with reducing financial crimes in the UK committed by regulated firms including money laundering.
- The FSA’s explicit role in relation to money laundering and its new enforcement powers highlights the UK government’s drive to tackle financial crime. The FSA intends to have a range of tools which it can use to deal with failures in a firms’ systems and controls and will have the power to bring criminal prosecutions. The use of regulatory tools will vary depending on the characteristics and degree of non-compliance:

- Publication of regulatory guidance, sending out questionnaire and thematic visits.
- Liaison with industry consumer alerts, communication with senior management, and specialist team visits.
- Rule Making and enforcement action where appropriate.

6- Wolfsberg Principles

In October 2000, ten major international private banks (ABN Amro Bank N.V., Barclays Bank, Banco Santander Central Hispano, Chase Manhattan Private Bank., Citibank, Credit Suisse Group, Deutsche Bank AG, HSBC, J.P. Morgan., Societe Generale., UBS AG) met in the Swiss town of Wolfsberg and agreed on the following principles as important global guidance for sound business conduct in international private banking to combat money laundering :

- Client acceptance and identification of clients, beneficial owners and accounts held in the name of money managers.
- Authorised signers, practices for walk-in clients and electronic banking relationships.
- Situations requiring additional diligence and attention for high-risk countries and activities, offshore jurisdictions, and public officials.
- Definition, identification and follow-up of unusual or suspicious activities.
- Updating client files, monitoring and control responsibilities.
- Reporting, education, training, information and record retention requirements.
- Definition of exceptions, detection of deviations and the establishment of anti-money-laundering organisations.

F. Why Is Money Laundering An Important Concern for Securities Firms?

Trillions of dollars flow through the securities industry each year. Thus, securities firms face potential civil and criminal exposure if their firms are used to launder profits derived from illegal activities. The large monetary fines and provisions that are part of the existing money laundering laws in many countries could seriously impact the financial stability of securities firms, affecting all those who do business with those firms.

Broker and dealers

Broker and dealers in the USA have been subject to certain federal anti-money laundering laws since 1970, imposing reporting and record keeping requirements.

- Like banks, securities firms, have been required to report currency transactions in excess of $10,000.

- Broker-dealers have first to verify and record the identity of the purchaser of these types of instruments for more than $3,000 in currency.

- Broker-dealers, like other financial institutions, have been subject to the criminal provisions of the Money Laundering Control Act of 1986 (MLCA).

Most importantly, the attacks on the 11th of September events, with the attendant concerns over the interaction of money laundering and the financing of international terrorist activity put the subject of money laundering top of the agenda.

- After September 11, President Bush ordered freezing U.S. assets of and blocking transactions with 27 individuals and organizations.
- In coordination with OFAC and the SEC, firms had to check their records for any relationships or transactions with individuals or organizations named in the order.
- There was a list of names identified distributed by the Federal Bureau of Investigations.

On October 26, 2001, President Bush signed into law the USA PATRIOT Act, which amends, among other laws, the Bank Secrecy Act of the United States Code. The Act expands government powers to fight the war on terrorism and requires that financial institutions, including broker-dealers, implement policies and procedures to that end. The International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, requires each financial institution to establish Anti-Money Laundering Programs that include, at minimum:

- the development of internal policies, procedures, and controls,
- the designation of a compliance officer,
- an ongoing employee training program and
- an independent audit function to test programs.

In addition the Securities and Exchange Commission has approved new Exchange Rule 445 (Anti-Money Laundering Compliance Program). The new Exchange Rule 445 incorporates the MLAA requirements listed above and, in addition, requires the following:

- The MLCP Program to be in writing and approved, by member organizations' senior management.
- The designated compliance officer "contact person" or persons, primarily responsible for each member's or member organization's Program, be identified to the exchange by name, title, mailing address, e-mail address, telephone number, and facsimile number.
- The Program's policies, procedures, and internal controls be reasonably designed to achieve compliance with applicable provisions of the Bank Secrecy Act and the implementing regulations.

G. Techniques That Should Be Employed by Brokers to Combat Money Laundering:

1-Know Your Customer (KYC):

Customer identification, has been a key component of anti-money laundering regimes for several years. The concept of KYC in the securities industry has developed largely from existing rules of self-regulatory organizations (SROs) designed to ensure that a recommended securities transaction is suitable for a particular customer, through reasonable inquiry into a client’s financial situation, needs, circumstances, and investment objectives prior to making any investment recommendations and shall update this information as necessary.

Securities Firms Procedures to Know Their Customers (KYC):

Each member organization is required to use due diligence to learn the essential facts relative to:

- Every customer, every order, and every cash or margin account accepted or carried by such organization.
- Every person holding power of attorney over any account accepted or carried by such organization.

Individual Customers :-

- Securities firms should obtain basic information pertaining to the prospective customer at the time the account is opened, including the customer's name and residence and whether the customer is of legal age.
- For certain types of accounts, securities firms must make reasonable efforts to obtain, prior to the settlement of the initial transaction in the account, the customer's tax identification or Social Security number.
- Occupation of the customer and name and address of employer, and whether the customer is an associated person of another member.

As a matter of good business practice, many securities firms go beyond the suitability rules, and seek to obtain additional information, such as:

- The customer's date of birth, telephone number, investment experience and objectives.
- Family information, and information related to the customer's nationality.
- Most firms use vendor databases to check for background information on their customers.

Institutional Investors: -

Moreover, if the customer is a corporation, partnership or other legal entity, the suitability rules generally require that:

- Securities firms obtain the names of any persons authorized to transact business on behalf of the entity.
- Securities firms continue to build upon the information initially provided by the customer and update their records accordingly.

True and Beneficial Owners: -

The overall objective is for financial securities firms to know their true customers so that the institutions can recognize when a financial activity is unusual and therefore potentially suspicious and/or derived from or intended for use in criminal or terrorist activity and to have sufficient accurate records available to assist with investigations.
Thus financial institutions should:

- Identify the direct customer i.e. know who the person or legal entity is,

- Verify the customer's identity using reliable, independent source documents, data or information,
- Identify beneficial ownership and control - determine which natural person(s) ultimately owns or controls the direct customer, and/or the person on whose behalf a transaction is being conducted,
- Verify the identity of the beneficial owner of the customer and/or the person on whose behalf a transaction is being conducted,
- Conduct ongoing due diligence and scrutiny - conducting ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the institution's knowledge of the customer, their business and risk profile, including, where necessary, identifying the source of funds.
- Give particular attention to bearer shares and trusts.

2-Suspicious Activity Reporting:

Since 1996, broker-dealer subsidiaries of bank holding companies have been required by regulation to file a Suspicious Activity Report (SAR) on suspicious transactions related to possible money laundering activity.

The SEC also has various existing regulations requiring the reporting of securities violations. These include:

- Uniform forms for registration and termination, forms for reporting violations of securities rules, and forms relating to net capital violations.
- All broker-dealers, whether a part of a bank holding company or not, are required to file these forms.

The SEC provided a process including implementing systems to reveal patterns of unusual activities, showing examples of activities that may be considered suspicious.

Examples of possible suspicious activities when opening an account:

- The customer wishes to engage in transactions that lack business sense, apparent investment strategy, or are inconsistent with the customer's stated business or strategy.

- The customer exhibits unusual concern for secrecy, particularly with respect to his/her identity, type of business, assets or dealings with firms.
- The customer refuses to identify or fails to indicate a legitimate source for his/her funds and other assets.
- For no apparent reason, the customer has multiple accounts under a single name or multiple names, with a large number of inter-account or third party transfers.
- The customer is from, or has accounts in, a country identified as a haven for money laundering.
- The customer is unconcerned with risks, commissions, or other transaction costs.
- The customer appears to operate as an agent for an undisclosed principal, but is reluctant to provide information regarding that principal.
- The customer has difficulty describing the nature of his business and lacks general knowledge of his industry.
- The customer, or a person publicly associated with the customer, has a questionable background, including prior criminal convictions.

Examples of possible suspicious activities as part of an ongoing account:

- The customer attempts to make frequent or large deposits of currency, insists on dealing only in cash equivalents or asks for exemption from the firm's policies relating to the deposit of cash and cash equivalents.
- The customer engages in transactions involving cash over $10,000 or cash equivalents or other monetary instruments that appear to be structured to avoid government reporting requirements, especially if the monetary instruments are in an amount just below reporting or recording thresholds and/or are sequentially numbered.
- The customer makes a funds deposit followed by an immediate request that the money be wired out or transferred to a third party, or to another firm without any apparent business purpose.
- The customer makes a funds deposit, for the purpose of purchasing a long-term investment, followed shortly thereafter by a request to liquidate the position and a transfer of the proceeds out of the account.

- Unexplained or sudden extensive wire activity, especially in accounts that had little or no previous activity or to unrelated third parties.
- The customer's account has wire transfers to or from a bank secrecy haven country or country identified as a money laundering risk.
- Wire transfers are immediately withdrawn by check or debit card.
- The account shows a high level of activity, but very low levels of securities transactions.
- The customer's account shows numerous currency or cashier's check transactions aggregating to significant sums.

Below are some procedures that must be performed by brokers regarding the reporting of suspicious activity, including:

- The firm should adopt procedures setting forth appropriate parameters and methods of monitoring account activity so that unusual or suspicious transaction can be detected and appropriate actions can be taken. Accordingly, a firm should monitor for the following:

  - Wire transfer activities including specific dollar thresholds, volume or velocity thresholds and wires directed toward certain geographic destinations identified as high-risk.

  - Where a firm accepts deposits, some monitoring should be conducted with respect to cash. If there are limitations on the the amounts that can be received, the monitoring should look for exceptions to the policy. If there are no limitations, the firm should at a minimum look for deposits aggregating in excess of $10,000.

  - If a firm accepts monetary instruments, including cashier's checks, money orders and traveler's checks, it should have procedures in place to monitor for the structuring of such deposits.

- The firm should train all appropriate employees with respect to its anti-money laundering procedures, including the detection of unusual or suspicious transactions and compliance with the various federal rules, regulations and reporting requirements.

- The firm should consider its internal structure for reporting suspicious activity, depending on number of factors, including the firm's size, structure, resources and nature of its business.
- The firm should endeavor to centralize its reporting practices to ensure consistency and uniformity.
- In developing its procedures, the firm should designate a particular person or persons such as a **Compliance Officer** to be responsible for determining whether the transaction or account activity warrants further investigation and for making the final determination with respect to the filing of a SAR.
- The firm should designate a person or persons to be responsible for maintaining copies of all documentation, records and communications relating to a reported transaction.
- The firm's procedures should make clear that SARs are confidential and may not be disclosed to any person involved in the transaction.
- The firm should disseminate information to its personnel on whom to contact for anti-money laundering questions or issues.

3-Risk Management Procedures:

Securities firms should adopt good industry practices and must meet minimum standards in several areas in order to meet their obligations under rules and regulations and mitigate the risk of being used by criminals or terrorists in money laundering.

Examples of such practices include the following:

- Existence of a **Money Laundering Officer** in firms to take responsibility for the governance of money laundering controls.
- Large firms, with large retail networks and high volumes, establish money laundering Intranet sites; a useful way to promote increased staff awareness and training.
- Large firms also use technologies that allows them to carry out electronic monitoring of suspicious transactions.
- Firms could use e-mails containing short messages to remind staff about money laundering and promote enhanced staff awareness.

- Firms could use office stationery accessories to convey the money laundering message to staff.
- Firms could use solutions that provide both rules-based and neural network technologies as ways to protect themselves, comply with new and existing legislation, and most of all, defeat money launderers.

Money Laundering risk has to be well managed as it can encompass all kinds of risks faced by a firm, including:-

- Systematic risk where a default by one individual firm from engagement in money laundering activities triggers a wave of failures across the market.
- Operational risk where loss is due to human error or deficiencies in firms' systems and controls preventing money laundering activities.
- In addition firms can face country risk and foreign exchange risk caused by the movement of the illicit funds from other countries.

In order to effectively mitigate the above risks, firms should work on the development and improvement of risk control systems and rules focusing their job in the following main areas:-

- Market surveillance, with a special attention on large positions and aggregated cross-market supervision and setting levels of capital reserves.
- Disclosure of data and information about market value of financial instruments and risk policies; together with capital charges.
- Auditing of firms' books, financial registers and internal controls, checking the integrity and soundness of the models and segregation of accounts.

H. Some Examples of Combating Money Laundering in Emerging Countries:

☒ Indonesia

- Indonesia, was blacklisted by the FATF on its annual report issued in June 2002, as an uncooperative country in the fight against money laundering.
- In response to pressure from the IMF and industrialized countries, Indonesia, On April 17, 2002, enacted legislation that established a framework for combating money laundering activities.
- The law on money laundering, requires all financial services providers (not just banks) to maintain customer profiles for five years after the termination of the relationship with the relevant customers.

- The law defines money laundering crimes, imposes corporate liability, establishes reporting requirements and establishes a centralized data collection agency.

Lebanon

- Lebanon enacted the legal reforms needed to remedy the deficiencies identified and took concrete steps in its money laundering systems.
- In April 2001, Lebanon passed a law that criminalized money laundering, and addressed creating a Special Investigation Commission (SIC) to receive and review suspicious transactions.
- The Central Bank issued in May 2001 a Decision that addressed issues related to the check of the client's identity and the obligation to report suspicious operations.
- Thus in its report issued in June 2002, the FATF removed Lebanon from the list of countries that were not cooperating in the international fight against money laundering.

United Arab Emirates

- FATF has praised the efforts made by the United Arab Emirates to combat money laundering in its recent Non Cooperative Countries and Territories Report issued in June 2002.
- Although, UAE was not included on the original FATF blacklist, following the terrorist attacks of September 11, 2001 the authorities took swift actions, implementing new laws in order to be considered "co-operative" by the FATF.
- On December 25, 2001 the United Arab Emirates' Federal National Council (FNC) approved the Anti-money Laundering Draft Law, which covers financial activities in Dubai.
- On January 23, 2002, the President of the UAE signed the new Anti-Money Laundering Law, known as the "Criminalization of the Laundering of Property Derived from Unlawful Activity".
  - The law provides for jail terms of up to seven years and a fine ranging from Dh 2,000 to Dh1 million, in addition to freezing of property, depending on the nature of the crime.
  - A Financial Information Unit will be established at the Central Bank to deal

with money laundering and suspicious cases.

- The establishment of an anti-money laundering Committee, is chaired by the Central Bank Governor.

- The Central Bank have made it mandatory for all licensed financial institutions to report transactions of over Dh 20,000.
- Visitors to the UAE must declare amounts above Dh 40,000 brought into the country.
- The UAE Minister of Economy and Commerce issued a Circular to all insurance companies in the UAE setting the procedures for those firms to combat money laundering.

Egypt

- Egypt was classified on the annual report issued by the FATF on 21 June 2002, as an uncooperative country in the fight against money laundering. The FATF classified Egypt as a jurisdiction, which has made progress in enacting legislation to address deficiencies.
- The FATF, had alerted several countries including Egypt for the need of a stand-alone law to combat money-laundering. It stated that the Central Bank of Egypt's (CBE) "Know Your Customer" strategy, adopted in May 2001, was not enough to combat wide-scale money-laundering and that a separate law was needed.
- The People's Assembly voted by a large majority on May 20, 2002 and passed Egypt's first law against money-laundering. The law grants the government strong powers to track and freeze funds and assets and co-operate with international agencies on reporting suspect financial transactions.
- The law allows for the creation of a taskforce (The Agency) to combat money laundering, it shall have representatives from the CBE, as well as other relevant entities and ministries.
- The Agency shall be in charge of receiving reports submitted by financial institutions regarding suspected money-laundering transactions.

- Entities such as the Central Bank of Egypt, Capital Market Authority and other supervisory agencies should establish and provide adequate means for verifying that different institutions under their supervision are compliant with the systems and rules for the prevention of money laundering.
- The Agency will exchange information with other supervisory agencies, foreign countries and international organizations. It will be committed by law to submit an annual report to the People's Assembly about money laundering activities in Egypt.

  Financial institutions will have to design new systems to ensure the identification of their customers and beneficiaries' identities and legal statuses through officially sanctioned procedures, such systems include: -

  - Banks, can no longer open or accept un-named current accounts and deposits.

  - Firms are committed to create a central register of all their local or international financial operations to help identify their customers and make their operations more transparent.

  - Institutions will not inform customers under suspicion of any of the measures used to monitor their finances.

  - Firms will have to keep records for registering local and international transactions, and they should maintain these records and the documents concerning customers identification for a period of no less than five years from the date of termination or close of the account.

- In addition the law requires travelers leaving or entering the country to register on their passport foreign currencies held if exceeding $ 20,000 in value.

Those found guilty of pursuing money laundering activities banned by the law will face a number of penalties, including:-

- A sentence of seven years in prison and a fine equal to the amount of money laundered. The laundered money itself will be confiscated.
- Firms that do not report suspicious transactions, do not keep records, or tip customers under suspicion any kind of information could face imprisonment and a fine ranging between LE5,000 and LE20,000.
- In case, the crime is committed by an entity, the natural person responsible for effective management of the offending entity will face the same penalties.
- Any perpetrator of money laundering activities shall not face any penalties imposed by the law, if he/she reports to the Agency or any other authority about the act prior to their knowledge of it.

I. Conclusion

As can be viewed, money laundering has become a very important issue and several countries, agencies, regulators and SROs are combating money laundering. Most countries now have implemented principles and rules to combat money laundering. These rules should be implemented according to each country's specific circumstances and constitutional framework, allowing flexibility. In their fight for combating money laundering countries should:-

- Determine which serious crimes would be designated as money laundering offences.
- Take measures as may be necessary, including legislative ones, to enable it to criminalize money laundering and should consider both monetary and civil penalties.
- Be able to confiscate property laundered, proceeds from, instruments used in or intended for use in the commission of any money laundering.
- Monitor the physical cross-border transportation of cash and bearer negotiable instruments, subject to strict safeguards to ensure proper use of information.

In specific, financial institutions have a major role in combating money laundering. Now a days the financial industry is comprised of many different institutions such as banks, forex bureaus, brokers, investment banks etc. Some of these firms service retail customers, others deal primarily with an institutional client base, and others handle both types of customer accounts. Moreover, while large firms are able to facilitate customer trades and transactions involving millions of dollars, other

organizations, may operate in a local community and offer limited services with limited capital.

Given this variety and complexity of the financial industry and the important role it plays, financial institutions must meet minimum standards to be able to combat money laundering and comply with the established rules and regulations including:

- Financial institutions should not keep anonymous accounts or accounts in obviously fictitious names.

- Financial institutions should identify, on the basis of official and reliable documents the identity of their clients and keep records of them.
- Financial institutions should 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 etc.

  - Verify that any person purporting to act on behalf of the customer is so authorized and identify that person.

  - 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.

- Firms should designate a Compliance officer responsible for the firm’s entire money laundering program.
- Firms should train employees regarding its anti-money laundering efforts; and audit its program to ensure it is actually being implemented and is working as intended.
- Financial institutions should maintain, for at least five years, all necessary records on transactions, both domestic or international, to enable them to comply when information is requested by authorities.
- Financial institutions should pay special attention to all complex, unusual large transactions, which have no apparent economic or lawful purpose. The

transaction should be examined, the findings established in writing, and be available to supervisors, auditors and law enforcement agencies.

- If financial institutions suspect that funds stem from a criminal activity, they should report promptly their suspicions to the competent authorities.
- Directors, officers and employees, should not, warn their customers when information relating to them is being reported to authorities.

Supervisory Authorities Supervising Different Financial Institutions Should: -

- Ensure that the supervised institutions have adequate programs to guard against money laundering.
- Cooperate and lend expertise spontaneously or on request with other domestic judicial or law enforcement authorities in money laundering investigations and prosecutions.
- Establish guidelines, which will assist financial institutions in detecting suspicious patterns of behavior by their customers.

References/websites
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5-Financial Action Task Force on Money Laundering http://www.fatf-gafi.org./
6-Finacial Crimes Enforcement Network(FinCEN) http://www.ustreas.gov/fincen/
7- Global program against Money Laundering http://www.imolin.org/gpml.htm
8-United Nations for Drug Control and Crime Prevention http://www.odccp.org/money_laundering.html

Money Laundering in some Countries(1)

	Egypt	UAE	Lebanon
On the list of NCCT*	Yes	No	No
Classification by FATF*	Made progress in enacting legislation to address deficiencies	Reviewed in 2001 but not found to be Non-Cooperative	Addressed deficiencies through legal reforms
Progress made since 2001	The CBE issued new counter-ML regulations that include customer identification and record-keeping provisions	Approved the Anti-ML Draft Law, which covers financial activities in Dubai.	Promulgated Decision which addressed the check of client's identity and obligation to report suspicious transactions.
Law enacted	Law No. 80-2002 in May 2002	Federal Law No (4) in January 2002	Law No. 318 in April 2001
The Law	Criminalizes the laundering of proceeds from organized crime, terrorist acts, arms trafficking, embezzlement&specified frauds&addresses customer identification, record-keeping	Criminalizes the laundering of proceeds from narcotics, kidnapping, terrorism, arms trafficking, fraud, and other crimes.	Criminalizes the laundering of proceeds from organized crime, terrorist acts, arms trafficking, embezzlement&specified frauds

***NCCT:** Non-Cooperative Countries and Territories
***FATF:** Financial Action Task Force

Money Laundering in some Countries(2)

	Hungary	Ukraine	Russia
On the list of NCCT	No	Yes	Yes
Classification by FATF	Addressed deficiencies through legal reforms	Have not made adequate progress in addressing the serious deficiencies	Made progress in enacting legislation to address deficiencies
Progress made since 2001	Enhanced its anti-money laundering regime.	Adopted a series of Presidential Decrees providing guidance to what kinds of transactions financial institutions should consider as “doubtful &uncommon.”	Enacted a Federal Law addressing the search, seizure and the Confiscation of the Proceeds from Crime.
Law enacted	Act No. 33 of 2001	Presidential Decrees	Law in August 2001 came in effect in February 2002
The Law	Tightens customer identification & the identification of beneficial owner	Has yet to enact anti-money laundering legislation	Includes customer identification requirements & institutes a suspicious activity reporting system

Money Laundering in some Countries(3)

	Indonesia	Philippines	Israel	Nigeria
On the list of NCCT	Yes	Yes	No	Yes
Classification by FATF	Made progress in enacting legislation to address deficiencies	Made progress in enacting legislation to address deficiencies	Addressed deficiencies through legal reforms	Potentially subject to countermeasures
Progress made since 2001	Regulations require the establishment of “know your customer” policies, compliance officers, and employee training.	Anti-ML Act introduced the mandatory reporting of certain transactions, requiring customer identification.	Promulgated a Regulation for members of stock exchanges,to identify, report &keep records of transactions for 7years	Has taken no actions to address the deficiencies in its anti-money laundering regime
Law enacted	Law No.15/2002 in April 2002	Anti-Money Laundering Act in september 2001	Prohibition on Money Laundering Law in August 2002	-
The Law	Criminalizes the laundering of criminal proceeds exceeding a high threshold, mandates reporting of suspicious transactions	The Act implementing rules and regulations took effect 2 April 2002.	Addresses ML criminal offence, as well as customer identification, record-keeping and reporting requirements.	Has taken no actions to address the deficiencies in its anti-money laundering regime