

# The Business Crime Solution



HELPING BUILD PRACTICAL COMPLIANCE STRATEGIES

## 150 Days and Counting

The recent ABCsolutions' webcast, **Bill C-25: Working with the New Compliance Requirements**, did a number of things, each of which contributes to an overall sense that time is truly passing and all reporting entities have a lot to do to get ready for June 23, 2008 and beyond. FINTRAC, through its highly knowledgeable representative, Marilyn Landry, unveiled a broad spectrum of changes that are coming into force this June and December. Changes that, in some cases, are quite straight forward and others that have increasing degrees of complexity.

FINTRAC will be posting revised Guidelines setting out guidance on many changes starting in February and finishing up in June. A series of 10 information sessions is planned for February to which all Reporting Entities can register and attend. These sessions will outline the principal changes to the Regulations in general followed by separate sessions for specific sectors to further discuss unique features applicable in their areas.

In April, FINTRAC is planning a series of sector-specific webcasts to further reach out to all entities wanting information on the changes. The webcasts will run

for an hour or more and will centre on sector issues.

This education strategy is most welcome and confirms FINTRAC's commitment to assist the various sectors as much as possible. The generics of compliance will become the template upon which the nuances of each entity's program can be customized. There is the tricky part, **the customization**, since some of the new requirements are grounded in company services, customer requirements, and the subsequent interaction between both. As some participants in our webcast commented, "... it is one thing to

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# The Business Crime Solution

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# A Word from the Editors

**Welcome to 2008!** Another year marks the latest round of legislative and regulatory changes to Canada's anti-money laundering regime. For many organizations, satisfying the latest requirements will be a simple extension of existing policies and procedures. For others, however, achieving compliance will be a lengthy process, requiring the allocation of significant financial and human resources.

Recognizing this, ABCsolutions has developed a number of education and training resources designed to remove much of the confusion and uncertainty involved with the transition process.

With that in mind, in this publication we continue our series of articles that takes a closer look at the changes resulting from Bill C-25 for each of Canada's financial sectors. This month, we focus on the new requirements for financial institutions.

In January, we presented our first webcast seminar of 2008, in which a representative from FINTRAC addressed a number of the upcoming changes. Initial feedback has been extremely positive, with the seminar participants indicating that the session provided substantial practical information that could be applied to the operations of their organizations. For those of you that missed it, unlimited access to the archive of this seminar (and previous events) is available, visit

[www.moneylaundering.ca](http://www.moneylaundering.ca) for more information.

Stay tuned as we make a number of exciting announcements in the coming months.

## **Webcast Seminar:**

### **Unravelling Bill C-25: Working with the New Compliance Requirements**

This webcast seminar focuses on those changes for which guidance will be available. This seminar addresses, among other things, the new identification procedures as well as the risk assessment program --- two Regulatory enhancements aimed at tightening the reporting entity's customer due diligence process and strengthening the methods by which required customer ID can be verified.

For more information:

[www.moneylaundering.ca](http://www.moneylaundering.ca)



## **Next Month:**

- ⇒ AUSTRAC Indicators
- ⇒ The impacts of Bill C-25
- ⇒ Money laundering in Mexico

# Headlines

The Latest Money  
Laundering & Financial  
Crime Headlines

## Bahamas Tightens Control of Transfers

Two amendments to the Bahamas' *Central Bank of the Bahamas Act* and the *Banks and Trust Companies Act* have been recently approved by the country's House of Assembly and await final approval by the Senate.

If approved, the amendments will give the Bahamas' Central Bank "the sole authority for money transmission business services", according to published reports in the *Nassau Guardian*.

Despite assertions to the contrary by Opposition members, Prime Minister Hubert Ingraham stated that an extensive consultation process between the Central Bank and the country's money remittance sector prior to tabling the amendments. Included in the

consultation process were the Bank of the Bahamas (representing Money Gram), Fidelity Bank (representing Western Union), and Sun Transfer Holdings.

Ingraham stated that the new measures are designed to bring the Bahamas in-line with international anti-money laundering standards established by the FATF.

"The amendments will extend the Central Bank of the Bahamas' regulatory and supervisory powers to include the oversight for stand-alone money transfer businesses like Western Union and Money Gram."

## Japan to Widen AML Reporting

Japanese government officials announced on January 29th that beginning on March 1st, 2008, the country's anti-money laundering requirements were being expanded to include real estate agencies, jewelry dealers, credit card companies, and firms in some other industries.

The new reporting entities will be required to confirm customers' identities, keep transaction records and file reports with authorities in suspected money

laundering cases.

According to published reports in *Japan Today*, these entities "will be required to confirm the identities of customers on such occasions as concluding credit card contracts, land and building transactions, and in the sale of jewelry and precious metal items worth 2 million yen or more. They must keep records of such transactions for seven years, according to an ordinance."

## FATF Inspects Russian Banks

The Financial Action Task Force (FATF) recently completed an in-depth evaluation of nine Russian banks as part of the global watchdog's yearly evaluations of member nations' efforts to identify and combat the laundering of criminal proceeds and the financing of terrorist activities.

According to Russian Central Bank deputy chief, Viktor Melnikov, "of the 24 banks made available for the evaluation, only seven were checked, while a further two that were not included in the proposed list were also inspected".

The following financial institutions were evaluated by FATF officials: Vozrozhdenie, ZAO Raiffeisenbank, Sobinbank, Alfa-Bank, and Sberbank in Moscow, in addition to four other banks located in Nizhny Novgorod, the Rostov region, the Kaliningrad region, and Khabarovsk.

The FATF is expected to publish the results of Russia's evaluation in May 2008 at one of their annual Plenary Meetings. Melnikov is confident that "no serious remarks will be made by the FATF according to the results of the evaluation".

(150 Days and Counting - Continued from page 1)  
know that we have to do a risk assessment but it is another issue to know what best works for our organization". In other words, one size does not always fit everyone.

ABCsolutions recognizes this and we are planning to offer learning opportunities to address these specifics. A planned web-cast seminar for mid-April will focus on the issue of risk assessment and what that means, what is involved, and some clear ideas on what can be done. We also hope to discuss analyzing one's services to identify the risks, which will involve defining what

is risky and what is not. In addition it will mean identifying tools and techniques for getting at those factors and then deciding what to do when the factors are known.

This publication will become another medium where assistance can be found. Articles are being considered that discuss various compliance issues, mostly with a view to being pragmatic rather than arguing the value of such a move. The time for esoteric statements is past when it comes to the new changes. Entities have to hunker down now and get on with the work at hand. Systems need to be analyzed and

practices reviewed. Training programs need to be updated and circulated to everyone concerned. Policy and procedures must be written to support the new requirements and subsequently approved and put into force by senior management. At the same time, all ongoing requirements must be maintained and every effort committed to ensure that what is operating now continues to do so.

There is much to do and in all reality not much time to do it given that we are at 150 days and counting. ABCsolutions is doing its best to help you get there.

## Bill C-25 Changes Affecting Financial Entities

Final details about amendments to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* as well as new *Regulations* are published on the FINTRAC web site. These include upcoming changes that will affect record-keeping, client-identification, and reporting obligations. **The changes will take effect on June 23, 2008**, except as otherwise specified. This is a summary of the main changes applicable to **financial entities**.

### Compliance Regime

Once the changes come into effect, you will have to include the following:

- develop, apply, and keep up-to-date written compliance policies and procedures that are approved by a senior of-

ficer;

- assess and document the **risk related** to money laundering and terrorist financing activity financing, including client and your business relationship, your products, geographic areas of where you do business;
- develop and maintain a written, ongoing compliance training program for your employees, agents, or other individuals authorized to act on your behalf;
- establish and document a review of your policies and procedures, *risk assessment* and training program for their effectiveness.

A review will have to be completed every two years by either

an internal or external auditor or by an individual of your organization if you do not have an auditor.

If you determine that the risk is high for money laundering or terrorist financing, you will have to take measures to mitigate the risk, and take reasonable measures to:

- keep client identification information up to date; and
- conduct ongoing monitoring of financial transactions to detect suspicious transactions.

### Reporting

#### Suspicious-Attempted Transaction Reports

You must complete a **Suspicious**

**or Attempted Transaction Report** once you have **reasonable grounds to suspect** a transaction or attempted transaction is related to a money laundering or terrorist financing offence.

When you have to report a suspicious transaction to FINTRAC, you will also have to take reasonable measures, before the transaction is reported, to identify the individual who conducted the transaction. This will not apply in the following circumstances: (a) if you had already identified the individual as required; or (b) if you believe that doing so would inform the individual that you are submitting a suspicious transaction report.

When you submit a suspicious transaction report to FINTRAC, you will have to keep a copy of it.

If a suspicious transaction report is about an employee depositing cash to his or her employer's account, this will only apply if the deposit is made to the employer's **business** account.

### **Electronic Fund Transfers**

If you receive an EFT for a beneficiary in Canada from another reporting entity that has to report incoming EFTs to FINTRAC, you are required to report the EFT unless the name and address of the beneficiary were contained in the transfer instructions and therefore available to the other reporting entity.

SWIFT EFT Reports must be made to FINTRAC when you send an outgoing or receive **MT 103 messages** for \$10,000 CDN or more from **outside of Canada**

at the request of a client.

## **Record Keeping & Client Identification**

If you keep information in one record, you will not have to keep the same information in any other record.

When you identify an individual in connection to a **record you create or a transaction the individual** carries out you have to include information about how the individual was identified in the record you are required to keep. This applies to *any record/transaction* you have to keep and for which you have to identify the individual.

A person acting on behalf of their employer is considered to be acting on behalf of a third party *except* when the person is depositing cash into the **employer's business account**.

### **Account Opening**

When a client is opening an account, a **signature card** has to contain the client's name, address, *date of birth*, nature of their principal business or occupation, and you must identify the *intended use of each account* you open.

You are required to confirm the **existence of an entity** when you open their account, specifically: (a) In respect of a corporation, confirm the name, address and occupation of all directors of the corporation and of all persons who own or control, directly or indirectly, 25 percent or more of the shares of the corporation; and (b) In respect of an entity other than a corporation, confirm the

name address, address and occupation of all partners and directors of the entity and of all persons who own or control, directly or indirectly, 25 percent or more of the entity or manage the entity.

When you are confirming the **existence of a not-for-profit organization**, you must determine, and keep a record that sets out, whether it is: (a) A charity registered with the Canada Revenue Agency under the *Income Tax Act*; or (b) An organization, other than the one referred to above, that solicits charitable financial donations from the public.

If the individual is **not physically present**, you must:

A: Obtain from the person their name, address, telephone number, date of birth and occupation and then confirm that the information corresponds to the same information held by one of the following entities (Canadian or Foreign) in its records: a bank, credit union, trust and loan company, life insurance company, or a securities dealer.

B: Confirm the person's identity by using one of the following combinations of identification methods:

- identification product (credit history) & commissioner of oath confirmation
- identification product & cleared cheque
- identification product & confirmed bank deposit account
- credit bureau check & commissioner of oath confirma-

tion

- credit bureau check & cleared cheque
- credit bureau check & confirmed bank deposit account
- commissioner of oath confirmation & cleared cheque
- commissioner of oath confirmation & confirmed bank deposit account

C: Have an individual with whom you have a written agreement meet with the client to view the client's acceptable identification documents, and then forward that information to you.

### Transactions

If you **issue** traveller's cheques, money orders or other similar negotiable instruments for **\$3,000 or more**, you have to keep a record and identify the individual. Identification will be required unless they have signed a signature card for an account held by you or are authorized to act with respect to such an account. The same is true if you **redeem** money orders of \$3,000 or more for a client who is not an account holder.

When you **remit or transmit** **\$1,000** or more by any means or through any individual, entity, or EFT network *inside (domestic MT103 messages) or outside* of Canada you will have to identify the individual and keep a record unless that individual has signed a signature card for an account with you or is authorized to act regarding such account.

### Credit Card Accounts

When you open a **credit card**

**account**, you will have to keep a record of the name, address, telephone number and date of birth of every holder of a credit card for that account. For the date of birth, you will have to take reasonable measures to obtain it. You will also have to keep the following records: (a) very credit card application that you receive from a client in the normal course of business; and (b) a copy of every credit card statement that you send to a client (unless that information is readily available in other records you keep under these rules).

There are also additional requirements, depending on whether the credit card account is for an **individual or an entity**.

### Correspondent Banking

Before you establish a **correspondent banking relationship**, you will have to determine that the foreign financial institution is not a shell bank. If you determine that it is, you cannot enter into a correspondent banking relationship with that entity.

Before you enter into a correspondent banking relationship, you will also have to get senior management approval and set out in writing both your and the foreign financial institution's obligations for the correspondent banking services.

### PEFPs

You will have to take reasonable measures to determine whether you are dealing with a **politically exposed foreign person** in the following situations: (a) when you open an account for an individual (within 14 days after the account is activated); (b) when an

individual is the initiator or the beneficiary of an EFT of \$100,000 or more (within 14 days after the transaction occurred), and (c) for current account holders, based on your compliance program's risk assessment.

If you determine that an individual is a PEFP for either a new or current account you will have to establish the source of funds, get senior management approval to keep the account open, and perform enhanced ongoing monitoring of activities for the specific account to detect suspicious transactions.

Once the account is approved you have to keep a record of the office or position of the PEFP, the source of funds, date when the individual was determined to be a PEFP, name of senior management approving the account/transaction, and date the account/transaction was approved.

### On-Line Testing Centre

- Have your AML training program available 24/7;
- Ensure employees' are up-to-date with the latest legislative and regulatory changes;
- Test employees' knowledge through randomly generated on-line exams;
- Have a record of employee scores to ensure your training program keeps employees current.

[www.moneylaundering.ca](http://www.moneylaundering.ca)

# Administrative Monetary Penalties Regulations

On December 26, 2007 the *Proceeds of Crime (Money Laundering) and Terrorist Financing Administrative Monetary Penalties Regulations* were published in the *Canada Gazette*. This article highlights some of the main features that involve all reporting sectors. These penalties come into force on December 30, 2008.

## Classification

Each violation is classified as a minor, serious, or very serious violation.

## Penalties

Subject to the Act, the range of penalties in respect of a violation is:

- (a) \$1 to \$1,000 in the case of a minor violation;
- (b) \$1 to \$100,000 in the case of a serious violation; and
- (c) \$1 to \$500,000 in the case of a very serious violation.

## Additional Criteria

The history of compliance by the person or entity with the Act... are prescribed as criteria that are to be taken into account in determining the amount of a penalty.

The *Regulations* list 105 penalties of which: 87% (91) are 'minor', 11% (12) are 'serious' and 2% (2) are 'very serious'. The following Table identifies only the 'serious' and 'very serious' penalties.

Description	Classification of Violation
Failure to give reasonable assistance and information reasonably required to an authorized person	Serious
Failure to provide, in accordance with a notice, documents or other information reasonably required by an authorized person	Serious
Failure of a person or entity to appoint a person to be responsible for the implementation of a compliance program	Serious
Failure of a person or entity to develop and apply written compliance policies and procedures that are kept up to date and, in the case of an entity, are approved by a senior officer	Serious
Failure of a person or entity to assess and document the risk referred to in subsection 9.6(2) of the Act, taking into consideration prescribed factors	Serious
Failure of a person or entity that has employees, agents or other persons authorized to act on their behalf to develop and maintain a written ongoing compliance training program for those employees, agents or persons	Serious
Failure of a person or entity to institute and document the prescribed review	Serious
Failure of a person or entity to report prescribed information within 30 days after assessment	Serious
Suspicious Transaction Regulations	
Failure of a person or entity to include prescribed information in a report	Very Serious
Failure of a person or entity to send a report within the prescribed period	Serious
Failure of a person or entity to send a report containing the prescribed information without delay	Very Serious
Failure to send report electronically, if the sender has the technical capabilities, in accordance with the guidelines prepared by the Centre	Serious
Failure to send report in paper format, if the sender does not have the technical capabilities to send electronically, in accordance with the guidelines prepared by the Centre	Serious
Failure to submit a report in paper format in accordance with the guidelines prepared by the Centre	Serious

# Money Laundering Techniques

## Some New Twists

*With the euro approaching \$1.50 and soaring demand for cocaine in countries like Spain and Italy, Europe has become a far more lucrative place to do business for Latin American drug cartels than in previous years. To obscure the origins of the funds, and escape government scrutiny in the process, the cartels use a complex system to launder their proceeds -- much of which is landing on U.S. shores.*

This excerpt from a recent article in the Wall Street Journal set the tone for a most interesting summary of one of the latest approaches to money laundering drug profits created by the infamous South American drug cartels.

### The Euro Is Key

Playing on the high value, popularity, and abundance of the Euro currency, money launderers wash their spoils of Europe-bound cocaine shipments -- many of which transit through Africa.

In a report released last year by the U.N. Office on Drugs and Crime, Italian use of the drug rose to 2.1% of the general population in 2005 from 1.1% just four years earlier. In France, it tripled from 2000 to 2005, from 0.2% to 0.6% of the adult population. Cocaine use in England also doubled from 1998 to 2006, ac-

ording to Britain's National Health Service, to 2.4% among adults.

of these so-called narco-euros are laundered directly in Europe, with the majority of the funds routed back to South America as cash to eventually end up in the U.S.

### Laundering Process

The first step, as reported in the article, is to convert small bills accumulated from thousands of street sales into €500 notes, which are easy to transport. Obtaining large quantities of these conspicuous notes isn't easy and traffickers turn to specialized criminal rings -- whose members are often involved in banking and real estate -- to gain access to these funds.

Spain is the center for such aggregation, according to authorities --- where a disproportionate share of the euro zone's €500 notes, known as Bin Ladens for their scarcity, circulates. The drug cartels do not themselves bring their narco-euros to the U.S. Instead, they usually sell their euros to

South American black-market currency brokers or to foreign-exchange houses, known in Spanish as *casas de cambio*. The casas' business as currency-exchange houses gives them a natural cover for moving large amounts of cash.

These casas then funnel most of the narco-euros, sometimes via middlemen, through a chain of exchange houses in countries like Colombia, Peru, Brazil and Chile. Often, the drug traffickers will sell their euros for Colombian pesos, and then the euros entering the U.S. no longer belong to the drug cartels but to the casa de cambio.

In other cases, traffickers pay the casas to move funds into one of their U.S. bank accounts. These funds aren't usually intended for withdrawal, but rather to pay various debts. This is achieved by wiring funds to the account of whomever the trafficker wishes to pay.



# \$15 Million Settlement for U.S. MSB

FinCEN has announced that Sigue Corp. and Sigue, LLC have been assessed a civil money penalty in the amount of \$12 million for violations of the Bank Secrecy Act (BSA). The Department of Justice has also announced that Sigue has entered into a “deferred prosecution agreement on charges of failing to maintain an effective anti-money laundering program”. As a result Sigue will forfeit \$15 to the U.S. government.

Sigue has over 7000 authorized delegates across the United States. FinCEN determined that over a period of time, 47 of those agents assisted clients to structure transactions represented to be proceeds of drug trafficking in order to avoid the reporting requirement of the BSA. The civil penalty is as a result of Sigue failing to implement internal controls or to respond to “continued patterns of suspicious activity, with repeated common

characteristics, at certain agent locations”. FinCEN described Sigue as having “serious, long-standing and systemic” flaws in their anti-money laundering program, specifically: training; independent testing; and internal controls.

Some large banks in the U.S. and Canada have already ceased to do business with MSBs, including Bank of America and Wachovia. Concerns have been voiced that as a result of this settlement, more financial institutions will make the move to close accounts belonging to MSB’s as a result of their risk based anti-money laundering programs.

As of December 19, 2007, the U.S. has 38,379 registered Money Service Businesses (MSBs), which was an increase of 996 registrations from the previous list in November of 2007. MSBs operating in Canada will be expected to be registered with

FINTRAC by June 23, 2008.

As was reported in the Canada Gazette, Canada is also on the brink of implementing administrative monetary penalties in order to improve compliance with the PCMLTF Act. The penalties will be in proportion to the violation, which will be classified as either: **minor**, **serious**, or **very serious**. The maximum administrative penalties that can be imposed for violations classified as very serious are \$500,000 for an entity and \$100,000 for an individual.

The Executive Director of the National Money Transmitter Association in the U.S. did not comment on the case but made the point: “As an industry, we take money laundering very seriously... We have been on the forefront because we are under so much scrutiny. We have to do it better to overcome the prejudice against us.”

## January Updates from OSFI

During January, the Office of the Superintendent of Financial Institutions (OSFI) released its two latest Supervisory Advisories, updating the lists of Names subject to the *Regulations Establishing a List of Entities* made under the *United Nations Al-Qaida and Taliban Regulations (UNAQTR)*.

According to the January 9th Advisory,

*In a Press Release dated January 4, 2008, the United*

*Nations Security Council (UNSC) announced that, on December 21, 2007, the Al-Qaida and Taliban Sanctions Committee approved amendments to the identifying information relating to twenty-five individuals and one entity already listed.*

The amendments can be viewed via the following link:

<http://www.un.org/News/Press/docs/2008/sc9220.doc.htm>

In the January 21st Advisory, Canadian financial institutions were advised of the addition of the following three names to the consolidated list of individuals:

- Hamid **AL- ALI**
- Jaber **AL-JALAMAH**
- Mubarak Mushakhas Sanad **AL-BATHALI**

The updated lists are available on OSFI’s web site at: [www.osfi-bsif.gc.ca](http://www.osfi-bsif.gc.ca)

# 2007 AUSTRAC Typologies Report

The AUSTRAC Typologies and Case Studies Report 2007 was recently released. This document is intended to assist businesses in meeting their compliance requirements. It was designed to help reporting entities to “better understand the potential risks businesses face by identifying some key methodologies and indicators”.

## Methodologies

The primary methodologies reported in Australia include: false or fraudulent identification, structuring, betting accounts, debit and credit cards, false loans, stored value cards, superannuation funds, rapid settlement of loans or investments, large foreign currency exchange, U-turn transactions, large value financial instruments, cheque encashment, commingling of funds, and remittance reconciliation and payment actions.

## Red Flags/Indicators

The report included a list of indicators or red flags that were identified in the case studies in the report. On their own, these indicators may not always mean there is suspected financial criminal activity but would suggest a need for enhanced monitoring and due diligence.

## Case Studies

AUSTRAC Typologies and Case Studies Report 2007 included 51 distinct case studies. The case studies were broken down in order to highlight the relevant risk categories. These categories are: offence, customer, industry,

channel, jurisdiction, designated service, and the indicator.

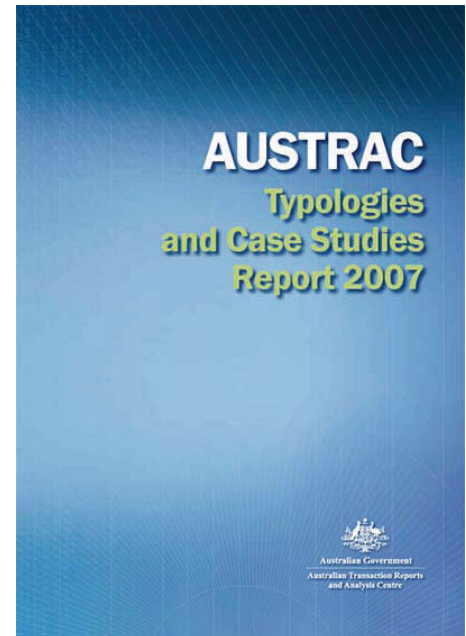
## Sample Case Studies

### Casino used as preferred method to launder millions

AUSTRAC found that some alleged money launderers were using the casino as a preferred method of laundering large sums of money. They used a variety of methods to launder the money including: “purchasing and cashing out chips without playing, putting funds through slot machines and claiming credits as a jackpot win and playing games with low returns but higher chances of winning”. In this example, the methods used were also considered to be indicators.

### Multiple pre-paid cards used to withdraw funds offshore

An individual was involved in the importation of drugs from another country. This person opened an account that provided access to pre-paid cards and subsequently obtained “multiple cards which enabled him and associates to obtain currency anywhere in the world. It was established by investigators that the person had deposited approximately AUD\$400,000 into the account in his name and that of an associate.” The deposits were structured to avoid the reporting threshold in Australia. The money was then withdrawn in South America using ATMs. In this case, the indicators included: structuring of cash deposits, high level of funds placed on stored value cards, and the funds being



deposited being withdrawn outside of the country.

### Criminal attempts to launder fraud proceeds through the diamond market

An individual attempted to send money to jewellers to purchase precious stones. “The financial institution holding the account had been concerned about the individual for some time and had made several suspicious transaction reports to the FIU.” This individual attempted to send USD\$8.2 million to a jeweller. Before this transaction was completed, the financial institution made a decision to freeze the accounts. After initial investigations, the law enforcement agency was satisfied that the attempt to buy precious stones had been an attempt to launder the proceeds of the fraud. In this case, the unusually large sum being sent to a business by an individual was an indicator.

# Conference 2007: Satisfaction High

Money Laundering in Canada 2007 has come and gone and we are extremely pleased with how this year's event unfolded and was received by the presenters and delegates. Held from October 21-23, 2007, the Money Laundering in Canada Conference brought together a core of experts who have participated in the evolution of Canada's comprehensive money laundering controls. The results are in: two plenary sessions and twenty workshop sessions were evaluated, resulting in over 600 responses. Overall, delegate satisfaction with the workshop and plenary sessions was rated very highly. Conference sessions were seen to provide useful and pragmatic information. In addition, numerous suggestions and recommendations were re-

ceived, which will be used in the planning of next year's event.

Participants from the public and private sectors across the country and abroad representing financial institutions, justice, securities and investment dealers, mutual fund companies, trust companies, foreign exchange dealers, money service businesses, law enforcement, accountants, casinos and gaming officials, real estate, jewellers, and regulatory officials attended the two-day conference.

Plans are well under way for October 19-22<sup>nd</sup>, 2008. *Money Laundering in Canada – Setting Standards through Knowledge and Training*, will be held in Ottawa, at the beautiful Fairmont Chateau Laurier. *Money Laundering in Canada 2008* will be followed by a post-conference workshop day offering in-depth training opportunities of a practical nature. Sponsorship opportunities are available now for 2008; please contact Chris Walker at 613-283-8800 if your company is interested in sponsorship.



## Upcoming Events:

**March 17 - 19, 2008**

**13th Annual International Conference & Exhibition**

The Westin Diplomat Resort & Spa

Hollywood, Florida USA

Call +1.305.530.0500 for more information

**October 19 - 21, 2008**

**Money Laundering in Canada 2008**

Fairmont Chateau Laurier

Ottawa, Ontario

<http://www.moneylaundering.ca>

# Beyond Our Borders

## Iraq & Money Laundering

**Iraq** is located in Middle East, bordering the Persian Gulf, between Iran and Kuwait. According to the **U.S. International Narcotics Control Strategy Report (INCSR - 2007)**, the Central Bank of Iraq (CBI) has the authority to license banks and to conduct due diligence on proposed bank management. This includes establishing requirements for: bank capital; confidentiality of records; bank audit and reporting and prudential standards; the supervision of financial institutions. The CBI also issues regulations and requires financial institutions to provide: employee training; appoint compliance officers; develop internal procedures and controls to deter money laundering; to establish an independent audit function; issue guidelines on suspicious financial activities; and conduct on-site examinations to determine institutions' compliance. The CBI also may issue regulations to require large currency transaction reports for the cross-border transport of currency of more than 15 million Iraqi dinars (approximately \$10,000 USD). Neither Iraqis nor foreigners are permitted to transport more than \$10,000 USD in currency when exiting Iraq.

### Money Laundering &

#### **Terrorist Financing:**

Iraq's economy is cash-based. There is little data available on the extent of money laundering in Iraq. However, cross-border smuggling is widespread, including the smuggling of bulk cash. Iraq is a major market for smuggled cigarettes and counterfeit goods, and money is laundered from intellectual property right violations. There is a large market for stolen cars from Europe and the United States. Ransoms generated from kidnapping generate tens of millions of dollars every year. Kidnappings are linked to human exploitation and terrorist finance.

Trade-based money laundering, customs fraud, and value transfer are found in the underground economy and are commonly used in informal value transfer systems such as hawala. Hawala networks are prevalent and are widely used in Iraq and the region. Cash, trade-based money laundering, and hawala are all components of terrorist and insurgent finance found in Iraq.

#### **Corruption:**

Corruption is a severe problem that permeates society and commerce and is also found at the highest levels of government and other institutions.



#### **Next Steps:**

In 2006, in a challenging environment, the Government of Iraq continued to lay the foundation for anti-money laundering and counterterrorist finance regimes. Iraq should:

- become a party to the UN Conventions for the Suppression of the Financing of Terrorism and the UN Convention against Transnational Organized Crime;
- take a more active part in MENAFATF (the Middle East FATF organization) and implement its recommendations;
- continue its efforts to build capacity and actively implement the provisions of the AMLA and related authorities; and
- develop increased capacity to investigate financial crimes.

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# You Asked...

Each month, The Business Crime Solution takes time to answer questions submitted by our readers

## Question:

I am revising my company's AML policy and procedures to reference the new money laundering Act referred most commonly as Bill C-25. Do I need to reference changes as Bill C-25 or the name of that Act? --- *Financial Institution - Ontario*

## Answer:

It is a good thing that you are getting a head start on all the policy changes, which will come into effect this coming June 23<sup>rd</sup> and then on December 30<sup>th</sup>. There are a significant number of changes for financial institutions, so starting early will ensure everything is in place prior to the implementation deadlines. However, I would like to comment on your reference to the use of Bill C-25 as the new Act and the governing legislation. You are somewhat mistaken here and I would like to clarify the situation for you.

Bill C-25 is simply an Act of parliament that makes **amendments** to the existing *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, or PC(ML)TFA. In other words, Bill C-25 lists all the changes, edits, and new information that is subsequently

included into the existing AML Act. The various sets of Regulations that have/are emerging from Bill C-25 will either make changes to existing sets of Regulations or are completely new set(s) of Regulations, such as the recently posted Civil Penalty Regulations. Consequently, any reference to the Money Laundering Act in your policy revisions should be to the existing PC (ML) TFA and not Bill C-25.

If you intend to reference C-25 in the document be sure to confirm

that this Act is simply amending the Money Laundering Act and not a replacement for it. Good luck with the updates.

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Iraqi law enforcement, border authorities, and customs service should strengthen border enforcement and identify and pursue smuggling and trade-based money laundering networks. Increased border enforcement is also a prerequisite in combating terrorist finance. Iraq should also take concerted steps to combat corruption.

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