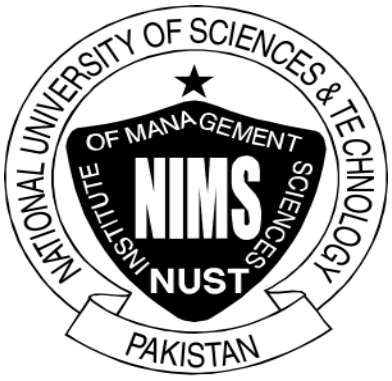


(NIMS)

NUST INSTITUTE OF MANAGEMENT SCIENCES

MBA 2002

FINAL THESIS

"*MONEY LAUNDERING AND ITS IMPLICATIONS*"

SUBMITTED BY:

Rizwan

2002-NUST-MBA-144

NUST Institute of Management Sciences, Tamiz ud din Road, Rawalpindi Cantt.

Money Laundering and Its Implications

Thesis Report (First Draft)

Submitted to;
Ms. Fauzia Janjua
Head of Finance Department

Submitted by;
Rizwan
MBA 2k2

PREFACE

INTRODUCTION

ANALYSIS

RECOMMENDATIONS

CONCLUSION

ANNEXURES

BIBLIOGRAPHY

ACKNOWLEDEMENT

Nothing in this world can by achieved without struggle and struggle without guidance is like wandering in dark room for black cat.

First of all I am thankful to Almighty Allah who has given me the enough capability to meet this task. Then my whole heartily gratitude is for my very respected and cooperative teacher

MS. FAUZIA JANJUA

Who has given me time, resources and the most important her thought provoking guidance to accomplish this task.

Rizwan 13/01/2021

DEDICATION

I dedicate my humble efforts of research to my loveliest and sweetest PARENTS who have given me the confidence to achieve what ever I want.

Rizwan 13/01/2021

PREFACE

The goal of a large number of criminal acts is to generate a profit for the individual or group that carries out the act. Money laundering is the processing of these criminal proceeds to disguise their illegal origin. This process is of critical importance, as it enables the criminal to enjoy these profits without jeopardizing their source.

Illegal arms sales, smuggling, and the activities of organized crime, including for example drug trafficking and prostitution rings, can generate huge sums. Embezzlement, insider trading, bribery and computer fraud schemes can also produce large profits and create the incentive to "legitimize" the ill-gotten gains through money laundering.

Crime can be highly profitable. Money generated in large volume by illegal activities must be "laundered," or made to look legitimate, before it can be freely spent or invested; otherwise, it may be seized by law enforcement and forfeited to the government. Transferring funds by electronic messages between banks—"wire transfer"—is one way to swiftly move illegal profits beyond the easy reach of law enforcement agents and at the same time begin to launder the funds by confusing the audit trail.

The International Monetary Fund, for example, has stated that the aggregate size of money laundering in the world could be somewhere between two and five per cent of the world's gross domestic product. Using 1996 statistics, these percentages would indicate that money laundering ranged between 590 billion and 1.5 trillion US Dollars. The lower figure is roughly equivalent to the value of the total output of an economy the size of Spain.

"The white collar crime of the 1990s is here and it is money laundering." Money laundering has become a lucrative and sophisticated business and an indispensable element of organized crimes activities. It is the process by which a person conceals the existence, source, or use of illegitimate income and then disguises that income to make it appear legitimate. Since the present economy has made it tougher for money launders to free up the illegally acquired currency to either further their business operations or to

fund new operations, they must find ways to hide the origins of the source before they could use the funds undetectably in a legitimate economy. Laundering money is no longer a domestic problem because it no longer involves drug trafficking, but all other criminals as well. According to the Financial Task Force 1997-98 Annual Report, “annual money laundering estimates range from $100 billion to $500 billion. It also reports that money laundering continues to increase in various areas around the world. For example, drug traffickers launder $100 billion globally each year and this is partly due to the increase in drug trafficking and organized crime.” The report shows that money laundering is a financial concern nationally and internationally because it is

There are three principal sources of illicit funds in Pakistan: narcotics trafficking, corruption and smuggling. Narcotics trafficking proceeds come from the transshipment of narcotics produced in Afghanistan as well as Pakistan. Traffickers dealing in these narcotics operate all over the world, and the money laundering schemes associated with these trafficking operations are similarly global in nature. Large amounts of money are laundered, although the majority of the laundering takes place outside of Pakistan. Finally, many, if not all, of these schemes use the Hawala (also called "Hundi") alternative remittance system.

There are longstanding allegations of large- scale corruption and money laundering against former Pakistani Prime Minister Benazir Bhutto and her husband, Ali Asif Zardari. Bhutto is under investigation in several jurisdictions. It is possible that Bhutto could have used a combination of techniques to launder money, including moving money to international financial centers in Europe and the Middle East as well as Hawallah. Prime Minister Nawaz Sharif, deposed by a military coup led by General Parvez Musharraf, is also accused of corruption.

Many goods are smuggled across the relatively porous border between Afghanistan and Pakistan. For example, a smuggler will import goods into Afghanistan, which has low duties, and then smuggle them into Pakistan, which has high duties. He thus saves money on duties and sells the goods on the black market in Pakistan. In other cases, the goods

are simply brought into Pakistan and sold. Smuggling operations may also involve the laundering of the proceeds of smuggling. Gold smuggling, often associated with Hawallah, is also an issue in Pakistan.

Pakistan does not offer offshore services.

Pakistan does not have a financial intelligence. Several agencies, most particularly the Anti-Narcotics Force and Pakistan Customs, play a major role in the investigation of financial crimes cases in Pakistan.

In past years, Pakistani authorities, most particularly senior officials in the Anti-Narcotics Force, had expressed an interest in developing a working relationship with the United States on money laundering.

The most significant money laundering cases involving Pakistan are the ongoing investigations of former Prime Ministers Benazir Bhutto and Nawaz Sharif.

Pakistan needs to do several things to establish an effective anti-money laundering regime. First, it needs to enact legislation that fully criminalizes money laundering beyond drug trafficking. Second, Pakistan needs to mandate and implement a system of reporting of suspicious transactions by all financial institutions in Pakistan. Finally, given the major role that Hawala transactions play in money laundering in Pakistan, "anti-Hawala" countermeasures need to be developed and implemented.

TABLE OF CONTENTS

1. INTRODUCTION 4

1.1 INTRODUCTION 4

1.2 BRIEF HISTORY 6

1.3 BACKGROUND 8

2. LITERATURE REVIEW 9

2.1 WHAT IS MONEY LAUNDERING 9

2.2 THE PROCESS OF MONEY LAUNDERING 10

2.3 STAGES OF MONEY LAUNDERING 11

2.3.1 PLACEMENT 11

2.3.2 LAYERING 11

2.3.3 INTEGRATION 12

3. ANALYSIS 13

3.1. THE TEN FUNDAMENTAL LAWS OF MONEY LAUNDERING 13

3.2. ORIGIN AND FLOW OF MONEY LAUNDERING 14

3.3. BUSINESS AREAS PRONE TO MONEY LAUNDERING 17

3.3.1. BANKING 17

3.3.2. UNDERGROUND BANKING 18

3.3.3 FUTURES 18

3.3.4. PROFESSIONAL ADVISORS 19

3.3.5. FINANCE HOUSES/BUILDING SOCIETIES 19

3.3.6 FINANCIAL TRANSMITTERS 19

3.3.7. CASINOS 20

3.3.8 ANTIQUE DEALERS/DESIGNER GOODS SUPPLIERS 20

3.4. CYBER LAUNDERING 21

3.4.1.RISKS TO ON-LINE BANKING & E-COMMERCE COMPANIES 21

3.4.2 ASSISSTANCE OF TECHNOLOGY IN MONEY LAUNDERING? 22

3.4.3. DETECTION BY INTERMEDIARIES 24

3.4.4. VULNERABLE INDUSTRIES 25

3.4.5. EXISTING LEGISLATION AGAINST CYBER-LAUNDERING 25
3.4.6. HOW ON-LINE CRIMES WILL BE MONITORED IN FUTURE? 27
3.4.6.1. Internet Service Providers 27
3.4.6.2. Privacy Issues 27
3.4.6.3.Looking for signs of Cyber-laundering 28
3.5. EFFECTS (CONSEQUENCES) OF MONEY LAUNDERING 29
3.5.1. EXPOSED EMERGING MARKETS 29
3.5.2. THE ECONOMIC EFFECTS OF MONEY LAUNDERING 30
3.5.3. THE SOCIAL COSTS OF MONEY LAUNDERING 33
3.6 EXAMPLES OF MONEY LAUNDERING 35
3.6.1. SPECIFIC MONEY LAUNDERING SYSTEMS USED BY DRUG CARTELS 35
3.6.2. THE COLOMBIAN BLACK MARKET PESO EXCHANGE 35
3.6.3. THE MEXICAN BANK DRAFTS AND FACTORED THIRD PARTY CHECKS 37
3.7. CASE INDICTMENTS THAT AFFECT COMMERCIAL INSTITUTIONS. 38
3.7.1. CITIBANK AND RAUL SALINAS 38
3.7.2. CITIBANK AND ASIF ALI ZARDARI 41
3.7.3. CITIBANK AND BANCA CONFIA……40
3.7.4. OPERATION CASABLANCA 41
3.8. MONEY LAUNDERING IN PAKISTAN 44
3.8.1. PRINCIPAL SOURCES OF ILLEGAL PROCEEDS 45
3.8.2. MAJOR DRUG BARONS IN PAKISTAN 46
3.8.3. PRINCIPAL MONEY LAUNDERING METHODS 47
3.8.3.1. Hawala 47
3.8.3.2.Bearer Investment Schemes 49
3.8.4. MOST COMMON TECHNIQUES USED IN PAKISTAN 50
3.8.5. SIGNIFICANCE OF MONEY LAUNDERING FOR GOVERNMENTS 51
3.9. INITIATIVES AGAINST MONEY LAUNDERING 54
3.9.1 FINANCIAL ACTION TASK FORCE (FATF) 54
3.9.2. EUROPEAN UNION 60

3.9.3. UN GLOBAL PROGRAMME AGAINST MONEY LAUNDERING 61
3.9.4. PAKISTAN'S MEASURES AGAINST MONEY LAUNDERING 62
3.10. MONEY LAUNDERING CASES 64
3.10.1. BENAZIR BHUTTO CONVICTED OF MONEY LAUNDERING 64
3.10.2. BANK OF CREDIT AND COMMERCE INTERNATIONAL 67
4. RECOMMENDATIONS 90
4.1. THE FORTY RECOMMENDATIONS OF THE FINANCIAL ACTION TASK FORCE ON MONEY LAUNDERING 90
4.2. RECOMMENDATIONS FOR PAKISTAN 99
5. CONCLUSION 102
6. ANNEXURES .....**Error! Bookmark not defined.**
7. BIBLIOGRAPHY 103

1. INTRODUCTION

1.1 INTRODUCTION

Crime is an increasing source of concern in the international arena. The method by which the proceeds of crime are given the appearance of legality, often referred to as 'money laundering', is intimately connected with the profitability and regeneration of criminal activities and the existence and prosperity of criminal organizations. In the public mind, as well as in many official accounts and analyses, money laundering has obvious associations with such high revenue crimes as drug trafficking, extortion, and prostitution. There is no doubt that these activities generate a large amount of the total criminal funds laundered world wide, a sum variously estimated to be between several hundred billion and a trillion US dollars annually. However, the need to conceal the origin, passage and beneficial ownership of funds from the scrutiny of regulators and law enforcement is not restricted to those involved in the high profile crimes mentioned above, but is shared by a variety of other actors. For instance, illegal activities that rely on the laundering process to render their practitioners a degree of profitability include tax evasion.

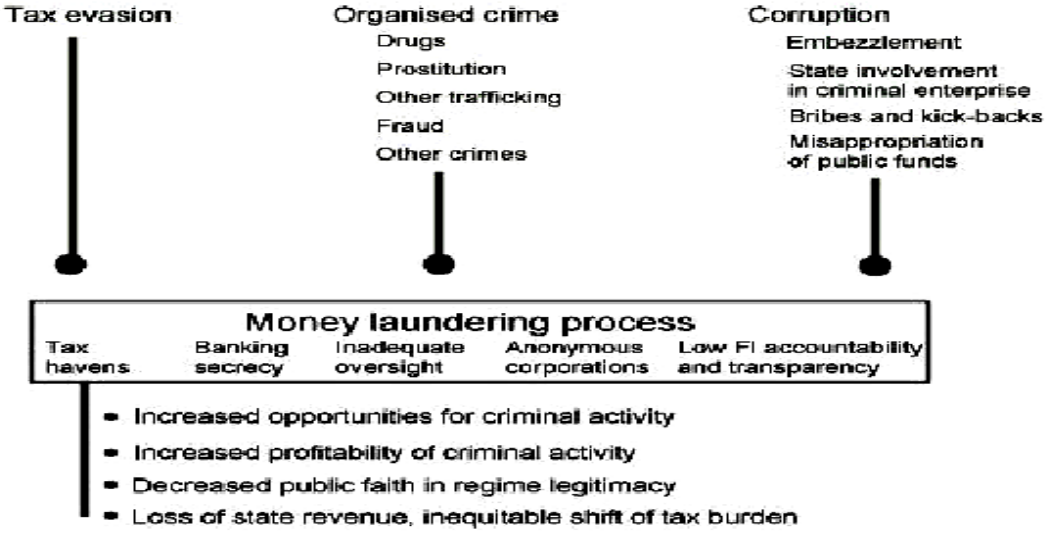
This practice costs national governments hundreds of billions of dollars annually, depriving needy societies of desperately required revenue and altering the principles of fair redistribution that underpin the legitimacy of many states. The need to conceal the source and ownership of revenue is also shared by groups and individuals involved in corruption, the subject of this study. A simple definition of corruption is 'the misuse of public or private office for personal gain'. A greater level of detail is provided by a recent study, which subdivides the issue of corruption into four separate areas, as follows:

1. Bribes and 'kick-backs': payments demanded or expected in return for being allowed to do legitimate business. The payment becomes the license to do business. Those who make the payments are allowed to compete or win contracts.
2. Election/campaign corruption: illegal payments made at the time of elections to ensure continuing influence.

3. Protection: officials accept payments (or privilege) from criminal organizations in exchange for permitting them to engage in illegitimate businesses.
4. Systemic top-down corruption: national wealth is systematically siphoned off or exploited by ruling elites.

All four types of corruption suggested here, along with a fifth type – military involvement in illegal enterprise – exist in numerous contexts in the Asia Pacific, and have been discussed elsewhere in this series as sources of laundered funds. A review of existing analyses of corruption reveals that the types of corruption considered of greatest concern do indeed vary across different jurisdictions. Corruption, though often associated with bribery of public officials, can also occur discretely within the private sector. It may involve organized crime groups, venal elites, or – at the other extreme – individuals who have previously had no contact with criminal behavior yet are presented with an opportunity for immediate, illegal gain (through, for instance, the abuse of public office). As the information reviewed in this study reveals, while no overall figure can be established it is likely that funds derived from corrupt practices worldwide are of a magnitude to warrant similar levels of concern to those expressed with respect to transnational crime.

Figure 1: sources and consequences of the money laundering process



The relationship between corruption and money laundering is twofold and complex. As expressed above, corruption produces significant illegal revenues whose origins and ownership must be concealed through the money laundering process. But just as money laundering facilitates and renders profitable a variety of corrupt practices, so does corruption contribute to the process of money laundering. The money launderer, through the application of ‘grease payments’ or ‘kickbacks’, may procure willful blindness on the part of banking, law enforcement, or government officials. In so doing, the corrupt official contributes to the profitability of all three social ills highlighted in Figure 1 above.

While this study suggests that the Asia Pacific is less prone to the problem of corruption than many regions of the world, the data reviewed also indicate a broad range of experience across the region. Some jurisdictions fare extremely well in independent assessments of corruption; others exhibit middling experiences, while a limited number have major problems in this area. The existence of significant criminal activity in the region, largely in the shape of the drug trade and other forms of trafficking, and the emergence of new offshore financial services centers to complement that already in existence; render the region vulnerable to money laundering activity in any event. With the overlay of significant nodes of corrupt activity, it becomes evident that moves towards greater financial transparency and public accountability are as necessary in the Asia Pacific as in any other region of the world.

1.2 BRIEF HISTORY

The term "money laundering" is said to originate from Mafia ownership of Laundromats in the United States. Gangsters there were earning huge sums in cash from extortion, prostitution, gambling and bootleg liquor. They needed to show a legitimate source for these monies.

One of the ways in which they were able to do this was by purchasing outwardly legitimate businesses and to mix their illicit earnings with the legitimate earnings they

received from these businesses. Laundromats were chosen by these gangsters because they were cash businesses and this was an undoubted advantage to people like Al Capone who purchased them.

Al Capone, however, was prosecuted and convicted in October, 1931 for tax evasion. It was this that he was sent to prison for rather than the predicate crimes which generated his illicit income and according to **Robinson** this tale that the term originated from this time is a myth. He states that:

"Money laundering is called what it is because that perfectly describes what takes place - illegal, or dirty, money is put through a cycle of transactions, or washed, so that it comes out the other end as legal, or clean, money. In other words, the source of illegally obtained funds is obscured through a succession of transfers and deals in order that those same funds can eventually be made to appear as legitimate income".

It would seem, however, that the conviction of Al Capone for tax evasion may have been the trigger for getting the money laundering business off the ground.

Meyer Lansky (affectionately called 'the Mob's Accountant') was particularly affected by the conviction of Capone for something as obvious as tax evasion. Determined that the same fate would not befall him he set about searching for ways to hide money. Before the year was out he had discovered the benefits of numbered Swiss Bank Accounts. This is where money laundering would seem to have started and according to **Lacey** Lansky was one of the most influential money launderers ever. The use of the Swiss facilities gave Lansky the means to incorporate one of the first real laundering techniques, the use of the 'loan-back' concept, which meant that hitherto illegal money could now be disguised by 'loans' provided by compliant foreign banks, which could be declared to the 'revenue' if necessary, and a tax-deduction obtained into the bargain.

‘Money laundering’ as an expression is one of fairly recent origin. The original sighting was in newspapers reporting the Watergate scandal in the United States in 1973. The expression first appeared in a judicial or legal context in 1982 in America.

Since then, the term has been widely accepted and is in popular usage throughout the world.

1.3 BACKGROUND

Money laundering as a crime only attracted interest in the 1980s, essentially within a drug trafficking context. It was from an increasing awareness of the huge profits generated from this criminal activity and a concern at the massive drug abuse problem in western society which created the impetus for governments to act against the drug dealers by creating legislation that would deprive them of their illicit gains.

Governments also recognized that criminal organizations, through the huge profits they earned from drugs, could contaminate and corrupt the structures of the state at all levels.

Money laundering is a truly global phenomenon, helped by the International financial community which is a 24hrs a day business. When one financial center closes business for the day, another one is opening or open for business.

As a 1993 UN Report noted: The basic characteristics of the laundering of the proceeds of crime, which to a large extent also mark the operations of organized and transnational crime, are its global nature, the flexibility and adaptability of its operations, the use of the latest technological means and professional assistance, the ingenuity of its operators and the vast resources at their disposal.

In addition, a characteristic that should not be overlooked is the constant pursuit of profits and the expansion into new areas of criminal activity.

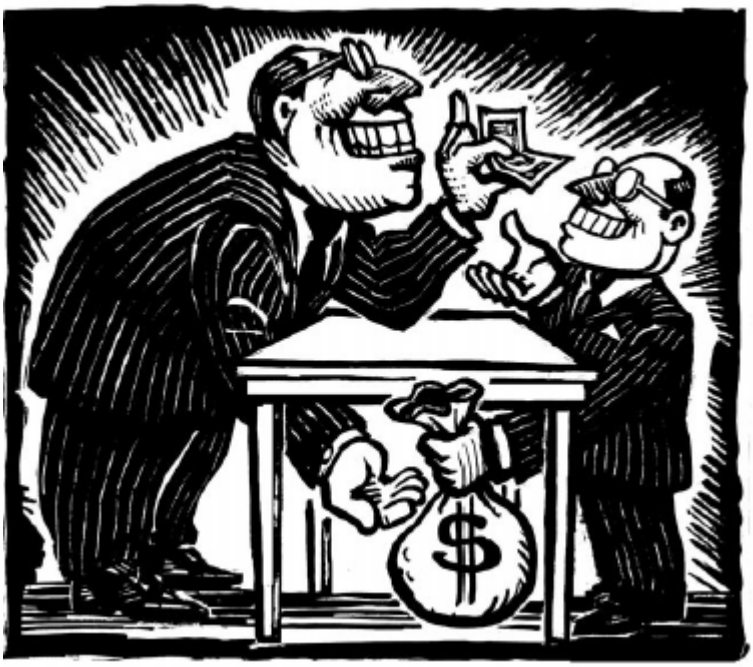
The international dimension of money laundering was evident in a study of Canadian money laundering police files. They revealed that over 80 per cent of all laundering

schemes had an international dimension. More recently, **"Operation Green Ice" (1992)** showed the essentially transnational nature of modern money laundering.

2. LITERATURE REVIEW

2.1WHAT IS MONEY LAUNDERING

If you were to conduct a survey in the streets asking the above question, the general response from most people would be that they had no idea. This typical response is one of the problems the Government has in combating this type of crime. It seems to be a victimless crime. It has none of the drama associated with a robbery or any of the fear that violent crime imprints upon people's psyche and yet, money laundering can only take place after a predicate crime (such as a robbery or housebreaking or drug dealing) has taken place. It is the lack of information about money laundering that is available to the person on the street, which makes it an invisible problem and hence difficult to tackle.



There are various definitions available which describe the phrase 'Money Laundering'. Article 1 of the draft European Communities (EC) Directive of March 1990 defines it as:

"The conversion or transfer of property, knowing that such property is derived from serious crime, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in committing such an offence or offences to evade the legal consequences of his action," **and**

"The concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing that such property is derived from serious crime."

Another definition is:

"Money laundering is the process by which large amounts of illegally obtained money (from drug trafficking, terrorist activity or other serious crimes) is given the appearance of having originated from a legitimate source."

If done successfully, it allows the criminals to maintain control over their proceeds and ultimately to provide a legitimate cover for their source of income. Money laundering plays a fundamental role in facilitating the ambitions of the drug trafficker, the terrorist, the organized criminal, the insider dealer, the tax evader as well as the many others who need to avoid the kind of attention from the authorities that sudden wealth brings from illegal activities. By engaging in this type of activity it is hoped to place the proceeds beyond the reach of any asset forfeiture laws.

2.2 THE PROCESS OF MONEY LAUNDERING

Money laundering is not a single act but is in fact a process that is accomplished in three basic steps. These steps can be taken at the same time in the course of a single transaction, but they can also appear in well separable forms one by one as well. The steps are:-

a. Placement;
b. Layering; and
c. Integration

There are also common factors regarding the wide range of methods used by money launderers when they attempt to launder their criminal proceeds. Three common factors identified in laundering operations are;

- The need to conceal the origin and true ownership of the proceeds;
- The need to maintain control of the proceeds;
- The need to change the form of the proceeds in order to shrink the huge volumes of cash generated by the initial criminal activity.

2.3 STAGES OF MONEY LAUNDERING

There stages which are passed through by the money launderers to show their illegal money a legitimate asset are listed as follow;

2.3.1 PLACEMENT

This is the first stage in the washing cycle. Money laundering is a "cash-intensive" business, generating vast amounts of cash from illegal activities (for example, street dealing of drugs where payment takes the form of cash in small denominations). The monies are placed into the financial system or retail economy or are smuggled out of the country. The aims of the launderer are to remove the cash from the location of acquisition so as to avoid detection from the authorities and to then transform it into other asset forms; **for example**: travelers' cheques, postal orders, etc. (more details follow).

2.3.2 LAYERING

In the course of layering, there is the first attempt at concealment or disguise of the source of the ownership of the funds by creating complex layers of financial transactions designed to disguise the audit trail and provide anonymity. The purpose of layering is to disassociate the illegal monies from the source of the crime by purposely creating a complex web of financial transactions aimed at concealing any audit trail as well as the source and ownership of funds.

Typically, layers are created by moving monies in and out of the offshore bank accounts of bearer share shell companies through electronic funds' transfer (**EFT**). Given that there are over 500,000 wire transfers - representing in excess of $1 trillion - electronically circling the globe daily, most of which is legitimate, there isn't enough information disclosed on any single wire transfer to know how clean or dirty the money is, therefore providing an excellent way for launderers to move their dirty money. Other forms used by launderers are complex dealings with stock, commodity and futures brokers. Given the sheer volume of daily transactions, and the high degree of anonymity available, the chances of transactions being traced is insignificant.

2.3.3 INTEGRATION

It is the final stage at which the money is integrated into the legitimate economic and financial system and is assimilated with all other assets in the system. Integration of the "cleaned" money into the economy is accomplished by the launderer making it appear to have been legally earned. By this stage, it is exceedingly difficult to distinguish legal and illegal wealth.

Methods popular to money launderers at this stage of the game are:

a. The establishment of anonymous companies in countries where the right to secrecy is guaranteed. They are then able to grant themselves loans out of the laundered money in the course of a future legal transaction. Furthermore, to increase their profits, they will also claim tax relief on the loan repayments and charge themselves interest on the loan.
b. The sending of false export-import invoices overvaluing goods allows the launderer to move money from one company and country to another with the invoices serving to verify the origin of the monies placed with financial institutions.
c. A simpler method is to transfer the money (via **EFT**) to a legitimate bank from a bank owned by the launderers, as 'off the shelf banks' are easily purchased in many tax havens.

3. ANALYSIS

3.1. THE TEN FUNDAMENTAL LAWS OF MONEY LAUNDERING

- The more successful a money laundering apparatus is in imitating the patterns and behavior of legitimate transactions, the less the likelihood of it being exposed.
- The more deeply embedded illegal activities are within the legal economy and the less their institutional and functional separation, the more difficult it is to detect money laundering.
- The lower the ratio of illegal to legal financial flows through any given business institution, the more difficult it is to detect money laundering.
- The higher the ratio of illegal "services" to physical goods production in any economy, the more easily money laundering can be conducted in that economy.
- The more the business structure of production and distribution of non-financial goods and services is dominated by small and independent firms or self-employed individuals, the more difficult the job of separating legal from illegal transactions.
- The greater the facility of using cheques, credit cards and other non-cash instruments for effecting illegal financial transactions, the more difficult it is to detect money laundering.
- The greater the degree of financial deregulation for legitimate transactions, the more difficult it is to trace and neutralize criminal money.
- The lower the ratio of illegally to legally earned income entering any given economy from outside, the harder the job of separating criminal from legal money.
- The greater the progress towards the financial services supermarket and the greater the degree to which all manner of financial services can be met within one integrated multi-divisional institution, the more difficult it is to detect money laundering.
- The greater the contradiction between global operation and national regulation of financial markets, the more difficult the detection of money laundering.

3.2. ORIGIN AND FLOW OF MONEY LAUNDERING

It is a fact that most of the money laundering origin and destinations are developed countries. Table: 1 explains the top 20 origins of money laundering.

Table: 1

Top 20 Origins of Laundered Money			
Rank	**Origin**	**Amount ($Usmill/yr)**	**% of Total**
1	United States	1320228	46.3%
2	Italy	150054	5.3%
3	Russia	147187	5.2%
4	China	131360	4.6%
5	Germany	128266	4.5%
6	France	124748	4.4%
7	Romania	115585	4.1%
8	Canada	82374	2.9%
9	United Kingdom	68740	2.4%
10	Hong Kong	62856	2.2%
11	Spain	56287	2.0%
12	Thailand	32834	1.2%
13	South Korea	21240	0.7%
14	Mexico	21119	0.7%
15	Austria	20231	0.7%
16	Poland	19714	0.7%
17	Philippines	18867	0.7%
18	Netherlands	18362	0.6%

19	Japan	16975	0.6%
20	Brazil	16786	0.76
Total	All Countries	2850470	100.0%

The originated laundered money has to flow somewhere in the world. Table: 2 show the top 20 flow of money laundering.

Table: 2

Top 20 Flows of Laundered Money				
Rank	**Origin**	**Destination**	**Amount ($Usmill/yr)**	**% of Total**
1	United States	United States	528091	18.5%
2	United States	Cayman Islands	129755	4.6%
3	Russia	Russia	118927	4.2%
4	Italy	Italy	94834	3.3%
5	China	China	94579	3.3%
6	Romania	Romania	87845	3.1%
7	United States	Canada	63087	2.2%
8	United States	Bahamas	61378	2.2%
9	France	France	57883	2.0%
10	Italy	Vatican City	55056	1.9%
11	Germany	Germany	47202	1.7%
12	United States	Bermuda	46745	1.6%
13	Spain	Spain	28819	1.0%
14	Thailand	Thailand	24953	0.9%
15	Hong Kong	Hong Kong	23634	0.8%
16	Canada	Canada	21747	0.8%

17	United Kingdom	United Kingdom	20897	0.7%
18	United States	Luxembourg	19514	0.7%
19	Germany	Luxembourg	18804	0.7%
20	Hong Kong	Taiwan	18796	0.7%
Total	All Countries	All Countries	2850470	100.0%

After having the information origins and flow of laundered money, the research shows that ultimate destinations are the origins. This is explained in table: 3.

Table: 3

Top 20 Destinations of Laundered Money			
Rank	**Destination**	**Amount ($USmill/yr)**	**% of Total**
1	United States	538145	18.9%
2	Cayman Islands	138329	4.9%
3	Russia	120493	4.2%
4	Italy	105688	3.7%
5	China	94726	3.3%
6	Romania	89595	3.1%
7	Canada	85444	3.0%
8	Vatican City	80596	2.8%
9	Luxembourg	78468	2.8%
10	France	68471	2.4%
11	Bahamas	66398	2.3%
12	Germany	61315	2.2%
13	Switzerland	58993	2.1%
14	Bermuda	52887	1.9%

15	Netherlands	49591	1.7%
16	Liechtenstein	48949	1.7%
17	Austria	48376	1.7%
18	Hong Kong	44519	1.6%
19	United Kingdom	44478	1.6%
20	Spain	35461	1.2%

3.3. BUSINESS AREAS PRONE TO MONEY LAUNDERING

3.3.1. BANKING

"If you want to steal, then buy a bank".

"Bertolt Brecht"

The best method of both stealing and laundering money is to own a bank. And though banks are an at risk group in relation to their main functions of deposit taker and opening of accounts, what can be done against this crime if the bank is international and in complicity with vast numbers of its depositors. When the CIA moved money via the BCCI it called it "facilitating the national interest". When the Mafia and the Libyans do it, it is called money laundering.

The BCCI affair was a major scandal involving allegations of corruption, bribery, money laundering, etc.. One investigator quotes in the Kerry Report:

"It had 3,000 criminal customers and every one of those 3,000 criminal customers is a page 1 story. So if you pick up any one of [BCCI's] accounts you could find financing from nuclear weapons, gun running, narcotics dealing and you will find all manner and means of crime around the world in the records of this bank".

As Powis (1992) said, "money laundering becomes a relatively easy thing to do when a banking institution and a number of its key officials co-operate in the laundering activity".

3.3.2. UNDERGROUND BANKING

Sometimes it is called **'parallel' banking**. These systems tend to mirror more conventional bank practices, but are highly efficient and wholly unauthorized methods of transferring money around the world. The best known among them are the Chop, Hundi, and Hawallah banking within various ethnic communities, which enables the avoidance of any conventional paper record of the financial transaction. Such methods do not require the actual movement of money but nonetheless facilitate the payment of funds to another party in another country in local currency, drawn on the reserves of the overseas partner(s) of the Hawallah banker. The system is dependant on considerable trust and considerable simplicity - the money launderer places an amount with the underground bank - the identifying receipt for a transaction being something as innocuous as a playing card or post-card torn in half, half being held by the customer and half being forwarded to the overseas Hawallah banker. The launderer then presents his receipt in the target country to obtain his money, thus avoiding exporting cash out of the country and limiting the risk of detection.

3.3.3. FUTURES

The UK experience showed that the futures market, through Capcom Commodities, a BCCI-related institution was another area that money launderers were taking advantage of for their money laundering schemes. Because of the 'anonymous' nature of the trading strategies, all brokers trading as principals and not in their client's name, the true identity of the beneficial owner is not known. Commodities therefore are a 'zero sum' game, which means you can only buy if someone is willing to sell, and vice versa. Launderers can take advantage by a strategy of buying and selling the same commodity, thereby taking a small hit for the commission charged by the broker. They pay the losing contract

out of dirty money and receive a cheque that legitimizes their profits and creates a paper trail for any one who asks where the money came from.

3.3.4. PROFESSIONAL ADVISORS

Accountants/Solicitors/Stockbrokers

If involved in investment activity, this group is covered in the Regulations. For example, their clients' account can be used as a bank account by clients and can put him at risk under s93 CJA93. See Michael Relton - Solicitor convicted in relation to money laundering proceeds from Brinks Mat robbery.

3.3.5. FINANCE HOUSES/BUILDING SOCIETIES

As with banks, any suspicious transactions must be reported. Money deposits in these institutions are where the placement stage usually takes place so vigilance is called for by staff. Any unusual change in regular customers depositing habits need to be investigated and lenders also have to be aware that money laundering techniques can also involve paying off a debt faster than income would support. You would already know a customer's declared income on the loan application.

3.3.6. FINANCIAL TRANSMITTERS

International money transmitters/travel agents.

All offer a wide range of services that can be used by the money launderer. Airline tickets, foreign currency exchanges in the form of cash and travelers cheques, are recognized as being widely used techniques. Money transmitting services in the form of wire, fax, draft, cheque or by courier exist for people unable to use traditional financial institutions. Customer anonymity is a primary feature of such transmissions which identifies the inherent level of risk. Covered under the Regulations if they offer currency exchange facilities.

3.3.7. CASINOS

Casinos and gambling establishments are particularly attractive to money launderers. Cash can be deposited with a casino in exchange for chips or tokens. After a few turns at the table the player can cash in the remainder for a cashier's cheque which can be deposited in their account. Another method is to buy winning tickets from people in bookmakers and saying you have won making bookmakers vulnerable to being used.

3.3.8. ANTIQUE DEALERS/DESIGNER GOODS SUPPLIERS

Any area that possesses the characteristics which represent high value goods that possess great portability and in many cases are used to being paid in cash is an attractive area for money launderers. All the above satisfy these criteria and owners and staff have to be aware of their obligations under the legislation if they are to avoid being unwittingly used in a money laundering scheme.

The above is not an exhaustive list of at risk institutions; however, some of the characteristics can be recognized in other groups not mentioned.

3.4. CYBER LAUNDERING

3.4.1. RISKS TO ON-LINE BANKING & E-COMMERCE COMPANIES

In August 2001, the National Criminal Intelligence Service (NCIS) which is charged in the UK with curbing money laundering said that there had been an increase of 27% in disclosures of money laundering that had been reported to them in 2000. Between 1998 and 1999, disclosures rose by only 2.6%.

Out of all the recent surveys, perhaps two statistics are of greater significance than others:

1. Online transactions are predicted to reach $3 billion in gross profits by 2006.
2. Even at this early stage of e-commerce, cyber-laundering is running at an estimated $50 billion per year

The features of the Internet that make it ideal for commerce also make it ideal for money laundering:

- Speed
- Access
- Anonymity
- Capacity to extend beyond national border

As a result cyber-launderers benefit for the following reasons:

- Inability to identify and authenticate parties.
- Lack or inadequacy of audit trails, record keeping or suspicious transaction reporting by the technology provider.
- Use of higher level encryption to block out law enforcement.
- Transactions that fall outside the existing regulatory definitions.

3.4.2. ASSISSTANCE OF TECHNOLOGY IN MONEY LAUNDERING?

Money laundering involves three stages to turn dirty money into clean money:

1. Electronic money

Electronic money (or e-money) is money that is represented digitally and can be exchanged by means of smart card from one party to another without the need for an intermediary. It is anticipated that e-money will work just like paper money. One of its potential key features is anonymity.

The proceeds of crime that are in the form of e-money could therefore be used, for example, to buy foreign currency and high value goods to be resold. E-money may therefore be used to place dirty money without having to smuggle cash or conduct face to face transactions.

2. Layering

Once the dirty money has been placed, the money launderer works it through a complex series of transactions to separate it from its illegal origins. This process is known as layering. It may involve the transfer of money through a series of offshore companies or the purchase of goods for re-sale. The launderer may try to legitimize the money by laundering it through a solicitor's client account or by paying tax on it as purported income from a business!

It is the layering stage where the use of the Internet is most likely to facilitate money laundering. If the procedures for opening an Internet bank account are permitted to take place without face to face contact or without a link to a pre-existing traditional bank account, where the customer has to produce documentary evidence of identity, a money launderer may find it easier to set up accounts in false names that cannot be traced back to him.

The money launderer can control transactions from his PC. He can transfer money virtually instantaneously and thereby build up an extensive audit trail in a short space of

time. The transfers can be made through many jurisdictions making it harder for prosecutors from one jurisdiction to follow the audit trail.

With the Internet there is the added jurisdictional issue of where the transaction takes place. Does it take place where the launderer is located, where the server is located or where the accounts are held? A joint report last year by the Bank of France and the French Banking Commission suggested that the last of these three locations is where the transaction takes place.

Layering may also become easier if the money can be transferred between banks that deal with e-money. Then the anonymity features of some types of e-money may make the source virtually untraceable.

3. Integration

Finally the money needs to be used by the owner, ensuring that the owner's consequent wealth appears legitimate. This process is known as integration. A common traditional technique is to raise false invoices for goods and services.

The owner could use a company that provides Internet services to make it appear that services are being provided in return for the payment of monies that have passed through the layering process. **For example**, the laundered money may be in a bank account held in the name of a fictitious person or shell company. Payment would be made from that account to the Internet service company, as purported payment for a service. The service may be an Internet casino or betting facility. However the service would never be delivered – there would be no (net) winnings paid back to the account. The payment would appear as profit in the books of the Internet service company. Thus the wealth of the owner would appear to be legitimate – the profit of his Internet Company.

This has greater scope than the traditional provision of goods and services where to legitimize the false invoicing may involve extensive paperwork such as documents evidencing delivery of goods and purchase of raw materials. Services may also be restricted to a particular geographical area. It may therefore be harder to justify a

substantial turnover. It may also raise suspicions if money is being transferred from overseas banks or substantial amounts are being transferred through a few banks in the vicinity of the company's operation.

On the other hand, Internet services tend to have lower overheads that needed to be accounted for and need not be limited geographically.

3.4.3. DETECTION BY INTERMEDIARIES

The advantage to criminals of "cyber-laundering" money goes beyond the elimination or reduction of the audit trail. Intermediaries may, depending on the regulatory requirements of the jurisdiction in question, have duties to report suspicious transactions. These reports may result in an investigation and eventual prosecution of a money launderer. If the money launderer can reduce the risk of a suspicious transaction report being made, he can reduce his chances of being caught and that is exactly what the Internet is likely to help him do.

One of the attractions of the Internet to banks and other companies is the ability to reduce overheads. On-line banks and other e-commerce companies may therefore handle a much higher volume of transactions per account manager than by traditional methods. This makes monitoring for suspicious transactions that much more difficult, even with the aid of monitoring software.

The transactions themselves take place without human intervention, cutting out another potential source of reporting.

The anonymity of on-line transactions also reduces the risk of transactions being reported. In theory, greater suspicion should be aroused if large sums of money are being deposited into an overseas account by members of the family of a head of state than by an anonymous cyber-customer. Indeed many reasons for reporting a transaction as suspicious is to do with the geographical origin of the funds. If the origin of the transaction can be kept anonymous, one key indicator of potential money laundering could be removed.

3.4.4. VULNERABLE INDUSTRIES

1. On-Line Banks

On-line banks are a prime target for money launderers. The lack of reports of on-line banks being used to facilitate money laundering is not viewed by experts of the Financial Action Task Force (FATF) of the OECD as an indication that it is not going on. Some believe that adequate means of detection have not yet been fully developed. The ways in which on-line banks can be used to facilitate laundering have already been considered.

2. Internet Gambling

Internet Gambling has been identified as a potentially ideal web-based service through which to launder money. In the real world casinos can be used for placement and layering of dirty money. The launderer buys chips with which to gamble. Inevitably the launderer will lose a percentage of the funds but this is a price that he is willing to pay to clean the money. At the end of the evening the launderer cashes in his remaining chips and takes payment by means of a draft, which can be paid into the launderer's account. The payment will appear to come from a legitimate source – the casino.

Casinos tend to be highly regulated with gamblers having to produce suitable identification. However Internet gambling sites may not be regulated, increasing the opportunities for money launderers to move money from one credit card account to another bank account through the site. In addition many of the Internet gambling sites are based offshore and any records they may have needed as evidence for any prosecution will be that much harder to obtain.

3.4.5. EXISTING LEGISLATION AGAINST CYBER-LAUNDERING

1. The International Element

Anti-money laundering regulations in the UK are set to become more stringent with the introduction of the FSA's new rules and the Proceeds of Crime Bill going through Parliament. However cyber-laundering is a supra-national problem. The Internet is no

respecter of national borders. As with any regulation of the Internet, international co-operation is essential.

In terms of law-making, governments have been working together for a number of years. The two main international agreements addressing money laundering are the 1988 UN Vienna Convention and the 1990 Council of Europe Convention. However money laundering is still rife. The use of technology is only likely to make worse the jurisdictional difficulties faced by prosecuting authorities.

In terms of law enforcement, greater co-operation is required between agencies of different jurisdictions to share information and carry out investigations quickly before the audit trail becomes cold.

The FATF is the main international body devoted to combating money laundering. It has made 40 comprehensive recommendations covering areas such as customer identification, minimum standards of record-keeping, co-operation between banks and supervisory and law enforcement agencies and suspicious transaction reporting.

One recommendation is that international organizations such as Interpol be given responsibility for gathering and disseminating information to national authorities about the latest developments in money laundering. Another recommendation is that, whilst safeguarding privacy and data protection, improvements should be made in respect of spontaneous or "upon request" international information exchange.

2. The Technological Element

Legislation also needs to take account of the use of new technology. The Courts in England can interpret legislation with a view to remedying the mischief for which the Court considers the legislation was designed. It is therefore possible that such statutory interpretation can be used to adapt the existing legislation to the new technology.

However the Courts may not always be able to interpret legislation to cover all situations that may be posed by technology. In particular, the Human Rights Act requires Courts, as

public bodies, to interpret legislation in a way that is compatible with human rights such as the right to respect for private life. The Courts may therefore have to bear that in mind when balancing the competing interests of the individual's privacy rights and the State's need for third parties to disclose suspicious transactions in order to combat crime.

One example of legislative action being taken to reduce money laundering through the Internet is a bill introduced in Canada last year to ban the use of virtually any kind of bank instrument for the use of gambling over the Internet; for fear that virtual casinos are ripe for money laundering.

3.4.6. HOW ON-LINE CRIMES WILL BE MONITORED IN FUTURE?

3.4.6.1. Internet Service Providers

One area that has been identified as a potential counter-measure to cyber-laundering is monitoring using Internet Service Providers (ISPs). The FATF has reported the following suggestions:

- Require ISPs to maintain reliable subscriber registers with appropriate identification information.
- Require ISPs to establish log files with traffic data relating Internet-protocol (IP) number to subscriber and to telephone number used in the connection.
- Require that this information be maintained for a reasonable period (possibly 6 to 12 months)
- Ensure that this information may be made available internationally in a timely manner when conducting criminal investigations.

3.4.6.2. Privacy Issues

Many of the suggestions regarding ISPs have already been mooted by legislators in the UK. However, such proposals have come under attack from privacy groups as being an unjustified invasion of privacy. Such measures will have to comply with the Human Rights Act. Under the Act, the state has to respect the rights of individuals to private life.

Therefore any legislation introduced must respect that right. There are exceptions when the right can be infringed, the most relevant in this context being that of necessity to prevent crime.

The word "necessity" prevents Parliament from having carte blanche to introduce whatever measures it wants to combat money laundering. Careful consideration must therefore be given to the regulatory framework to be put in place.

3.4.6.3. Looking for signs of Cyber-laundering

In October 1999, the US Office of the Comptroller of the Currency issued a handbook on Internet Banking. It recommends that banks set up a control system to identify unusual or suspicious activities including monitoring procedures for on-line transactions. The following types of Internet activity were highlighted as matters that should raise the suspicions of the bank:

- Unusual requests, timing of transactions or e-mail formats.
- Anomalies in the types, volumes or values of transactions.
- A customer who submits an incomplete on-line account application and then refuses to respond to a request for more information.
- An on-line account application with conflicting information such as a physical address that does not match the location of the given e-mail address.
- On-line applications for multiple accounts with no apparent reason to do so.
- A customer who uses the bank's on-line transaction services to send repeated inter-bank wire transfers between several accounts with no apparent reason to do so.

3.5. EFFECTS (CONSEQUENCES) OF MONEY LAUNDERING

Money laundering has potentially devastating economic, security, and social consequences. It provides the fuel for drug dealers, terrorists, illegal arms dealers, corrupt public officials, and others to operate and expand their criminal enterprises. Crime has become increasingly international in scope, and the financial aspects of crime have become more complex due to rapid advances in technology and the globalization of the financial services industry.

Modern financial systems, in addition to facilitating legitimate commerce, also allow criminals to order the transfer of millions of dollars instantly using personal computers and satellite dishes. Because money laundering relies to some extent on existing financial systems and operations, the criminal's choice of money laundering vehicles is limited only by his or her creativity. Money is laundered through currency exchange houses, stock brokerage houses, gold dealers, casinos, automobile dealerships, insurance companies, and trading companies. Private banking facilities, offshore banking, shell corporations, free trade zones, wire systems, and trade financing all can mask illegal activities. In doing so, criminals manipulate financial systems in the United States and abroad.

Unchecked, money laundering can erode the integrity of a nation's financial institutions. Due to the high integration of capital markets, money laundering can also adversely affect currencies and interest rates. Ultimately, laundered money flows into global financial systems, where it can undermine national economies and currencies. Money laundering is thus not only a law enforcement problem; it poses a serious national and international security threat as well.

3.5.1. EXPOSED EMERGING MARKETS

Money laundering is a problem not only in the world's major financial markets and offshore centers, but also for emerging markets. Indeed, any country integrated into the international financial system is at risk. As emerging markets open their economies and financial sectors, they become increasingly viable targets for money laundering activity.

Increased efforts by authorities in the major financial markets and in many offshore financial centers to combat this activity provide further incentive for launderers to shift activities to emerging markets. There is evidence, for example, of increasing cross-border cash shipments to markets with loose arrangements for detecting and recording the placement of cash in the financial system and of growing investment by organized crime groups in real estate and businesses in emerging markets. Unfortunately, the negative impacts of money laundering tend to be magnified in emerging markets.

A closer examination of some of these negative impacts in both the micro- and macroeconomic realms helps explain why money laundering is such a complex threat, especially in emerging markets.

3.5.2. THE ECONOMIC EFFECTS OF MONEY LAUNDERING

The major economic effects of money laundering are listed as follow;

Undermining the Legitimate Private Sector

One of the most serious microeconomic effects of money laundering is felt in the private sector. Money launderers often use front companies, which co-mingle the proceeds of illicit activity with legitimate funds, to hide the ill-gotten gains. In the United States, for example, organized crime has used pizza parlors to mask proceeds from heroin trafficking. These front companies have access to substantial illicit funds, allowing them to subsidize front company products and services at levels well below market rates.

In some cases, front companies are able to offer products at prices below what it costs the manufacturer to produce. Thus, front companies have a competitive advantage over legitimate firms that draw capital funds from financial markets. This makes it difficult, if not impossible, for legitimate business to compete against front companies with subsidized funding, a situation that can result in the crowding out of private sector business by criminal organizations.

Clearly, the management principles of these criminal enterprises are not consistent with traditional free market principles of legitimate business, which results in further negative macroeconomic effects.

Undermining the Integrity of Financial Markets

Financial institutions that rely on the proceeds of crime have additional challenges in adequately managing their assets, liabilities and operations. For example, large sums of laundered money may arrive at a financial institution but then disappear suddenly, without notice, through wire transfers in response to non-market factors, such as law enforcement operations. This can result in liquidity problems and runs on banks.

Indeed, criminal activity has been associated with a number of bank failures around the globe, including the failure of the first Internet bank, the European Union Bank. Furthermore, some financial crises of the 1990s -- such as the fraud, money laundering and bribery scandal at BCCI and the 1995 collapse of Barings Bank as a risky derivatives scheme carried out by a trader at a subsidiary unit unraveled -- had significant criminal or fraud components.

Loss of Control of Economic Policy

Michel Camdessus, the former managing director of the International Money Fund, has estimated that the magnitude of money laundering is between 2 and 5 percent of world gross domestic product, or at least $600,000 million. In some emerging market countries, these illicit proceeds may dwarf government budgets, resulting in a loss of control of economic policy by governments. Indeed, in some cases, the sheer magnitude of the accumulated asset base of laundered proceeds can be used to corner markets -- or even small economies.

Money laundering can also adversely affect currencies and interest rates as launderers reinvest funds where their schemes are less likely to be detected, rather than where rates of return are higher. And money laundering can increase the threat of monetary instability

due to the misallocation of resources from artificial distortions in asset and commodity prices.

In short, money laundering and financial crime may result in inexplicable changes in money demand and increased volatility of international capital flows, interest, and exchange rates. The unpredictable nature of money laundering, coupled with the attendant loss of policy control, may make sound economic policy difficult to achieve.

Economic Distortion and Instability

Money launderers are not interested in profit generation from their investments but rather in protecting their proceeds. Thus they "invest" their funds in activities that are not necessarily economically beneficial to the country where the funds are located. Furthermore, to the extent that money laundering and financial crime redirect funds from sound investments to low-quality investments that hide their proceeds, economic growth can suffer. In some countries, for example, entire industries, such as construction and hotels, have been financed not because of actual demand, but because of the short-term interests of money launderers. When these industries no longer suit the money launderers, they abandon them, causing a collapse of these sectors and immense damage to economies that could ill afford these losses.

Loss of Revenue

Money laundering diminishes government tax revenue and therefore indirectly harms honest taxpayers. It also makes government tax collection more difficult. This loss of revenue generally means higher tax rates than would normally be the case if the untaxed proceeds of crime were legitimate.

Risks to Privatization Efforts

Money laundering threatens the efforts of many states to introduce reforms into their economies through privatization. Criminal organizations have the financial wherewithal to outbid legitimate purchasers for formerly state-owned enterprises. Furthermore, while

privatization initiatives are often economically beneficial, they can also serve as a vehicle to launder funds. In the past, criminals have been able to purchase marinas, resorts, casinos, and banks to hide their illicit proceeds and further their criminal activities.

Reputation Risk

Nations cannot afford to have their reputations and financial institutions tarnished by an association with money laundering, especially in today's global economy. Confidence in markets and in the signaling role of profits is eroded by money laundering and financial crimes such as the laundering of criminal proceeds, widespread financial fraud, insider trading of securities, and embezzlement. The negative reputation that results from these activities diminishes legitimate global opportunities and sustainable growth while attracting international criminal organizations with undesirable reputations and short-term goals. This can result in diminished development and economic growth. Furthermore, once a country's financial reputation is damaged, reviving it is very difficult and requires significant government resources to rectify a problem that could be prevented with proper anti-money-laundering controls.

3.5.3. THE SOCIAL COSTS OF MONEY LAUNDERING

There are significant social costs and risks associated with money laundering. Money laundering is a process vital to making crime worthwhile. It allows drug traffickers, smugglers, and other criminals to expand their operations. This drives up the cost of government due to the need for increased law enforcement and health care expenditures (for example, for treatment of drug addicts) to combat the serious consequences that result.

Among its other negative socioeconomic effects, money laundering transfers economic power from the market, government, and citizens to criminals. In short, it turns the old adage that crime doesn't pay on its head.

Furthermore, the sheer magnitude of the economic power that accrues to criminals from money laundering has a corrupting effect on all elements of society. In extreme cases, it can lead to the virtual take-over of legitimate government.

Overall, money laundering presents the world community with a complex and dynamic challenge. Indeed, the global nature of money laundering requires global standards and international cooperation if we are to reduce the ability of criminals to launder their proceeds and carry out their criminal activities.

3.6. EXAMPLES OF MONEY LAUNDERING

3.6.1. SPECIFIC MONEY LAUNDERING SYSTEMS USED BY DRUG CARTELS

Some of the most famous money laundering system employed by criminals is the Colombian Black Market Peso Exchange and the Mexican Bank Drafts and Factored Third Party Checks. These are the tactics the criminals used to launder illegally acquired currency from drug sales into the financial system so that its proceeds would be used in legitimate business transactions.

3.6.2. THE COLOMBIAN BLACK MARKET PESO EXCHANGE

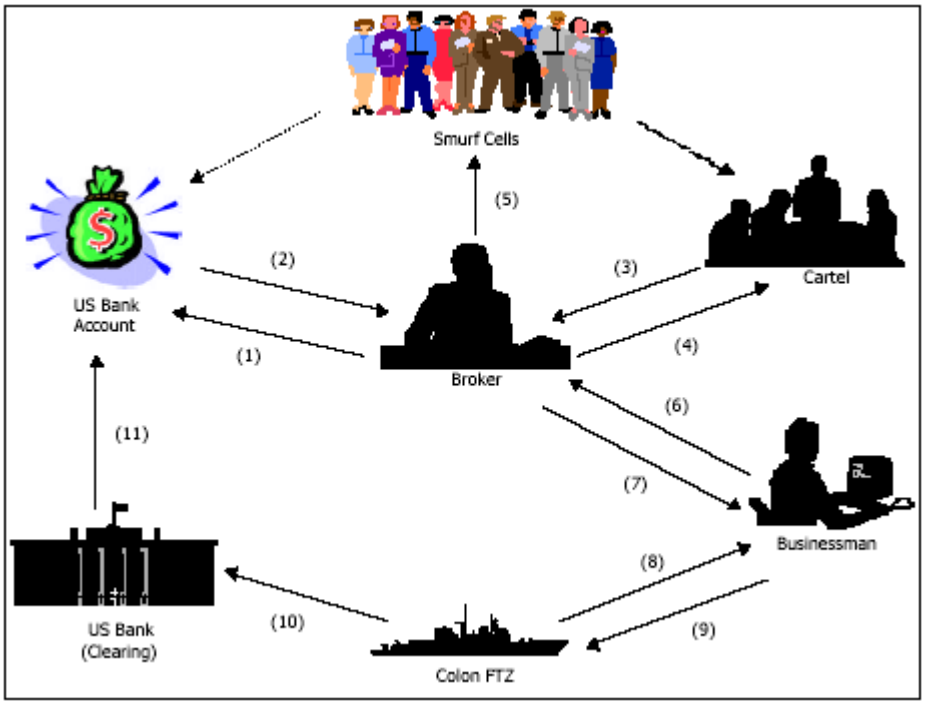
Although this is one of the most complex and efficient strategies developed by Colombian drug cartels to launder money into the US financial system, the system is actually quite simple.

According to figure 1, the "system" functions as follows:

1. Black market money brokers in Colombia direct the Colombians residing in US or visiting US to open an account at US banks and deposit minimal amount;
2. The customers would sign a blank cheque and give to brokers. The brokers pay them US $200 to $400 for each account opened and keep these signed checks;
3. Colombian drug cartels would sell their stockpiled cash at a discount exchange rate to the Colombian money brokers in exchange for pesos, which are paid in Colombia;
4. The brokers purchased the dollars at a discounted rate and the cartels lose a percentage of their profits, but avoid the risks of laundering their own drug money;
5. Once the drug money is bought, the broker directs his network surfs to pick up the cash, and structure the deposits into the various "shell" accounts;

6. The broker than offers to sell the cheques drawn on these accounts to legitimate Colombian businessmen at a “discount” exchange rate;
7. The broker fills in the amount and signs the check, but leaves the name of the payee blank;
8. The businessman can fill in the payees name when he uses the signed check as US dollars instrument to purchase goods in international markets;
9. The businessman then ships or smuggles the goods into Colombia;
10. The distributor would then forward the check to his US bank account or into the local bank for clearance;
11. Once the check is cleared, the check account is debited, and the distributor’s US account is credit.

Figure 1. The Cycle of the Colombian Black Market Peso Exchange



Source: Financial Action Task Force on Money Laundering,

1997-1998 Report on Money Laundering Typologies

This system was evolved in response to the strict confinements the Colombian government place on its citizens to access US dollars. Of the Colombian citizens, the Colombian importers are the ones that need the US dollars to purchase goods and services for businesses. If the normal route were taken for example, before the US dollars could be converted to pesos, the Colombian central bank would require the Colombian importers have certification that all necessary permits have been filed and all duties and taxes have been paid. The Colombian Black Market Peso provides the Colombian importers an alternative method to import foreign goods because it offers the importers the option to purchase money discreetly without government's knowledge and to avoid paying the duties and taxes.

3.6.3. THE MEXICAN BANK DRAFTS AND FACTORED THIRD PARTY CHECKS

Unlike the Colombian Black Market Peso, the Mexicans prefer to recycle its funds into the US through the means of bank drafts and third party checks because the Mexican Law Enforcement does not easily find these instruments. The Mexican bank drafts have been used by money launders to facilitate trade and commerce between the US/Mexican border20 because these drafts are issued in US dollars by Mexican banks and are payable from the correspondent accounts held at the US bank. It is the promise of payment by a US bank that makes it easy to sell or deposit the bank drafts without any suspicion if the draft is large in amount. The "factoring" of bank checks is drawn on a single US financial institution and is then bought by the currency exchange house or other middlemen from small Mexican banks with smuggled currency. The "factored" checks are then bundled and sent by the purchaser to the US bank for collection and is then rerouted to the money launders. Basically, when cash is being laundered in Mexico, it goes to various locations.

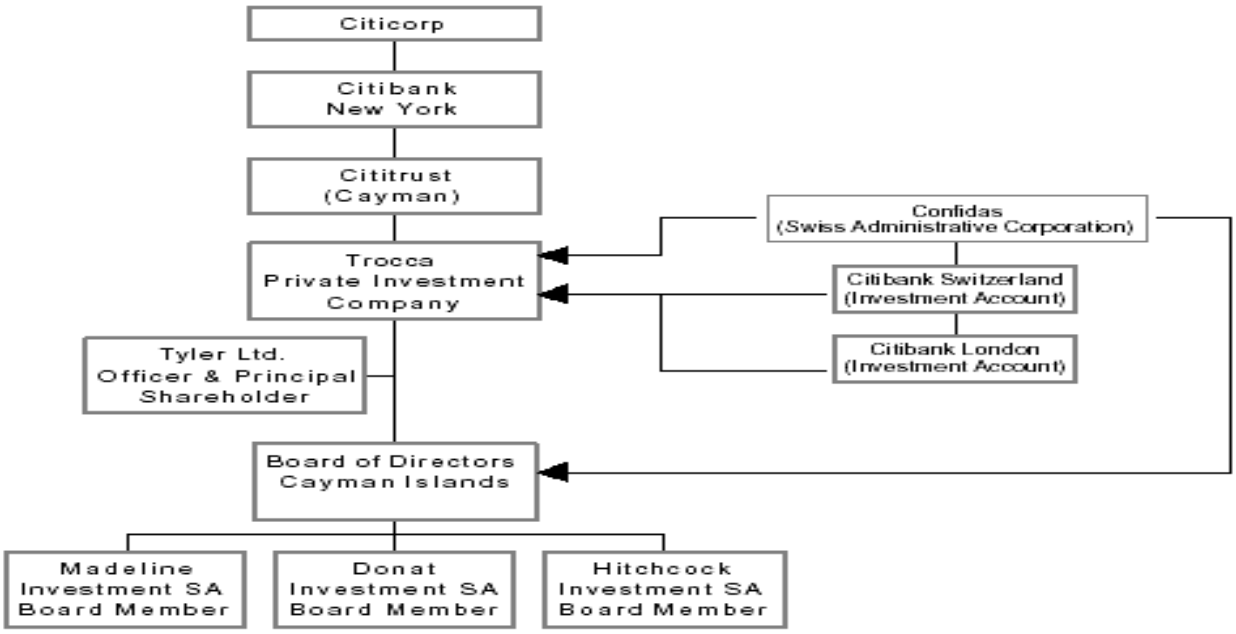
According to Blum, some of the cash is sent to the central bank for repatriation, some is shipped to other banks in other countries that need US currency and some is loaded in the US banks and is turn over to the Federal Reserve System.

3.7. CASE INDICTMENTS THAT AFFECT COMMERCIAL INSTITUTIONS

3.7.1. CITIBANK AND RAUL SALINAS

One of the most recent money laundering indictment is the Citibank case. Citibank is now cooperating with the Department of Justice to investigate whether Citibank helped Mr. Raul Salinas; brother to the former ex-President of Mexico Carlos Salinas laundered approximately $90 million to $100 million to the Cayman Islands. According to the report release by the General Accounting Office, Ms. Amy Elliot, a private banker specializing in handling wealthy Mexicans' accounts, violated Citibank's "Know Your Customer" policy. When she opened the account for Mr. Salinas, she did not (1) prepare his financial profile, (2) verify his sources of income, and (3) request a waiver on Salinas's financial profile. Between the years 1992 to 1994, Ms. Elliot employed Citibank's sophisticated money management system to facilitate a money-laundering scheme, which had "disguising the origin and destination of the funds, which broke the funds' paper trail.29 According to figure 2, Mr. Salinas managed to disguise the origination of "dirty" money through the money laundering scheme of shell companies. Ms. Elliot opened an account for Mr. Salinas at Citibank New York. From there, other Citibank accounts located in the Cayman Islands, Switzerland, and London was opened as part of Mr. Salinas' private banking relationship with Citicorp. A Company, known as Trocca, was also setup so that Mr. Salinas could hold his money. Additionally, three shell companies were established in the Cayman Island to serve as Board of Directors and to support Trocca, Ltd. Lastly, Tyler, Ltd. was formed as a private and principal shareholder of Trocca, Ltd., while Cititrust was the Citibank affiliate that manages Trocca's investments. Once the shell companies were developed, it made it easier for Mr. Salinas to facilitate his illegal currency.

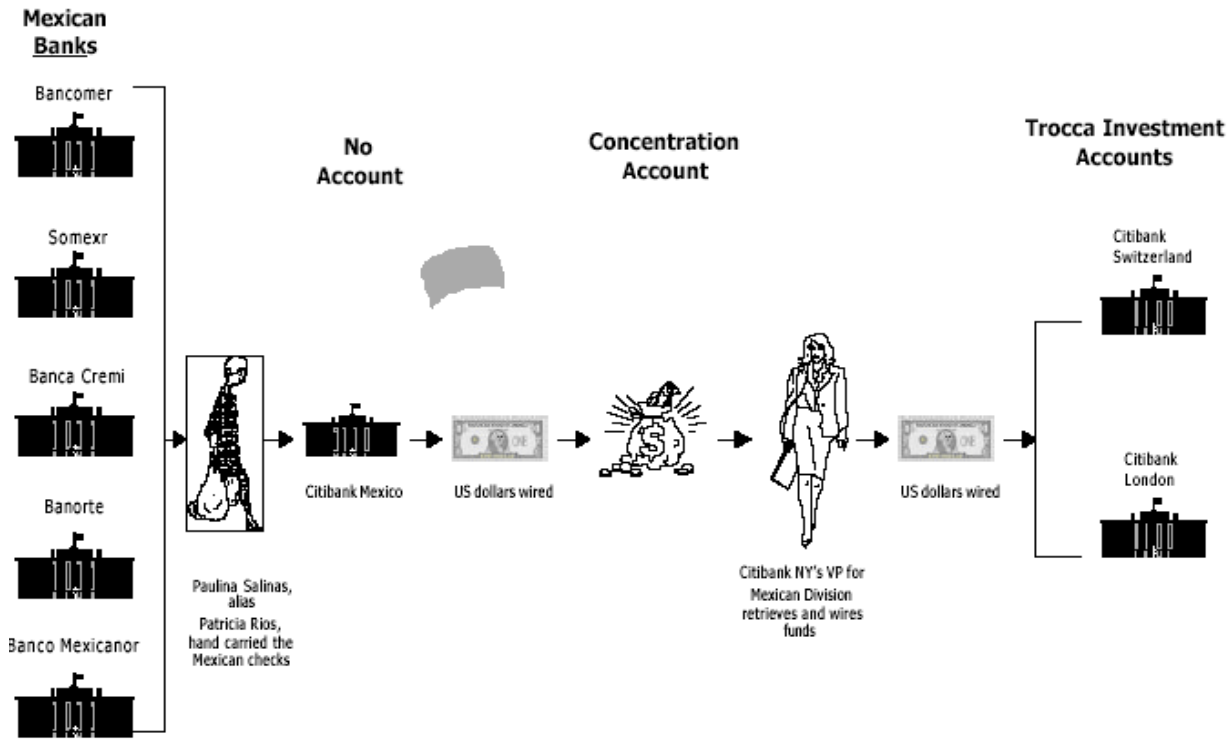
Figure 2. The Establishment of Trocca and its Related Entities



Source: General Accounting Office Report

In figure 3, withdrawals were made from Salinas's account in Mexican banks, which were then personally delivered to Citibank Mexico by Salinas's wife, using the alias of Patricia Rios. Citibank Mexico then wired the funds in US dollars to the Citibank account (also known as the "concentration account") in New York. At that point, the laundered money got intermingled with the other legitimate currency from other bank accounts. Ms. Elliot would then retrieved the cash and wired the funds to Citibank London and from there, wired to Citibank Switzerland's account for Trocca, Ltd., which Citibank established for Salinas.

Figure 3. Flow of the Salinas Funds



Source: US General Account Office Report

This went on for approximately two to three years until Mr. Salinas was arrest as well as Mrs. Salinas's for her aid to help her husband transfer the funds out of Citibank account. It was only at that point in time, did Ms. Elliot went ahead and filed a brief financial profile of Mr. Salinas, but without mentioning the offshore accounts and Trocca, Ltd. Currently, Citibank is cooperating with and being under investigation by the US Law Enforcement.

Meanwhile, the Swiss was filing civil charges against Mr. Raul Salinas de Gortari because most of the currencies in his bank accounts were from drug proceeds. The Swiss's evidence was based on witnesses' testimonies that they were eyewitnesses to Mr., meetings with clienteles and the exchange of suitcases after the meetings. Mr. Salinas managed to launder an estimated of $500 million in drug money for 10 years

before his arrest. After his arrest, roughly $119 million from his 289 bank accounts at Mexico, Europe, and US; about $100 million from Switzerland; and around $23 million were from England, totaling $240 million were confiscated.

3.7.2. CITIBANK AND ASIF ALI ZARDARI

The indictment of Zardari is similar to the Salinas such that he also used a financial institution and shell companies to assist the flow of unlawful cash. Mr. Asif Ali Zardari, husband to then Prime Minister of Pakistan Benazir Bhutto, went to Citibank to apply for the establishment of a Company named Capricorn Trading, located in the British Virgin Island. Citibank went ahead and opened a bank account in Citibank Geneva because the documents Citibank received clearly indicate that he would be the owner of the new company. Within months, Zardari managed to deposit close to $40 million and part of the funds came from bribes, kickbacks, and commissions, which amounts close to $1.5 billion.

3.7.3. CITIBANK AND BANCA CONFIA

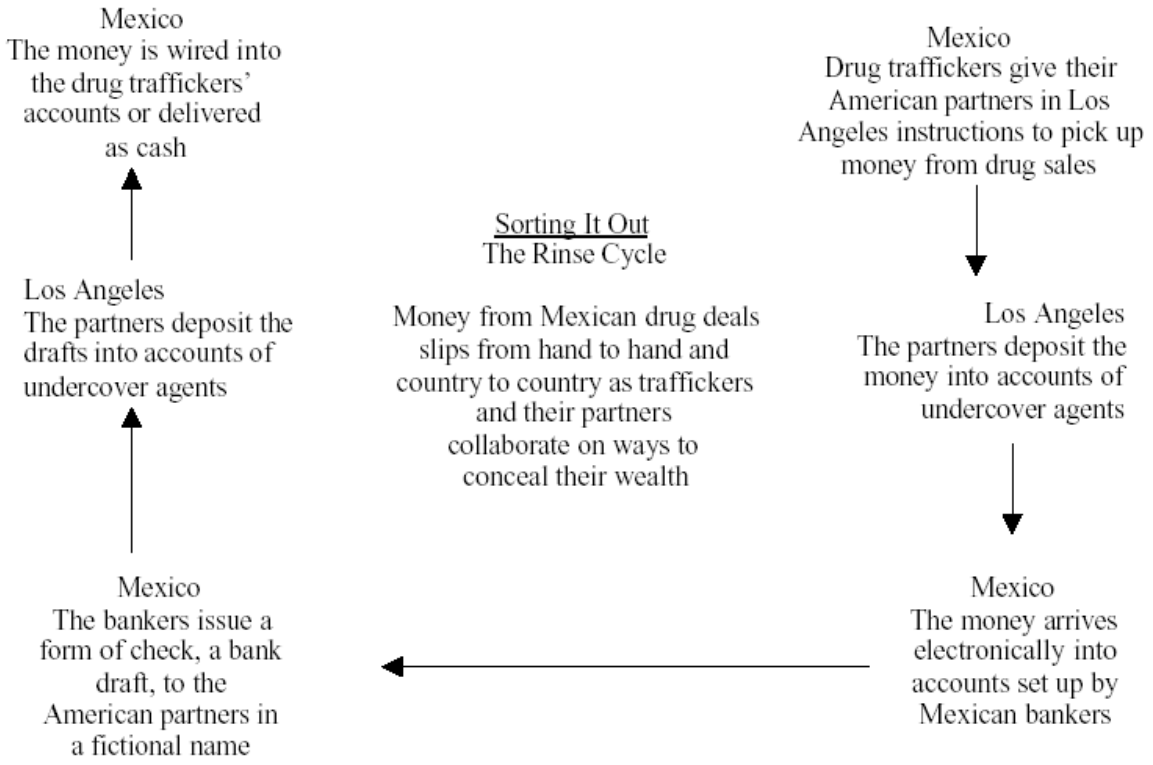
After Citibank acquired Banca Confia in 1996, it detected that Banca Confia was involved in a money laundering sham. What had happened was that Banca Confia was entangled in the US Customs Service investigation to seize Mexican banks that were involved in laundering drug money. According to Dwyer and Solomon, “Confia started to accept confiscated money from drug dealers off the Chicago and New York streets. Eight months prior to February 1998, US Customs Service agents moved $24 million in 22 separate transactions through Confia accounts in New York, Mexico, and Cayman Islands. Banca Confia received nearly $1 million in commission fees for its services.” Within one week after Citibank had acquired Banca Confia did it uncover that it was indicted for money laundering.

3.7.4. OPERATION CASABLANCA

This is considered to be one of the most widely acclaimed scam operation invented by the US to capture suspected Mexican banks and agents in helping to launder money for drug

cartels. The investigation spans across six countries, involving several major Mexican Financial Institutions, and some of the wealthiest Mexicans. The US Customs Service, with the help of its undercover agents, managed to arrest 22 high-ranking and midlevel bankers from 12 of Mexico's 19 largest banking institutions, and seized $35 million dollars, two tons of cocaine and four tons of marijuana.36 On May 18, 1998, 26 Mexican bankers and three Mexican banks were indicted with laundering millions of dollars in drug proceeds.37 The sequence of Operation Casablanca's money laundering is shown by figure 4:

Figure: 4 The Sequence of Operation Casablanca



Source: New York Times

This investigation opened up a whole new era to money laundering because this was the money laundering case that tied the national as well as international banking community to the drug cartels of the Juarez and the Cali. It also managed to hurt the major drug

cartels because US Customs Service managed to seize $35 million of their drug proceeds from the drug deals. Lastly, it was to be the case that serves as a warning sign to the drug cartels and any other crime organizations that other countries and US were taking money laundering seriously and is proposing new techniques to combat this issue nationally and internationally.

3.8. MONEY LAUNDERING IN PAKISTAN

In the past, some developments have created conditions which were conducive for money laundering in Pakistan. There was an exodus of a large number of Pakistani workers abroad in the early 1970s that, for sending their foreign remittances to their families, often relied on non-formal banking facilities or underground bank-like channels. Later, the same channels were used by businessmen and industrialists to take their capital/payment abroad due to strict foreign currency regulations; thus spawning a reliable, discreet and illegal alternate banking system which remained the preferred mode of banking for criminal elements in Pakistan.

As discussed earlier, large scale domestic heroin addiction created a booming market within Pakistan. A UNDCP study estimated the market volume at Rs. 35 billions (USD $ 1.2 billion). Obviously this black economy created a number of drug barons, who had to resort to money laundering for 'whitening' their wealth.

This process was further intensified when these drug barons joined hands with international syndicates and money laundering gained a transnational status. A UNDCP's report titled "The Illicit Opiate Industry of Pakistan" estimated the turn over of the Pakistan's heroin industry to be 5% of the 1992-3GDP and 20-25% of the total estimated 'shadow' or 'parallel' economy The validity of the UNDCP's report estimates were later seriously questioned/contested by Pakistan authorities and economists. However one thing is very clear, that Pakistan's domestic heroin trade generates considerably large profits which are presumed to be laundered by criminals through formal and non-formal banking systems. The study estimates that drug export revenues were about USD$ 950 million in 1985, and increased to USD$ 1.6 billion in 1990. Drug earnings estimated in 1992 at USD$ 1.8 billion include a significant amount of withdrawals from overseas bank deposits built up in previous years. Drug earnings averaged USD$ 1.0 billion in the period 1985-91.

Is late 1980s, Pakistan (like many other resource-deficient, developing countries) had to liberalize the economy through deregulation, to create a conducive environment of savings and investments. In this regard, the government of Pakistan promulgated the Economic Reforms Ordinance 1992 to attract foreign exchange held by its citizens abroad. Although this law was designed to attract illegally stashed foreign exchange back to Pakistan, this law provided protection to the source of foreign exchange accounts from being questioned by the tax authorities in Pakistan. However, law enforcement agencies could still investigate the source of such accounts in the case of reasonable suspicion of involvement of the account holder in drug trafficking.

3.8.1. PRINCIPAL SOURCES OF ILLEGAL PROCEEDS

In Pakistan, the main sources of illegal proceeds are as follows:

- ***Drug Trafficking***

As earlier mentioned, Pakistan has a very serious drug abuse problem which has spawned a large domestic drug market, accruing significantly large profits to the drug peddlers and drug barons. Mainly, it is the proceeds from the domestic heroin trade which forms the major part of money laundering in Pakistan. In addition to this, a considerable part of the drug proceeds must be coming from abroad to Pakistan, although most of it finds its way to various tax havens around the world.

- ***Smuggling of Contraband***

In Pakistan, despite its best efforts to root out the evil of smuggling, considerable smuggling of contraband still takes place. This usually includes luxury goods, electronic appliances, gun running and gold smuggling. The proceeds from smuggling are one of the major sources of black money in Pakistan.

- ***Organized Crime***

Organized Crime like gambling, counterfeiting, cheating, car theft, bank robber and abduction for ransom are also sources of Pakistan's black economy.

- ***Criminal Malfeasance in Public and Private Sector***

Proceeds from corrupt practices, fraud or criminal misappropriation in the government/ public, commercial, banking and corporate sectors also contribute to black economy of Pakistan.

- ***Evasion of Taxes and Duties***

The proceeds acquired by dishonest citizens/entrepreneurs by avoiding taxes and duties from various sectors of economy also contribute toward the black economy.

3.8.2. MAJOR DRUG BARONS IN PAKISTAN

Major drug barons in Pakistan who are involved in the illegal activities discussed above are as follows and these are the main sources of money laundering because of their huge sum of black money.

- Haji Mirza Iqbal beig
- Mohammad Anwar Khattak
- Tariq Butt
- Khawaja Abdul Majeed
- Hafeez ur Rehman
- Zulqurnain Khan
- Misai Khan
- Khalid Khan
- Taviz Khan
- Shahid Hafiz Khawaja
- Mohammad Saleem Malik
- Mian Mohammad Azam
- Haji Ayub Afridi

3.8.3. PRINCIPAL MONEY LAUNDERING METHODS

The principal money laundering methods detected or suspected in Pakistan are as follows:

(a) Hawala/Hundi.
(b) Bearer Investment Schemes.
(c) Investment and Speculation in Real Estate.
(d) Expenditure on Luxury Goods.
(e) Over/Under Invoicing of Imports and Exports.
(f) Bogus Imports/Exports.
(g) Loan Bank Methods.
(h) Prize Bond Racketeering.
(i) Smuggling of Currency
(j) Money Shown as Proceeds of Agriculture or Poultry.

3.8.3.1.1. Hawala

Among these methods, **'Hawala'** remains the preferred mode of money laundering in Pakistan. Users of Hawala services include non-resident Pakistanis working abroad, sending hard earned money to their families back home; parties indulging in criminal activities ranging from smuggling of contraband to all types of money laundering; and organizations having a nexus to terrorist activities. Obviously the objectives of these users are different, while legitimate in one case, criminal and even anti-state in others. Some of the reasons are:

(a) In case of Pakistani expatriates sending money to Pakistan, the reasons include a time tested confidential system which is efficient and convenient for the parties at both ends. It hardly involves any formal documentation unlike the banking system, which becomes cumbersome for the semi or un-educated person. The "Hawala" dealer, like a good businessman, also offers a better rate of rupee conversion, being the difference of the official and the prevailing market rate, which may range from 5-10% on account of higher demand of hard currencies. Yet another reason is the lack of banking facilities in

the remote areas from where most of the Pakistani expatriates hail. Deregulations of foreign exchange controls since 1992 (after the introduction of Protection of Economic Reforms Act in Pakistan) have not affected the preference for the "Hawala" system on account of the aforementioned reasons against the formal banking system.

(b) Criminal organizations prefer this system for laundering their money, as well as making payments to the concerned parties in Pakistan or abroad. Their preference is basically on account of the anonymity afforded by it due to little formal documentation involved, leaving no paper trail. Obviously the use of formal international banking systems for conducting illegal transactions/trading is fraught with great risks of being traced and connected to unlawful activities, even at a later stage. The "Hawala" system therefore suits the criminal/drug mafia not only for laundering their dirty money, but also for settling financial claims in connection with their illegal trading and smuggling, without running the risk of being detected. However, it is pertinent to mention that taking advantage of bank secrecy provisions, and the absence of suspicion/cash transactions reporting requirements in the past, resulted in drug traffickers also using formal banking channels for the transfer of funds. The "Hawala" operators, now, after the deregulation of foreign currency accounts by Pakistanis and the free movement of foreign exchange to/out of Pakistan without questioning, are taking full advantage of the change in law and policy to promote their business. Without fear of being questioned, they are using foreign currency bank accounts opened in local banks to receive funds from interested parties, for payments to designated parsons in Pakistan. Instances have come to notice where some authorized money changers, maintaining foreign currency accounts in their own names or some other person, have helped drug traffickers receive payments of drug money from abroad.

(c) Another category of "Hawala" system users are the smugglers of consumer goods and arms dealers. On account of higher tariff rates on importable goods and restrictions imposed on the import of arms, the black market of smuggled goods keeps the demand for foreign exchange for payments abroad constantly at a higher pitch, thus making hard currencies more expensive in the currency market, as compared to the official sources.

- ***Relationship between Hawala System & Drug Trafficking/Gold Smuggling***

The Hawala bankers, in addition to large scale money transactions**,** are also indulging in gold smuggling. Reportedly, gold worth billions of dollars was being smuggled from UAE, Hong Kong and Singapore into Pakistan and India. Much of the smuggled gold through this system can be linked to narcotics trafficking. Subsequently, liberalization in the gold importation policy announced by the Government of Pakistan in the early 1990s was aimed at reducing the significant capital affiliated with the Hundi or Hawala systems and to secure foreign exchange.

Presently, Dubai is the main center for Middle Eastern and South Asian gold smuggling networks. Most of the gold imported in Dubai, comes from Swiss Banks and metal dealers in London. The Hawala/Hundi systems facilitate the gold trade and smuggling activities in the Middle Eastern and South East Asian Regions. According to one estimate, 99 percent of gold purchased in Dubai is obtained through Hundi/Hawala transactions. It was also reported in an INTERPOL conference held in 1991, that if gold and silver smuggling in stopped, 80 to 90 percent Hundi/Hawala transactions would automatically cease. Moreover, Hundi/Hawala systems provide the hard currency to broker's need to finance gold purchases and smuggling operations.

3.8.3.2. Bearer Investment Schemes

The bearer investment schemes, introduced by the government in the last two decades, conveniently provided the opportunity for exploitation for money laundering purposes. These schemes are:

(a) Bearer National Bond Fund (no longer operative).
(b) Foreign Exchange Bearer Certificates (FEBC).
(c) NIT Bearer Units.
(d) WAPDA Bearer Bonds.
(e) Bearer Certificates of Investment/ Growth Certificates.
(f) Bearer Certificates of Deposits.

(g) Foreign Currency Bearer Certificates (FCBC).
(h) Prize Bonds Schemes of various denominations for Rs. 50, 100, 500, 1000 and recently introduced Prize Bonds of Rs. 10,000 and 25,000.

The government was moping up some revenue from these bearer investment schemes by imposing tax ranging from 1% to 7.5%, which may be described as the cost of laundering black money Bearer bonds! Certificates found in the possession of drug trafficker or their associates are still liable to forfeiture under the law.

3.8.4. MOST COMMON TECHNIQUES USED IN PAKISTAN

Money laundering is an evil for the society. There is no society exempted from its evil effects. So is the case with Pakistan. During my research I have interviewed and met with the people who had some knowledge about money laundering in Pakistan. Most of the people don't have high degree education. The different techniques of money laundering used in Pakistan are explained as follow;

1) State Bank of Pakistan had introduced Prize Bonds of different denominations (Rs. 200, Rs. 750 Rs. 1500 Rs. 7500 Rs. 15000 Rs. 40000) to coup with the speedy inflation and to reduce the money supply. Prizes are announced after every fifteen days respectively. There is a standing procedure for the prize transfer to the winner. It takes almost 3 months and 10 percent of the amount is deducted as Withholding Tax. What money launderers do, they have a network which traces the person who is winner of a particular bond. They contact that person and offers him/her same amount without any delay. Most of the people are not aware of this and they accept the offer. By doing this the money launderers transfer their black money to another and get a proof that they have legal money.

2) The second most famous technique used for money laundering in Pakistan, is investment in real estate. Money launderer invests its black money in property

and performs dummy transactions; means sells the property with in the family at a higher rate and appreciate the value of real estate. After three or four transactions they convert their black money in to white money. In Pakistan investment in property is considered very safe and there is no check on the property values and the rapid appreciation. This weakness enables the money launderers to launder their black money and spoil the economy with their so called white money.

3) The third important technique which I come to know during my research is transfer of funds in different accounts with in or outside the country. These fake transactions involve different countries and this make difficult for the law enforcement agencies to keep track of such transactions.

3.8.5. SIGNIFICANCE OF MONEY LAUNDERING FOR GOVERNMENTS

Having described the nature and scope of the money laundering problem it is necessary to turn to the question of why governments should make this a priority concern and spend significant resources in attempting to counter it. In many respects this is much easier to answer in relation to those countries which directly suffer the adverse effects of large scale criminal activities. The negative consequences of money laundering for other countries, and especially for those reaping apparent benefits as financial havens, are less obvious but nonetheless real.

The most obvious reasons to establish money laundering counter-measures are to stop criminals from achieving the benefits of money laundering outlined at the start of this paper. Specifically:

- To stop them from enjoying the personal benefits of their profits (this may act as a deterrent as well as a punishment);
- To prevent them from reinvesting their funds in future criminal activities (that is to strip them of their working capital base); and

- To provide law enforcement with a means to detect criminal activities through the audit trail and to provide an evidentiary link for prosecution purposes between criminal acts and major organizers.

There are other negative consequences of money laundering, however, which are found at a macroeconomic level. These arise due to the absolute size of criminal proceeds entering the financial system each year, and the even greater mass of accumulated funds and assets. These negative consequences are a feature of the money itself and thus are relevant to any country in which these funds move.

The main negative consequence is the impact money laundering can have on the stability of the financial system. A large scale money laundering operation, involving one or more of a country's financial institutions could, once detected, put at risk a smaller nation's entire financial system through the loss of credibility and investor confidence. The impact of the demise of the Bank of Credit and Commerce International (BCCI), which closed down in 1991 following the discovery of massive fraud and money laundering by US regulators, is a case in point. The BCCI had grown to become the world's seventh largest private bank with assets of US$23 billion and operations in 72 countries. The chief victims of the bank’s malpractices were depositors and governments in developing economies. This affair also raised serious questions about the responsibilities and role of auditors and bank regulators and revealed a stream of corruption of government and banking officials in many countries where the bank operated. The on costs of such a failure can also provide additional burdens for governments. A compensation package was approved in which the BCCI's majority shareholders, the Government and ruling family of Abu Dhabi, had to pay US$1.8 billion towards a global settlement fund over a period of three years (though this package was still subject to appeal).

Even the potential for financial institutions to be used by money launderers can greatly damage a country's financial reputation and the institutions themselves. In 1996 the Seychelles announced it would offer anyone placing $10 million or more in certain investments, immunity from prosecution. This was viewed in the international community as an invitation to money launderers. A warning was issued to all banks about

entering into financial transactions with the Seychelles. The UK, the EU, the US and the OECD condemned this law. The law has now been shelved.

In a recent paper on the macroeconomic implications of money laundering, the International Monetary Fund (IMF) reported that the level of money laundering is highly significant in determining currency and money balances, and may have a perceptible influence on economic growth rates. It canvassed available empirical estimates to identify macroeconomic consequences of money laundering, which included:

- Policy mistakes due to measurement errors in macroeconomic statistics arising from money laundering;
- Volatility in exchange and interest rates due to unanticipated cross border transfers of funds;
- Development of an unstable liability base and unsound asset structures of individual financial institutions or groups of such institutions, creating risks of systemic crises and hence monetary instability;
- Effects on tax collection and public expenditure allocation due to misreporting and underreporting of income;
- Misallocation of resources due to distortions in relative asset and commodity prices arising from money laundering activities; and
- Contamination effects on legal transactions due to the perceived possibility of being associated with crime.

Another IMF paper has noted that the allocation of world resources is distorted not only when labor and capital are used in criminal activities, but also when the proceeds of these crimes are invested in ways that are not consistent with economic fundamentals. Money launderers, it noted, do not allocate illicit funds around the world on the basis of expected rates of return but On the basis of ease of avoiding national controls. This contributes to a misallocation of Resources on a fairly large scale.

3.9. INITIATIVES AGAINST MONEY LAUNDERING

Money laundering is a parasite which sucks the economy and counters affects the true economic progress. To curb these activities following initiatives have been taken;

3.9.1 FINANCIAL ACTION TASK FORCE (FATF)

The Financial Action Task Force on Money Laundering (FATF), which was established at the G-7 Economic Summit in Paris in 1989, is an inter-governmental body whose purpose is the development and promotion of policies to combat money laundering. In 1990, the FATF issued Forty Recommendations to fight this phenomenon. The Recommendations were revised in 1996 to reflect changes in money laundering trends. These recommendations are designed to prevent proceeds of crime from being utilized in future criminal activities and from affecting legitimate economic activities.

In June 2000, membership of the FATF expanded from 26 to 29 governments[1] and two regional organizations[2], representing the major financial centers of North America, Europe and Asia. Argentina, Brazil and Mexico, who had participated in the work of the FATF as observers since September 1999, were accepted as full members. The delegations of the Task Force's members are drawn from a wide range of disciplines, including experts from the Ministries of Finance, Justice, Interior and External Affairs, financial regulatory authorities and law enforcement agencies.

FATF focused on several major initiatives during 2000. As mentioned, FATF took concrete steps to enlarge its membership with the completions of the mutual evaluations of Argentina, Brazil and Mexico. The principal objective of these evaluations was to determine whether these countries complied with certain fundamental anti-money

[1] Argentina; Australia; Austria; Belgium; Brazil; Canada; Denmark; Finland; France; Germany; Greece; Hong Kong, China; Iceland; Ireland; Italy; Japan; Luxembourg; Mexico; the Kingdom of the Netherlands; New Zealand; Norway; Portugal; Singapore; Spain; Sweden; Switzerland; Turkey; the United Kingdom and the United States.

[2] (2) European Commission and Gulf Co-operation Council.

laundering requirements, the implementation of which is a pre-condition to becoming a full member of the FATF.

Throughout 2000, the FATF continued its efforts to persuade Austria to eliminate its system of anonymous savings passbooks. On February 3, 2000, the FATF decided to suspend Austria as one of its members in June 2000 unless action was taken to eliminate anonymous passbooks. Following this unprecedented move, the Government of Austria took the appropriate steps to meet the conditions required by the FATF and thus avert suspension of its membership, through new legislation and issuance of banking circular.

The year 2000 also marked the completion of FATF's first phase of the important work on Non-Cooperative Countries or Territories (NCCTs). This work resulted in the June publication of a report entitled *Review to Identify Non-Cooperative Countries and Territories: Increasing the Worldwide Effectiveness of Anti-Money Laundering Measures*[3]. This report describes the process and provides summaries of jurisdictions considered to be of concern. The aim of the work is to enhance the level of protection for the world's financial system and to prevent the circumvention of the anti-laundering measures introduced over the last ten years. To ensure transparency and sound operation in the international financial system, it is desirable that all financial centers across the world have comprehensive controls, regulations and supervisory arrangements in place and that all financial agents assume anti-money laundering obligations.

To tackle this question, FATF established an Ad Hoc Group on NCCTs to discuss in more depth the action to be taken with regard to these countries and territories. Throughout 2000, the Ad Hoc Group on NCCTs met in the margins of all FATF Plenary meetings, and autonomously on May 24-25, 2000 in Paris. After the FATF adopted criteria for defining non-cooperative countries and territories, 29 jurisdictions were selected for review in February 2000. The assessments took place between February and June. Fifteen of those counties (Bahamas, Cayman Islands, Cook Islands, Dominica, Israel, Lebanon, Liechtenstein, Marshall Islands, Nauru, Niue, Panama, Philippines, Russia, St. Kitts and Nevis and St. Vincent and the Grenadines) were identified in the

[3] This report can be found on the FATF home page at http://www.oecd.org/fatf

report as having serious deficiencies in their anti-money laundering systems and thus named "non-cooperative." Immediately following the issuance of the June NCCT report, the G-7 members issued advisories to their financial institutions recommending increased scrutiny of transactions involving these jurisdictions. A number of other FATF members followed with similar advisories.

The FATF then determined that additional jurisdictions should be examined in the second round of NCCT reviews and took stock of the progress made by the 15 jurisdictions identified in June. On October 5, 2000, the FATF issued a press release that welcomed the significant, rapid progress made by many of the jurisdictions that it had identified in June as "non-cooperative" in the fight against money laundering. As of October, seven of the NCCTs (Bahamas, Cayman Islands, Cook Islands, Israel, Liechtenstein, Panama and St. Vincent and the Grenadines) had enacted legislation to address deficiencies identified by the FATF and several others had taken steps or made political commitments to do the same. The FATF decided to monitor progress towards meeting international standards and addressing the deficiencies previously identified. For example, in the context of the dialogue initiated by the FATF's NCCT exercise, the Governor of the Central Bank of Seychelles informed the FATF President that the Economic Development Act 1995 has been repealed on July 25, 2000. The FATF therefore lifted Recommendation 21 against the Seychelles.

In February 2001, FATF issued a press release acknowledging that seven jurisdictions—the Bahamas, the Cayman Islands, the Cook Islands, Israel, Liechtenstein, the Marshall Islands and Panama—have enacted most, if not all, legislation needed to remedy the deficiencies identified in June 2000. On the basis of that progress, those seven jurisdictions have been invited to submit to FATF implementation plans to enable FATF to evaluate the actual implementation of the legislative changes. The FATF will be assessing the progress made by these jurisdictions during 2001 to determine whether any jurisdictions should be removed from the list of NCCTs. These assessments will be done initially by the FATF review groups, including through face-to-face meetings, and will be discussed as a priority item at each Plenary of FATF. In making these assessments, the FATF will look for the existence of comprehensive and effective anti-money laundering

systems. Decisions to add or delete countries from the list published in June 2000 will be taken in the FATF Plenary in June 2001.

In deciding whether a jurisdiction should be removed from the list, the FATF Plenary must be satisfied that the jurisdiction has addressed the deficiencies previously identified. The FATF will rely on its collective judgment, and will attach particular importance to reforms in the area of criminal law, financial supervision, customer identification, suspicious activity reporting, and international co-operation. As necessary, legislation and regulations will need to be enacted and have come into effect before removal from the list can be considered. In addition, the FATF will seek to ensure that the jurisdiction is implementing the necessary reforms. Thus, information related to institutional arrangements, as well as the filing and utilization of suspicious activity reports, examinations of financial institutions, and the conduct of money laundering investigations, will be considered.

In 2000, the FATF agreed to initiate a review of the Forty Recommendations, including the issues of particular concern for anti-money laundering purposes identified in the June 2000 Report on NCCTs. The FATF discussed how best to approach this exercise and agreed that work should begin to conduct an initial examination on the specific issues of concern with the goal of establishing one or more working groups in 2001. The three major issues of concern are the identification of clients (e.g. through eligible introducers or through electronic banking transactions); non-financial professions (e.g. lawyers, accountants: a.k.a.: gatekeepers), and non-corporate entities (e.g. international business companies and trusts). This work will involve the participation of all FATF member countries as well as FATF-style regional bodies. It is also envisaged that FATF will involve the private sector at some stage of this review.

Under the chairmanship of the United States, the annual study of money laundering typologies was published in February 2000[4]. The report was based on a meeting of experts, which was conducted in Washington, DC on November 18-19, 1999. This report covered the vulnerabilities of Internet banking; the increasing reach of alternative

[4] This report can be found on the FATF home page at http://www.oecd.org/fatf.

remittance systems; the role of company formation agents and their services; international trade-related activities as a cover for money laundering; and specific money laundering trends in various regions of the world. The 1999-2000 report represented the first time countries outside of the FATF participated in the typologies exercise making it an unprecedented and truly global review of anti-money laundering activity. On December 6-7, 2000 FATF conducted its subsequent experts meeting in Oslo, Norway. The specialized topics included on-line banking, trusts and other non-corporate entities, non-financial professionals, and the role of cash and alternate payment systems. The results of this meeting were published in February 2001.

The Gulf Co-operation Council (GCC) is in the unique position of being a member of FATF, but with non-FATF member countries as its constituents[5]. During 2000, noticeable progress was made to improve the implementation of effective anti-money laundering systems within the GCC States. On January 17-18 2000, in Riyadh, the GCC held a technical seminar for its member States with the participation of the FATF Secretariat on the subject of self-assessment and mutual evaluation procedures. In addition, five members of the GCC (Bahrain, Kuwait, Oman, Qatar and the United Arab Emirates) have agreed to undergo a mutual evaluation. The first on-site visit of these evaluations took place in Bahrain on June 5-7, 2000, and will be followed by other examinations.

The current mandate of the FATF, as agreed at a meeting of FATF's Ministers on April 28, 1998, calls for close co-operation with the relevant international organizations and in particular the international financial institutions (IFIs). Throughout 2000, the FATF discussed how to better incorporate measures against financial abuse into the IFIs activities. Mainly, the issues focused on information sharing between the FATF and the International Monetary Fund (IMF), the availability of FATF experts to participate in IMF reviews and assessments, and the extent to which the FATF 40 Recommendations might appropriately be included in structural assessments performed by the IMF

[5] Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

The FATF continued to analyze the question of co-operation between anti-money laundering authorities and tax administrations. The objectives of this co-operation were to ensure that suspicious transaction reporting obligations were not undermined by the so-called "fiscal excuse" and to permit, to the fullest extent possible, the exchange of information between anti-money laundering and tax authorities without jeopardizing the effectiveness of anti-money laundering systems. On February 3, 2000, the FATF and OECD Committee on Fiscal Affairs held a second informal contact meeting to consider the issue of cooperation between tax authorities and anti-money laundering authorities. While it was agreed that tax and anti-money laundering authorities have distinct priorities, work on cooperation issues will continue in the future.

One of the FATF's goals is to encourage co-operation with the private sector in the development of policies and programs to combat money laundering. To further this aim, a third Forum was convened on February 4, 2000 with representatives from the financial services industry and accounting professions. The purpose of this event was to discuss with the private sector, areas of common interest and the best way to develop measures to prevent and detect money laundering through the financial community. Four general topics were addressed in the Forum: current money laundering trends, feedback to institutions reporting suspicious transactions, the role of the accounting profession in identifying and discouraging money laundering and the issues raised by the wire transfers of funds.

During the year, the Ad Hoc Group on Estimating the Magnitude of Money Laundering held several meetings, including a two-day Technical Workshop on estimating drug trafficking proceeds. As a result of this work, an expert consultant prepared a report to the Ad Hoc Group. The report examined a range of national and international efforts to quantify the value of illicit drug sales on either a global or national basis. The purpose of the study was to identify and assess alternative approaches for estimating total revenues generated annually by sales of cocaine, heroin and cannabis globally and in each of the 29 FATF members and observer members. Due to data and analytical constraints, the FATF decided to end this work at this stage. However, several international organizations

and interested FATF members are continuing to work to improve the available data, and will also continue to work to address the problem.

3.9.2. EUROPEAN UNION

The European Union (EU) is currently proposing revisions to its anti-money laundering Directive (Council Directive 91/308/EEC of 10 June 1991). The Directive covers issues on the prevention of the use of the financial system for the purpose of money laundering. The EU is considering imposing anti-money laundering obligations on "gatekeepers." The modifications under consideration would require a broad range of professionals (including independent legal professionals, accountants, auditors, and notaries) to abide by anti-money laundering rules. The rules would apply when professionals assist in the planning or execution of certain transactions or act on behalf of their clients in the conduct of certain financial or commercial activities. If this amendment is endorsed by the European Parliament, the 15 member states of the EU will be required to bring their domestic laws into conformity with the new provisions of the Directive.

The following is a draft text currently being considered:

Member states shall ensure that the obligations laid down in this Directive are imposed on the following institutions:

1. Notaries and other independent legal professionals, when they participate, whether:

(a) By assisting in the planning or execution of transactions for their client concerning the

- *(i) buying and selling of real property or business entities;*
- *(ii) managing of client money, securities or other assets;*
- *(iii) opening or management of bank, savings or securities accounts;*
- *(iv) organization of contributions necessary for the creation, operation or management of companies*

(b) Or by acting on behalf of and for their client in any financial or real estate transaction

3.9.3. UN GLOBAL PROGRAMME AGAINST MONEY LAUNDERING

The United Nations Office for Drug Control and Crime Prevention (UNODCCP), through its Global Program Against Money Laundering (GPML), serves a unique function as the only global international organization providing comprehensive anti-money laundering training and technical assistance. Its programs extend to legislators, law enforcement officials, prosecutors and judges, regulators, bankers and providers of other financial services. GPML's mission is to use this capacity to provide practical, results-oriented assistance, in close cooperation with its other international partners, that will help countries and jurisdictions achieve compliance with the full range of international anti-money laundering standards.

Key to achieving this objective in 2000 was the GPML Forum (formerly the UN Offshore Forum), which was launched at a Plenary meeting in the Cayman Islands on March 30. The Forum brought together 35 offshore jurisdictions, hoping to secure their commitment to the international standards and norms that have emerged in the last decade from the United Nations, FATF, the OECD, the Basel Committee, IOSCO and others. Some 33 OFCs, subsequently lodged letters of political commitment with the United Nations to adhere to international standards and norms. These requests for assistance will help determine the direction of GPML's technical assistance priorities for some time to come and will result in greater demands on the GPML's and the United Nations' technical assistance capacities and its fiscal resources.

GPML's cooperation with the Government of Israel in 1999 and 2000 is now serving as one of the models for its future technical assistance efforts. Israel passed anti-money laundering legislation on August 2, 2000 after working closely with the United Nations for over a year on the drafting, and on the development of other anti-money laundering institutions. GPML's own lawyers cooperated with their Israeli counterparts on drafting the laws, offering the UN model legislation as a foundation but working towards provisions appropriate to the individual requirements of Israel's legal system. GPML also brought in experts to advise on structuring a financial intelligence unit that would function well with Israel's existing institutions, and organized seminars in the Knesset

and with the private sector to inform legislators and business people about what the new mechanisms would demand of them.

Many other jurisdictions have also turned to the United Nations, either individually or as part of a sub-regional grouping. They include the Bahamas, Dominica, Liechtenstein, Panama, St. Kitts and Nevis and St. Vincent and Grenadines. In light of this, GPML is planning to expand its highly successful mentoring program, which offers longer term on-site assistance to countries. In 2000, GPML placed mentors in Barbados and Jamaica, using expertise provided by AUSTRAC, the Australian FIU, and in Antigua and Barbuda.

GPML plans to continue its focus on assistance aimed at developing successful financial intelligence units (FIUs) and, in particular, on the development of regional FIUs, where appropriate. Considerable preparatory work on the Eastern Caribbean regional FIU was already underway in 2000, in partnership with the Organization of Eastern Caribbean States (OECS) and the Caribbean Development Bank (CDB). GPML also supported regional approaches to anti-money laundering by coordinating sub-regional workshops for the Gulf States and the Andean sub-region.

3.9.4. PAKISTAN'S MEASURES AGAINST MONEY LAUNDERING

The Government of Pakistan, due to the worsening drug situation, has taken several legal, administrative and policy measures not only to counter money laundering but also to forfeit assets acquired through drug trafficking and the smuggling of contraband goods. In pursuance of the 1988 UN Convention, to which Pakistan was a signatory, the Control of Narcotics Substance Act (CNSA) 1997 (previously an ordinance of 1995) was promulgated, effectively putting an impediment on freely practiced money laundering, particularly for drug proceeds. It is the first time that money laundering has been declared a crime and the reporting of suspicious transactions by the banks and financial institutions has been made obligatory in this substantive law (refer sec. 67-69 of the Act).

Section 67 (2) provides imprisonment for up to three (3) years if there is a failure to supply information. The State Bank of Pakistan (the Central Bank) has also issued the 'Required Prudential Instructions (1989) and Regulations (1992) to the banking sector. In contrast to USA laws there is no lower limit for reporting suspicious transactions, which eliminates the loophole of breaking the transactions in smaller parts. The State Bank has also agreed, in principal, to bring all types of financial institutions/corporate sectors, including money changers/stock markets, within the purview of money laundering laws and regulations. The State Bank has already issued guidelines to non banking financial institutions for preventing their involvement in the money laundering activities of other unlawful trades.

Regarding money changers, it is relevant to mention that as part of exchange control reforms, Pakistani nationals and residents, Pakistani companies/firms have been granted licenses to act as authorized money changers (AMC). These licenses are issued strictly in accordance with the procedure and conditions laid down by the State Bank. These conditions aim at making AMC's business transparent and for helping in identifying transactions. Under section 12 and 13 of the CNSA, acquisition and possession of assets derived from narcotic offenses has been made punishable with up to 14 years of imprisonment, plus fine and forfeiture of drug money.

Although Pakistan is already extending legal assistance to requesting countries for carrying out investigations in the field of drug trafficking/money laundering, the Government of Pakistan, included in the CNS Act 1997 a separate chapter on mutual legal assistance. At the moment Pakistan has not yet entered into mutual legal assistance treaties with other countries.

In 1994, the Government of Pakistan discontinued Dollar Bearer Certificates in Europe and America for the primary reasons that these certificates could have been conveniently used for money laundering.

3.10. MONEY LAUNDERING CASES

This report can not explain all the cases of money laundering but here only two major cases will be discussed. One is relating to Pakistan and another is to world.

3.10.1. BENAZIR BHUTTO CONVICTED OF MONEY LAUNDERING

Benazir Bhutto's sentence for money-laundering in Switzerland marks the latest twist in the career of a woman who at one stage was feted at home and abroad as a symbol of modernity and democracy.

Like the Nehru-Gandhi family in India, the Bhuttos of Pakistan are one of the world's most famous political dynasties.

Ms. Benazir Bhotto, a political icon in Pakistan, remained Prime Minister of Pakistan twice. She is chairperson of Pakistan Peoples Party (PPP) founded by Mr Zulfiqar Ali Khan, former Prime Minister of Pakistan. She was alleged by the Pakistani courts and Swiss courts that she and her husband Mr. Asif Ali Zardari were involved in money laundering. They used offshore companies like Schon Group of Companies and especially Schon bank, to launder their money earned by illegal activities and misuse of authorities. Mr. Asif Ali Zardari does not have good reputation and is commonly known as Mr. 10%.

A Swiss magistrate has found exiled former Pakistani Prime Minister Benazir Bhutto and her jailed husband guilty of money laundering and ordered them to pay over $11 million (7 million pounds) to the state.

At a news briefing in Islamabad, Information Minister Sheikh Rashid Ahmed produced documents from Swiss investigating magistrate Daniel Devaud dated July 30 sentencing the exiled Bhutto and husband Asif Ali Zardari to six months in prison.

A bitter rival of Pakistani President Pervez Musharraf, and her estranged husband who is in jail in Pakistan on corruption charges, had been given six month suspended sentences and fined $50,000 each.

The case relates to accusations dating back to the 1990s that Bhutto had access to money through kickbacks from Swiss companies dealing with Pakistan.

Pakistani officials from the National Accountability Bureau have visited Switzerland over the last few years and asked investigators there to look into the allegations.

Bhutto lives in exile in London and Dubai, and is threatened with arrest if she tries to return to Pakistan, where she also faces corruption charges dating back to her two periods in office during the 1980s and 1990s.

"Now this is proved in a foreign court that they are involved in money laundering,"[6]

"The government of Pakistan has decided that it will spend the whole amount (of funds returned).

The Swiss documents order the confiscation of over $11 million held in at least two Swiss bank accounts.

It also orders that a necklace it says was acquired by Bhutto in London be given to the Pakistani government. It said the necklace was worth 117,000 pounds.

Opponents of Bhutto in Pakistan are likely to use the charges against her and her husband to further undermine their position.

[6] Ahmed Noor Reporter
www. Swissinfo.com Wednesday 13.10.2004, CET 10:59

This case is still in progress in various other matters like BMW aspect. So, I could not get documentary evidence with it. Research for this case is mainly based on News papers and articles.

3.10.2. BANK OF CREDIT AND COMMERCE INTERNATIONAL

THE BCCI AFFAIR

1. **BCCI CONSTITUTED INTERNATIONAL FINANCIAL CRIME ON A MASSIVE AND GLOBAL SCALE.**

BCCI's unique criminal structure -- an elaborate corporate spider-web with BCCI's founder, Agha Hasan Abedi and his assistant, Swaleh Naqvi, in the middle -- was an essential component of its spectacular growth, and a guarantee of its eventual collapse. The structure was conceived by Abedi and managed by Naqvi for the specific purpose of evading regulation or control by governments. It functioned to frustrate the full understanding of BCCI's operations by anyone.

Unlike any ordinary bank, BCCI was from its earliest days made up of multiplying layers of entities, related to one another through an impenetrable series of holding companies, affiliates, subsidiaries, banks-within-banks, insider dealings and nominee relationships. By fracturing corporate structure, record keeping, regulatory review, and audits, the complex BCCI family of entities created by Abedi was able to evade ordinary legal restrictions on the movement of capital and goods as a matter of daily practice and routine. In creating BCCI as a vehicle fundamentally free of government control, Abedi developed in BCCI an ideal mechanism for facilitating illicit activity by others, including such activity by officials of many of the governments whose laws BCCI was breaking.

BCCI's criminality included fraud by BCCI and BCCI customers involving billions of dollars; money laundering in Europe, Africa, Asia, and the Americas; BCCI's bribery of

officials in most of those locations; support of terrorism, arms trafficking, and the sale of nuclear technologies; management of prostitution; the commission and facilitation of income tax evasion, smuggling, and illegal immigration; illicit purchases of banks and real estate; and a panoply of financial crimes limited only by the imagination of its officers and customers.

Among BCCI's principal mechanisms for committing crimes were its use of shell corporations and bank confidentiality and secrecy havens; layering of its corporate structure; its use of front-men and nominees, guarantees and buy-back arrangements; back-to-back financial documentation among BCCI controlled entities, kick-backs and bribes, the intimidation of witnesses, and the retention of well-placed insiders to discourage governmental action.

2. BCCI SYSTEMATICALLY BRIBED WORLD LEADERS AND POLITICAL FIGURES THROUGHOUT THE WORLD.

BCCI's systematically relied on relationships with, and as necessary, payments to, prominent political figures in most of the 73 countries in which BCCI operated. BCCI records and testimony from former BCCI officials together document BCCI's systematic securing of Central Bank deposits of Third World countries; its provision of favors to political figures; and its reliance on those figures to provide BCCI itself with favors in times of need.

These relationships were systematically turned to BCCI's use to generate cash needed to prop up its books. BCCI would obtain an important figure's agreement to give BCCI deposits from a country's Central Bank, exclusive handling of a country's use of U.S. commodity credits, preferential treatment on the processing of money coming in and out of the country where monetary controls were in place, the right to own a bank, secretly if necessary, in countries where foreign banks were not legal, or other questionable means

of securing assets or profits. In return, BCCI would pay bribes to the figure, or otherwise give him other things he wanted in a simple quid-pro-quo.

The result was that BCCI had relationships that ranged from the questionable, to the improper, to the fully corrupt with officials from countries all over the world, including Argentina, Bangladesh, Botswana, Brazil, Cameroon, China, Colombia, the Congo, Ghana, Guatemala, the Ivory Coast, India, Jamaica, Kuwait, Lebanon, Mauritius, Morocco, Nigeria, Pakistan, Panama, Peru, Saudi Arabia, Senegal, Sri Lanka, Sudan, Suriname, Tunisia, the United Arab Emirates, the United States, Zambia, and Zimbabwe.

3. BCCI DEVELOPED A STRATEGY TO INFILTRATE THE U.S. BANKING SYSTEM, WHICH IT SUCCESSFULLY IMPLEMENTED, DESPITE REGULATORY BARRIERS THAT WERE DESIGNED TO KEEP IT OUT.

In 1977, BCCI developed a plan to infiltrate the U.S. market through secretly purchasing U.S. banks while opening branch offices of BCCI throughout the U.S., and eventually merging the institutions. BCCI had significant difficulties implementing this strategy due to regulatory barriers in the United States designed to insure accountability. Despite these barriers, which delayed BCCI's entry, BCCI was ultimately successful in acquiring four banks, operating in seven states and the District of Colombia, with no jurisdiction successfully preventing BCCI from infiltrating it.

The techniques used by BCCI in the United States had been previously perfected by BCCI, and were used in BCCI's acquisitions of banks in a number of Third World countries and in Europe. These included purchasing banks through nominees, and arranging to have its activities shielded by prestigious lawyers, accountants, and public relations firms on the one hand, and politically-well connected agents on the other. These techniques were essential to BCCI's success in the United States, because without them, BCCI would have been stopped by regulators from gaining an interest in any U.S. bank.

As it was, regulatory suspicion towards BCCI required the bank to deceive regulators in collusion with nominees including the heads of state of several foreign emirates, key political and intelligence figures from the Middle East, and entities controlled by the most important bank and banker in the Middle East.

Equally important to BCCI's successful secret acquisitions of U.S. banks in the face of regulatory suspicion was its aggressive use of a series of prominent Americans, beginning with Bert Lance, and continuing with former Defense Secretary Clark Clifford, former U.S. Senator Stuart Symington, well-connected former federal bank regulators, and former and current local, state and federal legislators. Wittingly or not, these individuals provided essential assistance to BCCI through lending their names and their reputations to BCCI at critical moments. Thus, it was not merely BCCI's deceptions that permitted it to infiltrate the United States and its banking system. Also essential were BCCI's use of political influence peddling and the revolving door in Washington.

4. THE JUSTICE DEPARTMENT MISHANDLED ITS INVESTIGATION AND PROSECUTION OF BCCI, AND ITS RELATIONSHIPS WITH OTHER GOVERNMENT AGENCIES CONCERNING BCCI.

Federal prosecutors in Tampa handling the 1988 drug money laundering indictment of BCCI failed to recognize the importance of information they received concerning BCCI's other crimes, including its apparent secret ownership of First American. As a result, they failed adequately to investigate these allegations themselves, or to refer this portion of the case to the FBI and other agencies at the Justice Department who could have properly investigated the additional information.

The Justice Department, along with the U.S. Customs Service and Treasury Departments, failed to provide adequate support and assistance to investigators and prosecutors working on the case against BCCI in 1988 and 1989, contributing to conditions that

ultimately caused the chief undercover agent who handled the sting against BCCI to quit Customs entirely.

The January 1990 plea agreement between BCCI and the U.S. Attorney in Tampa kept BCCI alive, and had the effect of discouraging BCCI's officials from telling the U.S. what they knew about BCCI's larger criminality, including its ownership of First American and other U.S. banks.

The Justice Department essentially stopped investigating BCCI following the plea agreement, until press accounts, Federal Reserve action, and the New York District Attorney's investigation in New York forced them into action in mid-1991.

Justice Department personnel in Washington lobbied state regulators to keep BCCI open after the January 1990 plea agreement, following lobbying of them by former Justice Department personnel now representing BCCI.

Relations between main Justice in Washington and the U.S. Attorney for Miami, Dexter Lehtinen, broke down on BCCI-related prosecutions, and key actions on BCCI-related cases in Miami were, as a result, delayed for months during 1991.

Justice Department personnel in Washington, Miami, and Tampa actively obstructed and impeded Congressional attempts to investigate BCCI in 1990, and this practice continued to some extent until William P. Barr became Attorney General in late October, 1991.

Justice Department personnel in Washington, Miami and Tampa obstructed and impeded attempts by New York District Attorney Robert Morgenthau to obtain critical information concerning BCCI in 1989, 1990, and 1991, and in one case, a federal prosecutor lied to Morgenthau's office concerning the existence of such material. Important failures of cooperation continued to take place until William P. Barr became Attorney General in late October, 1991.

Cooperation by the Justice Department with the Federal Reserve was very limited until after BCCI's global closure on July 5, 1991.
Some public statements by the Justice Department concerning its handling of matters pertaining to BCCI were more cleverly crafted than true.

5. NEW YORK DISTRICT ATTORNEY MORGENTHAU NOT ONLY BROKE THE CASE ON BCCI, BUT INDIRECTLY BROUGHT ABOUT BCCI'S GLOBAL CLOSURE.

Acting on information provided him by the Subcommittee, New York District Attorney Robert Morgenthau began an investigation in 1989 of BCCI which materially contributed to the chain of events that resulted in BCCI's closure.

Questions asked by the District Attorney intensified the review of BCCI's activities by its auditors, Price Waterhouse, in England, and gave life to a moribund Federal Reserve investigation of BCCI's secret ownership of First American.

The District Attorney's criminal investigation was critical to stopping an intended reorganization of BCCI worked out through an agreement among the Bank of England, the government of Abu Dhabi, BCCI's auditors, Price Waterhouse, and BCCI itself, in which the nature and extent of BCCI's criminality would be suppressed, while Abu Dhabi would commit its financial resources to keep the bank going during a restructuring. By the late spring of 1991, the key obstacle to a successful restructuring of BCCI bankrolled up Abu Dhabi was the possibility that the District Attorney of New York would indict. Such an indictment would have inevitably caused a swift and thoroughly justified an international run on BCCI by depositors all over the world. Instead, it was a substantial factor in the decision of the Bank of England to take the information it had received from Price Waterhouse and rely on it to close BCCI.

6. BCCI'S ACCOUNTANTS FAILED TO PROTECT BCCI'S INNOCENT DEPOSITORS AND CREDITORS FROM THE CONSEQUENCES OF POOR PRACTICES AT THE BANK OF WHICH THE AUDITORS WERE AWARE FOR YEARS.

BCCI's decision to divide its operations between two auditors, neither of whom had the right to audit all BCCI operations, was a significant mechanism by which BCCI was able to hide its frauds during its early years. For more than a decade, neither of BCCI's auditors objected to this practice.

BCCI provided loans and financial benefits to some of its auditors, whose acceptance of these benefits creates an appearance of impropriety, based on the possibility that such benefits could in theory affect the independent judgment of the auditors involved. These benefits included loans to two Price Waterhouse partnerships in the Caribbean. In addition, there are serious questions concerning the acceptance of payments and possibly housing from BCCI or its affiliates by Price Waterhouse partners in the Grand Caymans, and possible acceptance of sexual favors provided by BCCI officials to certain persons affiliated with the firm.

Regardless of BCCI's attempts to hide its frauds from its outside auditors, there were numerous warning bells visible to the auditors from the early years of the bank's activities, and BCCI's auditors could have and should have done more to respond to them.

By the end of 1987, given Price Waterhouse (UK)'s knowledge about the inadequacies of BCCI's records, it had ample reason to recognize that there could be no adequate basis for certifying that it had examined BCCI's books and records and that its picture of those records were indeed a "true and fair view" of BCCI's financial state of affairs.

The certifications by BCCI's auditors that its picture of BCCI's books were "true and fair" from December 31, 1987 forward, had the consequence of assisting BCCI in misleading

depositors, regulators, investigators, and other financial institutions as to BCCI's true financial condition.

Prior to 1990, Price Waterhouse (UK) knew of gross irregularities in BCCI's handling of loans to CCAH/First American and was told of violations of U.S. banking laws by BCCI and its borrowers in connection with CCAH/First American, and failed to advise the partners of its U.S. affiliate or any U.S. regulator.

There is no evidence that Price Waterhouse (UK) has to this day notified Price Waterhouse (US) of the extent of the problems it found at BCCI, or of BCCI's secret ownership of CCAH/First American. Given the lack of information provided Price Waterhouse (US) by its United Kingdom affiliate, the U.S. firm performed its auditing of BCCI's U.S. branches in a manner that was professional and diligent, albeit unilluminating concerning BCCI's true activities in the United States.

Price Waterhouse's certification of BCCI's books and records in April, 1990 was explicitly conditioned by Price Waterhouse (UK) on the proposition that Abu Dhabi would bail BCCI out of its financial losses, and that the Bank of England, Abu Dhabi and BCCI would work with the auditors to restructure the bank and avoid its collapse. Price Waterhouse would not have made the certification but for the assurances it received from the Bank of England that its continued certification of BCCI's books was appropriate, and indeed, necessary for the bank's survival.

The April 1990 agreement among Price Waterhouse (UK), Abu Dhabi, BCCI, and the Bank of England described above, resulted in Price Waterhouse (UK) certifying the financial picture presented in its audit of BCCI as "true and fair," with a single footnote material to the huge losses still to be dealt with, failed adequately to describe their serious nature. As a consequence, the certification was materially misleading to anyone who relied on it ignorant of the facts then mutually known to BCCI, Abu Dhabi, Price Waterhouse and the Bank of England.

The decision by Abu Dhabi, Price Waterhouse (UK), BCCI and the Bank of England to reorganize BCCI over the duration of 1990 and 1991, rather than to advise the public of what they knew, caused substantial injury to innocent depositors and customers of BCCI who continued to do business with an institution which each of the above parties knew had engaged in fraud.

From at least April, 1990 through November, 1990, the Government of Abu Dhabi had knowledge of BCCI's criminality and frauds which it apparently withheld from BCCI's outside auditors, contributing to the delay in the ultimate closure of the bank, and causing further injury to the bank's innocent depositors and customers.

7. THE CIA DEVELOPED IMPORTANT INFORMATION ON BCCI, AND INADVERTENTLY FAILED TO PROVIDE IT TO THOSE WHO COULD USE IT.

The CIA and former CIA officials had a far wider range of contacts and links to BCCI and BCCI shareholders, officers, and customers, than has been acknowledged by the CIA.

By early 1985, the CIA knew more about BCCI's goals and intentions concerning the U.S. banking system than anyone else in government, and provided that information to the U.S. Treasury and the Office of the Comptroller of the Currency, neither of whom had the responsibility for regulating the First American Bank that BCCI had taken over. The CIA failed to provide the critical information it had gathered to the correct users of the information -- the Federal Reserve and the Justice Department.

After the CIA knew that BCCI was as an institution a fundamentally corrupt criminal enterprise, it continued to use both BCCI and First American, BCCI's secretly held U.S. subsidiary, for CIA operations.

While the reporting concerning BCCI by the CIA was in some respects impressive -- especially in its assembling of the essentials of BCCI's criminality, its secret purchase of First American by 1985, and its extensive involvement in money laundering -- there were also remarkable gaps in the CIA's reported knowledge about BCCI.

Former CIA officials, including former CIA director Richard Helms and the late William Casey; former and current foreign intelligence officials, including Kamal Adham and Abdul Raouf Khalil; and principal foreign agents of the U.S., such as Adnan Khashoggi and Manucher Ghorbanifar, float in and out of BCCI at critical times in its history, and participate simultaneously in the making of key episodes in U.S. foreign policy, ranging from the Camp David peace talks to the arming of Iran as part of the Iran/Contra affair. Yet the CIA has continued to maintain that it has no information regarding any involvement of these people, raising questions about the quality of intelligence the CIA is receiving generally, or its candor with the Subcommittee. The CIA's professions of total ignorance about their respective roles in BCCI are out of character with the Agency's early knowledge of many critical aspects of the bank's operations, structure, personnel, and history.

The errors made by the CIA in connection with its handling of BCCI were complicated by its handling of this Congressional investigation. Initial information that was provided by the CIA was untrue; later information that was provided was incomplete; and the Agency resisted providing a "full" account about its knowledge of BCCI until almost a year after the initial requests for the information. These experiences suggest caution in concluding that the information provided to date is full and complete. The relationships among former CIA personnel and BCCI front men and nominees, including Kamal Adham, Abdul Khalil, and Mohammed Irvani, require further investigation.

8. THE FLAWED DECISIONS MADE BY REGULATORS IN THE US WHICH ALLOWED BCCI TO SECRETLY ACQUIRE US BANKS WERE CAUSED IN PART BY GAPS IN THE REGULATORY PROCESS AND IN PART BY BCCI'S USE OF WELL-CONNECTED LAWYERS TO HELP THEM THROUGH THE PROCESS.

When the Federal Reserve approved the take over of Financial General Bankshares by CCAH in 1981, it had substantial circumstantial evidence before it to suggest that BCCI was behind the bank's purchase. The Federal Reserve chose not to act on that evidence because of the specific representations that were made to it by CCAH's shareholders and lawyers, that BCCI was neither financing nor directing the take over. These representations were untrue and the Federal Reserve would not have approved the CCAH application but for the false statements made to it.

In approving the CCAH application, the Federal Reserve relied upon representations from the Central Intelligence Agency, State Department, and other U.S. agencies that they had no objections to or concerns about the Middle Eastern shareholders who were purporting to purchase shares in the bank. The Federal Reserve also relied upon the reputation for integrity of BCCI's lawyers, especially that of former Secretary of Defense Clark Clifford and former Federal Reserve counsel Baldwin Tuttle. Assurances provided the Federal Reserve by the CIA and State Department, and by both attorneys, had a material impact on the Federal Reserve's willingness to approve the CCAH application despite its concerns about BCCI's possible involvement.

In 1981, the Office of the Comptroller of the Currency had additional information, from reports concerning BCCI's role in the Bank of America and the National Bank of Georgia, concerning BCCI's possible use of nominee arrangements and alter egos to purchase banks on its behalf in the United States, which it failed to pass on to the Federal Reserve. This failure was inadvertent, not intentional.

In approving the CCAH application, the Federal Reserve permitted BCCI and its attorneys to carve out a seeming loophole in the commitment that BCCI not be involved in financing or controlling CCAH's activities. This loophole permitted BCCI to act as an investment advisor and information conduit to CCAH's shareholders. The Federal Reserve's decision to accept this arrangement allowed BCCI and its attorneys and agents to use these permitted activities as a cover for the true nature of BCCI's ownership of CCAH and the First American Banks.

After approving the CCAH application in 1981, the Federal Reserve received few indicators about BCCI's possible improper involvement in CCAH/First American. However, at several critical junctures, especially the purchase by First American of the National Bank of Georgia from Ghaith Pharaon in 1986, there were obvious warnings signs that could have been investigated and which were not, until late 1990.

As a foreign bank whose branches were chartered by state banking authorities, BCCI largely escaped the Federal Reserve's scrutiny regarding its criminal activities in the United States unrelated to its interest in CCAH/First American. This gap in regulatory oversight has since been closed by the passage of the Foreign Bank Supervision Enhancement Act of 1991.

The U.S. Treasury Department failed to provide the Federal Reserve with information it received concerning BCCI's ownership of First American in 1985 and 1986 from the CIA. However, IRS agents did provide important information to the Federal Reserve on this issue in early 1989, which the Federal Reserve failed adequately to investigate at the time.

The FDIC approved Ghaith Pharaon's purchase of the Independence Bank in 1985 knowing him to be a shareholder of BCCI and knowing that he was placing a senior BCCI officer in charge of the bank, and failed to confer with the Federal Reserve or the OCC regarding their previous experiences with Pharaon and BCCI.

Once the Federal Reserve commenced a formal investigation of BCCI and First American on January 3, 1991, its investigation of BCCI and First American was aggressive and diligent. Its decisions to force BCCI out of the United States and to divest itself of First American were prompt. The charges it brought against the parties involved with BCCI in violating federal banking standards were fully justified by the record. Its investigations have over the past year contributed substantially to public understanding to date of what took place.

Even after the Federal Reserve understood the nature and scope of BCCI's frauds, it did not seek to have BCCI closed globally. This position was in some measure the consequence of the Federal Reserve's need to secure the cooperation of BCCI's majority shareholders, the government and royal family of Abu Dhabi, in providing some $190 million to prop up First American Bank and prevent an embarrassing collapse. However, Federal Reserve investigators did actively work in the spring of 1991 to have BCCI's top management removed.

In investigating BCCI, the Federal Reserve's efforts were hampered by examples of lack of cooperation by foreign governments, including most significantly the Serious Fraud Office in the United Kingdom and, since the closure of BCCI on July 5, 1991, the government of Abu Dhabi.

U.S. regulatory handling of the U.S. banks secretly owned by BCCI was hampered by lack of coordination among the regulators, which included the Federal Reserve, the FDIC, and the OCC, highlighting the need for further integration of these separate banking regulatory agencies on supervision and enforcement.

9. **THE BANK OF ENGLAND'S REGULATION OF BCCI WAS WHOLLY INADEQUATE TO PROTECT BCCI'S DEPOSITORS AND CREDITORS, AND THE BANK OF ENGLAND WITHHELD INFORMATION ABOUT BCCI'S FRAUDS FROM PUBLIC KNOWLEDGE FOR FIFTEEN MONTHS BEFORE CLOSING THE BANK.**

The Bank of England had deep concerns about BCCI from the late 1970s on, and undertook several steps to slow BCCI's expansion in the United Kingdom.

In 1988 and 1989, the Bank of England learned of BCCI's involvement in the financing of terrorism and in drug money laundering, and undertook additional, but limited supervision of BCCI in response to receiving this information.

In the spring of 1990, Price Waterhouse advised the Bank of England that there were substantial loan losses at BCCI, numerous poor banking practices, and evidence of fraud, which together had created a massive hole in BCCI's books. The Bank of England's response to the information was not to close BCCI down, but to find ways to prop up BCCI and prevent its collapse. This meant, among other things, keeping secret the very serious nature of BCCI's problems from its creditors and one million depositors.

In April, 1990, the Bank of England reached an agreement with BCCI, Abu Dhabi, and Price Waterhouse to keep BCCI from collapsing. Under the agreement, Abu Dhabi agreed to guarantee BCCI's losses and Price Waterhouse agreed to certify BCCI's books. As a consequence, innocent depositors and creditors who did business with BCCI following that date were deceived into believing that BCCI's financial problems were not as serious as each of these parties already knew them to be.

From April, 1990, the Bank of England relied on British bank secrecy and confidentiality laws to reduce the risk of BCCI's collapse if word of its improprieties leaked out. As a consequence, innocent depositors and creditors who did business with BCCI following that date were denied vital information, in the possession of the regulators, auditors,

officers, and shareholders of BCCI, that could have protected them against their losses. In order to prevent risk to its restructuring plan for BCCI and a possible run on BCCI, the Bank of England withheld important information from the Federal Reserve in the spring of 1990 about the size and scope of BCCI's lending on CCAH/First American shares, despite the Federal Reserve's requests for such information. This action by the Bank of England delayed the opening of a full investigation by the Federal Reserve for approximately eight months.

Despite its knowledge of some of BCCI's past frauds, and its own understanding that consolidation into a single entity is essential for regulating a bank, in late 1990 and early 1991 the Bank of England tentatively agreed with BCCI and its Abu Dhabi owners to permit BCCI to restructure as three "separate" institutions, based in London, Abu Dhabi and Hong Kong. This tentative decision demonstrated extraordinarily poor judgment on the part of the Bank of England. This decision was reversed abruptly when the Bank of England suddenly decided to close BCCI instead in late June, 1991.

The decision by the Bank of England in April 1990 to permit BCCI to move its headquarters, officers, and records out of British jurisdiction to Abu Dhabi has had profound negative consequences for investigations of BCCI around the world. As a result of this decision, essential records and witnesses regarding what took place were removed from the control of the British government, and placed under the control of the government of Abu Dhabi, which has to date withheld them from criminal investigators in the U.S. and U.K. This decision constituted a costly, and likely irretrievable, error on the part of the Bank of England.

10. CLARK CLIFFORD AND ROBERT ALTMAN PARTICIPATED IN IMPROPRIETIES WITH BCCI IN THE UNITED STATES.

Regardless of whether Clifford and Altman were deceived by BCCI in some respects, both men participated in some BCCI's deceptions in the United States.

Beginning in late 1977, Clifford and Altman assisted BCCI in purchasing a U.S. bank, Financial General Bankshares, with the participation of nominees, and understood BCCI's central involvement in directing and controlling the transaction.

In the years that followed, they made business decisions regarding acquisitions for First American that were motivated by BCCI's goals, rather than by the business needs of First American itself; and represented as their own to regulators decisions that had been made by Abedi and BCCI on fundamental matters concerning First American, including the purchase by First American of the National Bank of Georgia and First American's decision to purchase branches in New York City.

Clifford and Altman concealed their own financing of shares of First American by BCCI from First American's other directors and from U.S. regulators, withheld critical information that they possessed from regulators in an effort to keep the truth about BCCI's ownership of First American secret, and deceived regulators and the Congress concerning their own knowledge of and personal involvement in BCCI's illegalities in the United States.

11. ABU DHABI'S INVOLVEMENT IN BCCI'S AFFAIRS WAS FAR MORE CENTRAL THAN IT HAS ACKNOWLEDGED, INVOLVING IN SOME CASES NOMINEE RELATIONS AND NO-RISK TRANSACTIONS THAT ABU DHABI IS TODAY COVERING-UP THROUGH HIDING WITNESSES AND DOCUMENTS FROM U.S. INVESTIGATORS.

Members of Abu Dhabi's ruling family appear to have contributed no more than $500,000 to BCCI's capitalization prior to April 1990, despite being the record owner of almost one-quarter of the bank's total shares. An unknown but substantial percentage of the shares acquired by Abu Dhabi overall in BCCI appear to have been acquired on a risk-free basis -- either with guaranteed rates of return, buy-back arrangements, or both.

The interest held in BCCI by the Abu Dhabi ruling family, like the interests held by the rulers of the three other gulf sheikdoms in the United Arab Emirates who owned shares of BCCI, materially aided and abetted Abedi and BCCI in projecting the illusion that BCCI was backed by, and capitalized by, Abu Dhabi's wealth. Investments made in BCCI by the Abu Dhabi Investment Authority appear to have been genuine, although possibly guaranteed by BCCI with buy-back or other no-risk arrangements.

Shares in Financial General Bankshares held by members of the Abu Dhabi royal family in late 1977 and early 1978 appear to have been nominee arrangements, adopted by Abu Dhabi as a convenience to BCCI and Abedi, under arrangements in which Abu Dhabi was to be without risk, and BCCI was to guarantee the purchase through a commitment to buy-back the stock at an agreed upon price.

Abu Dhabi's representative to BCCI's board of directors, Ghanim al Mazrui, received unorthodox financial benefits from BCCI in no-risk stock deals which may have compromised his ability to exercise independent judgment concerning BCCI's actions; confirmed at least one fraudulent transaction involving Abu Dhabi; and engaged in other improprieties pertaining to BCCI; but remains today in place at the apex of Abu Dhabi's committee designated to respond to BCCI's collapse.

In April, 1990, Abu Dhabi was told in detail about BCCI's fraud by top BCCI officials, and failed to advise BCCI's external auditors of what it had learned. Between April, 1990 and November, 1990, Abu Dhabi and BCCI together kept some information concerning BCCI's frauds hidden from the auditors.

From April, 1990 through July 5, 1991, Abu Dhabi tried to save BCCI through a massive restructuring. As part of the restructuring process, Abu Dhabi agreed to take responsibility for BCCI's losses, Price Waterhouse agreed to certify BCCI's books for another year, and Abu Dhabi, Price Waterhouse, the Bank of England, and BCCI agreed to keep all information concerning BCCI's frauds and other problems secret from BCCI's

one million depositors, as well as from U.S. regulators and law enforcement, to prevent a run on the bank.

After the Federal Reserve was advised by the New York District Attorney of possible nominee arrangements involving BCCI and First American, Abu Dhabi, in an apparent effort to gain the Federal Reserve's acquiescence in BCCI's proposed restructuring, provided limited cooperation to the Federal Reserve, including access to selected documents. The cooperation did not extend to permitting the Federal Reserve open access to all BCCI documents, or substantive communication with key BCCI officials held in Abu Dhabi, such as BCCI's former president, Swaleh Naqvi. That access ended with the closure of BCCI July 5, 1991.

From November, 1990 through the present, Abu Dhabi has failed to provide documents and witnesses to U.S. law enforcement authorities and to the Congress, despite repeated commitments to do so. Instead, it has actively prevented U.S. investigators from having access to vital information necessary to investigate BCCI's global wrongdoing.

The proposed agreement between Abu Dhabi and BCCI's liquidators to settle their claims against one another contains provisions which could have the consequence of permitting Abu Dhabi to cover up any wrongdoing it may have had in connection with BCCI.

There is some evidence that the Sheikh Zayed may have had a political agenda in agreeing to the involvement of members of the Abu Dhabi royal family and its investment authority in purchasing shares of Financial General Bankshares, then of CCAH/First American. This evidence is offset, in part, by testimony that Abu Dhabi share purchases in the U.S. bank were done at Abedi's request and did not represent an actual investment by Abu Dhabi until much later.

12. BCCI MADE EXTENSIVE USE OF THE REVOLVING DOOR AND POLITICAL INFLUENCE PEDDLING IN THE UNITED STATES TO ACCOMPLISH ITS GOALS.

BCCI's political connections in Washington had a material impact on its ability to accomplish its goals in the United States. In hiring lawyers, lobbyists and public relations firms in the United States to help it deal with its problems vis a vis the government, BCCI pursued a strategy that it had practiced successfully around the world: the hiring of former government officials.

BCCI's and its shareholders' cadre of professional help in Washington D.C. included, at various times, a former Secretary of Defense (Clark Clifford), former Senators and Congressmen (John Culver, Mike Barnes), former federal prosecutors (Larry Wechsler, Raymond Banoun, and Larry Barcella, a former State Department Official (William Rogers), a former White House aide (Ed Rogers), a current Presidential campaign deputy director (James Lake), and former Federal Reserve Attorneys (Baldwin Tuttle, Jerry Hawke, and Michael Bradfield). In addition, BCCI solicited the help of Henry Kissinger, who chose not to do business with BCCI but made a referral of BCCI to his own lawyers. At several key points in BCCI's activities in the U.S., the political influence and personal contacts of those it hired had an impact in helping BCCI accomplish its goals, including in connection with the 1981 CCAH acquisition of FGB and the handling and aftermath of BCCI's plea agreement in Tampa in 1990.

The political connections of BCCI's U.S. lawyers and lobbyists were critical to impeding Congressional and law enforcement investigations from 1988 through 1991, through a variety of techniques that included impugning the motives and integrity of investigators and journalists, withholding subpoenaed documents, and lobbying on capital hill to protect BCCI's reputation and discourage efforts to close the bank down in the United States.

13. BCCI'S PUBLIC RELATIONS FIRM SMEARED PEOPLE WHO WERE TELLING THE TRUTH AS PART OF ITS WORK FOR BCCI.

When Hill and Knowlton accepted BCCI's account in October, 1988, its partners knew of BCCI's reputation as a "sleazy" bank, but took the account anyway. In 1988 and 1989, Hill and Knowlton assisted BCCI with an aggressive public relations campaign designed to demonstrate that BCCI was not a criminal enterprise, and to put the best face possible on the Tampa drug money laundering indictments. In so doing, it disseminated materials unjustifiably and unfairly discrediting persons and publications who were telling the truth about BCCI's criminality.

Important information provided by Hill and Knowlton to Capitol Hill and provided by First American to regulators concerning the relationship between BCCI and First American in April, 1990 was false. The misleading material represented the position of BCCI, First American, Clifford and Altman concerning the relationship, and was contrary to the truth known by BCCI, Clifford and Altman.

Hill and Knowlton's representation of BCCI was within the norms and standards of the public relations industry, but raises larger questions as to the relationship of those norms and standards to the public interest.

14. BCCI ACTIVELY SOLICITED THE FRIENDSHIPS OF MAJOR U.S. POLITICAL FIGURES, AND MADE PAYMENTS TO THESE POLITICAL FIGURES, WHICH IN SOME CASES MAY HAVE BEEN IMPROPER.

Beginning with Bert Lance in 1977, whose debts BCCI paid off with a $3.5 million loan, BCCI, BCCI nominees, and top officials of BCCI systematically developed friendships and relationships with important U.S political figures. While those which are publicly known include former president Jimmy Carter, Jesse Jackson, and Andrew Young, the

Subcommittee has received information suggesting that BCCI's network extended to other U.S. political figures. The payments made by BCCI to Andrew Young while he was a public official were at best unusual, and by all appearances, improper.

15. BCCI'S COMMODITIES AFFILIATE, CAPCOM, ENGAGED IN BILLIONS OF DOLLARS OF LARGELY ANONYMOUS TRADING IN THE US WHICH INCLUDED A VERY SUBSTANTIAL LEVEL OF MONEY LAUNDERING, WHILE CAPCOM SIMULTANEOUSLY DEVELOPED SIGNIFICANT TIES TO IMPORTANT U.S. TELECOMMUNICATIONS INDUSTRY EXECUTIVES AND FOREIGN INTELLIGENCE FIGURES.

BCCI's commodities affiliate, Capcom, based in Chicago, London and Cairo, was principally staffed by former BCCI bankers, capitalized by BCCI and BCCI customers, and owned by BCCI, BCCI shareholders, and front-men. Capcom employed many of the same practices as BCCI, especially the use of nominees and front companies to disguise ownership and the movement of money. Four U.S. citizens -- none of whom had any experience or expertise in the commodities markets -- played important and varied roles as Capcom front men in the United States.

While investigation information concerning Capcom is incomplete, its activities appear to have included misappropriation of BCCI assets; the laundering of billions of dollars from the Middle East to the US and other parts of the world; and the siphoning of assets from BCCI to create a safe haven for them outside of the official BCCI empire.
Capcom's majority shareholders, Kamal Adham and A.R. Khalil, were both former senior Saudi government officials and successively acted as Saudi Arabia's principal liaisons to the Central Intelligence Agency during the 1970's and 1980's.

Its U.S. front men included Robert Magness, the CEO of the largest U.S. cable telecommunications company, TCI; a vice-President of TCI, Larry Romrell; and two

other Americans, Kerry Fox and Robert Powell, with long-standing business interests in the Middle East. Magness, Romrell and Fox received loans from BCCI for real estate ventures in the U.S., and Magness and Romrell discussed numerous business ventures between BCCI and TCI, some of which involved the possible purchase of U.S. telecommunications stock and substantial lending by BCCI.

Commodities regulators with the responsibility for investigating Capcom showed little interest in conducting a thorough investigation of its activities, and in 1989 allowed Capcom to avoid such an investigation through agreeing to cease doing business in the United States.

The Subcommittee could not determine whether BCCI, Capcom, or their shareholders or agents actually acquired equity interests in the U.S. cable industry and believes further investigation of matters pertaining to Capcom is essential.

16. **INVESTIGATIONS OF BCCI TO DATE REMAIN INCOMPLETE, AND MANY LEADS CANNOT BE FOLLOWED UP, AS THE RESULT OF DOCUMENTS BEING WITHHELD FROM US INVESTIGATORS BY THE BRITISH GOVERNMENT, AND DOCUMENTS AND WITNESSES BEING WITHHELD FROM US INVESTIGATORS BY THE GOVERNMENT OF ABU DHABI.**

Many of the specific criminal transactions engaged in by BCCI's customers remain hidden from investigation as the result of bank secrecy laws in many jurisdictions, British national security laws, and the holding of key witnesses and documents by the Government of Abu Dhabi. Documents pertaining to BCCI's use to finance terrorism, to assist the builders of a Pakistani nuclear bomb, to finance Iranian arms deals, and related matters have been sealed in the United Kingdom by British intelligence and remain unavailable to U.S. investigators. Many other basic matters pertaining to BCCI's criminality, including any list that may exist of BCCI's political payoffs and bribes, remain sequestered in Abu Dhabi and unavailable to U.S. investigators.

Many investigative leads remain to be explored, but cannot be answered with devoting substantial additional sources that to date no agency of government has been in a position to provide.

Unanswered questions include, but are not limited to, the relationship between BCCI and the Banco Nazionale del Lavoro; the alleged relationship between the late CIA director William Casey and BCCI; the extent of BCCI's involvement in Pakistan's nuclear program; BCCI's manipulation of commodities and securities markets in Europe and Canada; BCCI's activities in India, including its relationship with the business empire of the Hinduja family; BCCI's relationships with convicted Iraqi arms dealer Sarkis Sarkenalian, Syrian drug trafficker, terrorist, and arms trafficker Monzer Al-Kassar, and other major arms dealers; the use of BCCI by central figures in the alleged "October Surprise," BCCI's activities with the Central Bank of Syria and with the Foreign Trade Mission of the Soviet Union in London; its involvement with foreign intelligence agencies; the financial dealingst of BCCI directors with Charles Keating and several Keating affiliates and front-companies, including the possibility that BCCI related entities may have laundered funds for Keating to move them outside the United States; BCCI's financing of commodities and other business dealings of international criminal financier Marc Rich; the nature, extent and meaning of the ownership of other major U.S. financial institutions by Middle Eastern political figures; the nature, extent, and meaning of real estate and financial investments in the United States by major shareholders of BCCI; the sale of BCCI affiliate Banque de Commerce et Placement in Geneva, to the Cukorova Group of Turkey, which owned an entity involved in the BNL Iraqi arms sales, among others.

4. RECOMMENDATIONS

Financial Action Task Force has laid down recommendations for each country to protect there economy from the evils and consequences of money laundering. There recommendations are listed as follow;

4.1. 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 authorized 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 behavior.

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 favor 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:

1. 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;
2. an ongoing employee training program.
3. An audit functions 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 computerized 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 re flows 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 Organization, 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 money laundering offence or related offences. With respect to its national legal system, each country should recognize 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 judgments, extraditing their nationals, and/or introducing a simplified extradition of consenting persons who waive formal extradition proceedings.

4.2. RECOMMENDATIONS FOR PAKISTAN

Pakistan is country where policies and procedures are changed with every change in government. That is the basic reason for under development of this country. It is useless if the medicine is only for the effects of disease and not for the cure of that disease. We should eliminate the root causes of corruption and black money. When people don't have black money, how they can go for money laundering. No doubt the task is difficult but not impossible. We can eliminate opportunities that help in creation of black money. For this task following recommendations should be adopted by the Govt. of Pakistan.

- A broad Civil Service reform should tackle issues like the "living wage", a clear Code of Conduct for civil servants, clear rules on conflict of interest and nepotism, a significant reduction of discretionary powers, systematic monitoring and enforcement of the rules, promotions on merit, a serious "disclosure of assets" program, removal of corrupt officials, an easy complaints mechanism (for citizens and colleagues alike) and a whistleblower protection program. Part of this drive should be a further strengthening of the powers and capacity of oversight institutions such as the Auditor General, the ad hoc Public Accounts Committee

and the Ombudsman's Office, and the assurance of an independent, impartial and well-trained judiciary.

- It appears that Pakistan's fight against corruption would benefit greatly from a more or less complete overhaul of the country's procurement system, institutions and rules. Through public procurement a very large share of the country's public resources is spent. Any improvement of the transparency, predictability, accountability and quality of the procurement process can save the country vast sums of money.
- Approve legislations for the cyber crimes and develop expertise in this area.
- No doubt govt. is doing good and remained successful in elimination of HAWALA system but still there is a room for improvement. Govt. takes strict measures against this system.
- Govt. of Pakistan should develop an efficient and effective tax system which must be transparent.

The above mentioned recommendations are generalized and different countries need different independent efforts to curb money laundering because the reasons for money laundering may be different in different countries.

4. CONCLUSION

Money laundering is one of the ongoing problems facing the international economy, and from the evidence studied while researching this work, it can be seen that while the fundamentals of this crime remains largely the same, technology has offered, and will continue to offer a more sophisticated and circuitous means to convert ill-gotten proceeds into legal tender and assets. The largely unchecked growth of the Internet presents what has been described as the "Armageddon scenario of banking on the `Net - criminals could have money transferred without any audit trail". There is a total absence of regulation of the Internet and it has been recognized that authorities need to ensure that legislation keeps abreast of technology in order to understand and pick up on any new techniques that professional money launderers may come up with.

There is also a growing realization about the extent that money laundering and its relationship with organized crime are interlinked. The huge profits that accrue to these criminals from such areas as drug trafficking, international fraud, advance fee fraud, long firm fraud, arms dealing, trafficking in human organs and tissue, etc., will be used not only to facilitate ongoing operations, but to consolidate the wealth, prestige and respectability of those in control of the criminal business. Drug trafficking remains the largest single generator of illegal proceeds: Robinson (1994) stated that more money is spent world-wide on illicit drugs than on food. However, non-drug related crime is increasingly significant.

The characteristics of organized crime are evident in money laundering:

- it is a group activity, in that it is carried out often by more than one person;
- it is a criminal activity which is long term and continuing;
- it is a criminal activity which is carried out irrespective of national boundaries;
- it is large scale; and
- it generates proceeds which are often made available for licit use.

These characteristics define a very particular kind of serious criminal activity which, at its most developed, is highly sophisticated and complex.

There has always been free trade in crime. Criminals do not respect sovereignty; instead they use borders to their advantage. They know all too well that following the money trail is harder the more countries are involved. Add differences in language, legal systems and traditions, throw in a tax haven or two, create some shell corporations with nominees as directors and the basis of a sound money laundering system is in place. Now add an international financial system that allows virtually instantaneous transfers of funds around the globe and the money launderers' world seems complete.

Nation States and international organization are, however, beginning to catch up. This paper has reviewed some of the significant international measures designed to thwart the ability of organized and economic crime to amass wealth and power. The threat is serious and robust measures are needed to safeguard the values we cherish. The stability of several countries is threatened by organized crime and the so is the integrity of the financial system upon which we all depend.

We are, in fact, all dependent on a successful outcome and we can no longer assume that crime is a matter for criminal justice. The social and economic costs of crime are visited upon us all and all sectors, including the financial sector, must respond appropriately. We have everything to gain.

7. BIBLIOGRAPHY

Guidance Papers: Anti-Money Laundering Guidance Notes for Insurance Supervisors & Insurance Entities

http://www.iaisweb.org/content/02pas/02money.pdf

Securities Industry Association

http://www.sia.com/

Frequently Asked Questions and Answers About Financial Services Industry's Efforts To End Money Laundering

http://www.sia.com/press/html/moneylaundering.html

U.S. General Accounting Office

441 G Street, NW

Washington, DC 20548

(202) 512-6000

http://www.gao.gov/index.html

32 Resource Information

International Organizations and Agreements

Financial Action Task Force on Money Laundering (FATF)

http://www.fatf-ga..org/

FATF – Forty Recommendations

http://www.fatf-ga..org/40Recs_en.htm

FATF – Special Recommendations on Terrorist Financing

http://www.fatf-ga..org/SRecsTF_en.htm

FATF – Guidance for Financial Institutions in Detecting Terrorist Financing

http://www.fatf-ga..org/pdf/GuidFITF01_en.pdf

FATF – Non-Cooperative Countries and Territories (NCCT) Information

http://www.fatf-ga..org/NCCT_en.htm

Bank for International Settlements

http://www.bis.org/

Basel Committee on Banking Supervision – Customer Due

Diligence for Banks

(Basel, October 2001)

http://www.bis.org/publ/bcbs85.htm

Basel Committee on Banking Supervision – Prevention of Criminal use of the Banking System for the Purpose of Money Laundering

(Basel, December 1988)

http://www.bis.org/publ/bcbsc137.pdf

United Nations

http://www.un.org/

Resource Information 33

International Convention for the Suppression of the Financing of Terrorism

(New York, 9 December 1999)

http://untreaty.un.org/English/Terrorism/Conv12.pdf

(Link to current participant list)

http://untreaty.un.org/ENGLISH/Status/Chapter_xviii/treaty11.asp

UN Security Council Resolution 1373

(New York, 28 September 2001)

http://daccess-ods.un.org/doc/UNDOC/GEN/N01/557/43/PDF/N0155743.pdf?OpenElement

UN Security Council Resolution 1373 – Counter Terrorism Committee

http://www.un.org/Docs/sc/committees/1373/

UN Convention Against Transnational Organized Crime (Palermo, 12-15 December 2000)

http://www.undcp.org/palermo/convmain.htm

UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances

(Vienna, 20 December 1988)

http://www.incb.org/e/conv/1988/index.htm

Transparency International

http://www.wolfsberg-principles.com/index.htm

Global Anti-Money Laundering Guidelines for Private Banking: "The Wolfsberg AML Principles"

(October 2000)

http://www.wolfsberg-principles.com/wolfsberg_principles_1st_revision.htm

The Suppression of the Financing of Terrorism: "The Wolfsberg Statement"

(Wolfsberg, January 2002)

http://www.wolfsberg-principles.com/wolfsberg_principles_1st_revision.htm

34 Resource Information

Money Laundering and Terrorist Financing Trends

Financial Action Task Force on Money Laundering (FATF)

FATF - Report on Money Laundering Typologies, 2001-2002

http://www.fatf-gafi.org//pdf/TY2002_en.pdf

FATF - Report on Money Laundering Typologies, 2000-2001

http://www.fatf-gafi.org//pdf/TY2001_en.pdf

The Financial Crimes Enforcement Network (FinCEN)

SAR Bulletin - Issue 4 "Aspects of Financial Transactions Indicative of Terrorist Funding"

http://www.treas.gov/fincen/sarbul0201-f.pdf

(January 2002)

FinCEN Follows the Money: A Local Approach to Identifying and Tracing Criminal Proceeds (January 1999)

http://www.treas.gov/fincen/followme.pdf

Minority Staff of the U.S. Senate Permanent Subcommittee on Investigations - Report on Correspondent Banking: A

Gateway for Money Laundering
http://www.senate.gov/~gov_affairs/020501_psi_minority_
report.htm

Minority Staff of the U.S. Senate Permanent Subcommittee on Investigations - Private Banking and Money Laundering: A Case Study of Opportunities and Vulnerabilities
http://levin.senate.gov/issues/psireport2.htm

U.S. House Financial Services Subcommittee on Oversight and Investigations Hearing
http://financialservices.house.gov/media/pdf/021202dl.pdf
Resource Information 35