



## Money Laundering Country Risk Index *Denmark - Luxembourg*

### **Denmark**

*No significant money laundering problems*

In the 1999 Transparency International Survey, Denmark holds the honour of being perceived as the least corrupt country in the world. In the 2002 survey it was named the second least corrupt country. Almost certainly one of the very few major countries in the world that seems to be free of money laundering difficulties caused by international crime groups whilst simultaneously taking such a threat seriously and implementing sensible precautionary controls. Member of the FATF.

### **Dominica**

*Named by FATF as 'non-cooperative' in June 2000; removed in October 2002*

CIA information confirms that Dominica is a trans-shipment point for narcotics destined for the United States and Europe. Various AML regulations have been introduced since 2000 but doubts still remain in relation to international mutual legal assistance requests.

### **Dominican Republic**

The Dominican Republic is a major trans-shipment point for drugs from Colombia on their way to the United States with a high level of money laundering present. The country does not have a coordinated policy to tackle money laundering. This situation is exacerbated by the fact that over 1 million Dominicans live in the United States: it is suspected that money is sent back to their homeland to be laundered. Figures of \$100 million per month cleaned in this way have been quoted.

### **Ecuador**

The US Government's position in 1999 was that Ecuador is a major drug producing and/or transit country but it has either cooperated fully with the United States or taken its own steps to comply with the 1988 UN Drug Convention. As for money laundering, with an economy that has been teetering on the brink of collapse the most logical route for money is out of the country rather than in; but that of course provides opportunities for drug gangs from Peru and Colombia. Scored 82nd equal out of 99 (where 99 is the worst) of countries where corruption is perceived as a key problem in a survey by Transparency International in 1999 (was not included in the 2002 survey).

## **Egypt**

*Named by FATF as 'non-cooperative' in June 2001; remained blacklisted as at February 2003*

In the original edition of *Dirty Dealing* I commented that 'Egypt is actually in a slightly strange situation in that the country's authorities seem to be continually drawing attention to its money laundering problems.' In June 2001 Egypt was blacklisted by the FATF but has now made significant progress in combating money laundering. The situation is exacerbated by suspected links within the country to Islamic terrorists. The country has big opium and marijuana plantations in remote areas. Egypt is also a transit point for heroin from Asia on its way to the United States and Europe.

## **El Salvador**

A major transit point for drugs entering the United States from Colombia. Money laundering threats grow because of a vibrant banking system that is outward facing.

## **Ethiopia**

*No significant money laundering problems*

Whilst not wishing to commit heresy, this is a country so desperate that money from any source would be welcome, as long as it was solely utilized to alleviate the human suffering that appears to be ever present.

## **Fiji**

*Possible up-and-coming money laundering centre*

Risks are present from Nigerian organized crime groups and Russian gangs.

## **Finland**

*No significant money laundering problems*

In the 2002 Transparency International Survey, Finland holds the honour of first prize: being perceived as the least corrupt country in the world. Nevertheless the country (or more specifically Helsinki) faces some problems from Russian organized crime groups. Finland's historical ties with Russia through St Petersburg, and the country's recent self-promotion as the portal to the former Eastern Bloc, may yet cause problems. Member of the FATF.

## **Former Yugoslavia**

### *Major organized crime problems*

Internal strife and warfare have created an ideal environment for the former Yugoslavia to be exploited by, amongst others, Russian organized criminal groups. Problems include human trafficking of women into prostitution in the West; arms; fuel; drugs; and the black market. Scored 90th equal out of 99 (where 99 is the worst) of countries where corruption is perceived as a key problem in a survey by Transparency International in 1999 (not included in 2002 survey).

## **France**

The French Government has taken a very strong line on what action should be taken against non-compliant offshore financial centres. This is admirable, but slightly ironic, considering the never ending Elf scandal. The ramifications from the 'fees' paid by the oil giant continue to reverberate, and if press reporting is believed implicate French Government ministers, African heads of state and a supporting cast of thousands. In France itself, Russian and other Eastern European crime groups (Georgians, Chechens and Kazaks) favour property in the South of France. Whilst there they engage in kidnapping, fraud, money laundering, contract killing, drugs and extortion. The French financial system is very strong, but links with former African colonies should not be dismissed. Member of the FATF.

## **Germany**

Because of its geographical position and the former control of East Germany by the Soviet Bloc, Germany has considerable problems with Russian and other Eastern European crime gangs. They are involved in large scale car thefts and subsequent illegal exportation; drugs; the sex trade (including human trafficking); illegal arms trading; and money laundering. Because of its border with Poland, Germany has found itself with a popular route for the transportation of arms, drugs and nuclear material. German TV documentaries delight in running programmes giving graphic details of the sex business that has developed under the auspices of organized crime on the borders with the former Eastern Bloc. Germany also has a strong internationally focused financial centre and thus is a money laundering target. The country is a member of the FATF.

## **Gibraltar**

Gibraltar is both a major entry point for drugs into mainland Europe and an offshore centre. As a Dependent Territory of the United Kingdom it could be expected that money laundering control is a priority. However, various Spanish claims persist that Gibraltar is a haven for money laundering.

## **Greece**

Whilst Greece is not a major international financial centre, it has domestic problems because of Russian and Albanian criminal groups based in the country. These groups are involved in drug trafficking, trafficking in women and children, arms smuggling, blackmailing and illegal gambling activity. Key problem areas are casinos and cross-border movement of illicit currency. Greece was rated 44th out of 102 (where 102 is the worst) of countries where corruption is perceived as a key problem in a survey by Transparency International in 2002. Member of the FATF.

## **Grenada**

*Possible up-and-coming money laundering centre*

*Named by FATF as 'non-cooperative' in September 2001; removed from the blacklist in February 2003*

In the original edition of this book, written in early 2000, I wrote of Grenada: 'Possibly top of the list of up-and-coming locations: Grenada has ventured into the offshore world since 1996. The services and products offered are comprehensive: Grenada has International Business Companies (almost 1,000); offshore banking licences (over 30); and Internet gaming licences. Even more attractive may be that for \$40,000 a family of five can purchase economic citizenship and at the same time change their names. Remember where you read it first.'

The FATF blacklisted Grenada in June 2001 because Grenadian supervisory authorities had inadequate access to customer account information and inadequate authority to cooperate with foreign counterparts. Additionally Grenadian financial institutions did not have adequate qualification requirements for owners of financial institutions. As at the end of 2002, whilst significant progress has been made, the FATF still had concerns about whether adequate resources are devoted to Grenada's new anti-money laundering bodies and about the limitations on cooperation with foreign regulators. Grenada was taken off the blacklist in February 2003 as it had implemented significant reforms to its AML system.

## **Guatemala**

*Named by FATF as 'non-cooperative' in June 2001; remained blacklisted as at February 2003*

The country is a major transit point for drugs from Colombia, which in turn generates money laundering. The problem isn't helped by corrupt public officials. Organized crime is also an import from Colombia. The Government's position was willing but weak and confused, with laws containing secrecy provisions and money laundering as a criminal offence only relating to narcotics violations. Whilst these legal deficiencies have been resolved, the FATF (as at the end of 2002) still have doubts about adequate licensing procedures for offshore banks.

## **Guernsey**

A pre-eminent respectable offshore centre, which by its very nature experiences problems with money laundering.

## **Haiti**

### *Possible up-and-coming money laundering centre*

Widespread corruption, economic and social decline, and lack of governmental action have all contributed to both drug trafficking and money laundering.

## **Honduras**

A major transit point for drugs entering the United States from Colombia. Rated 94th out of 99 (where 99 is the worst) of countries where corruption is perceived as a key problem in a survey by Transparency International in 1999 (was not included in 2002 survey).

## **Hong Kong**

Hong Kong is an obvious target for money launderers, particularly for the washing of proceeds from the sale of illegal drugs. A variety of factors contributes towards the importance of Hong Kong as a money laundering target:

- the strength and high level of infiltration of Chinese organized crime groups;
- a low tax system;
- acting for China as its offshore banking centre;
- sophisticated financial environment and infrastructure;
- the absence of any currency and exchange controls;
- the presence of various offshore company structures that can be used by non-residents.

Money laundering in Hong Kong extends to all serious crime. All banking and financial institutions must take customer identifications, and report suspicious transactions to a central unit. However, because of the size and complexity of Hong Kong's financial world there still remain problems – exhibited by:

- the relatively low level of suspicious reports – the vast majority of which come from banks, with very few coming from insurers or professional advisors like solicitors and accountants;
- the opening of accounts with forged documents;
- the operation of cash cleansing through bureaux de change and money remitters.

Member of the FATF – which in turn raises interesting questions about the position of China.

## **Hungary**

### *Major organized crime problems*

*Named by FATF as 'non-cooperative' in June 2001; removed in June 2002*

Budapest is a magnet for many transnational organized criminal groups, and there is also the influence of domestic groups. Various criminal activities are prevalent: for example, in December 2002 a CD piracy ring was smashed that had produced counterfeit product worth US \$0.28 million. The country has however made significant progress in AML matters, including the abolition of the Hungarian version of Sparbuch accounts.

## **Iceland**

### *No significant money laundering problems*

Iceland was rated 3rd out of 102 (where 102 is the worst) of countries where corruption is perceived as a key problem in a survey by Transparency International in 2002. Member of the FATF.

## **India**

Money laundering is a growing problem in India but is mainly confined to domestic activities that are far from being only drugs related: fraud, corruption and smuggling are obvious additional ones. The laundering dynamic is exacerbated and facilitated by the hawala alternative remittance systems. In 1998 (the latest available reliable figures) the amount of money thought to be in India's hawala system was estimated at \$680 billion. The legal position in India in relation to money laundering is also confused. India scored 71st out of 102 (where 102 is the worst) of countries where corruption is perceived as a key problem in a survey by Transparency International in 2002.

## **Indonesia**

*Named by FATF as 'non-cooperative' in June 2001; remained blacklisted as at February 2003*

Indonesia previously lacked comprehensive anti-money laundering legislation, which was a critical defect because the country's economy is particularly vulnerable to money laundering. The reasons for this are:

- the geographical location of Indonesia;
- strict banking secrecy;
- high levels of corruption;
- various banking scandals including fraudulent schemes.

Historically, most money laundering in Indonesia has related to domestic narcotics trafficking and the proceeds of corruption. The country was rated 96th out of 102 (where 102 is the worst) of countries where corruption is perceived as a key problem in a survey by Transparency International in 2002. This is actually a minor improvement on the 1999 rating, where the country came 96th out of 99.

## **Iran**

### *Hard information difficult to obtain*

Whilst the death penalty exists in relation to drugs and over 1,000 people have been executed for this reason since 1989, the country remains a significant route for getting drugs to Europe from Afghanistan. The country's economy is predominantly cash based but it would require a large stretch of the imagination to see the country becoming attractive to international money launderers. The primary reason has been because of the breakdown in relationships between the country and the United States. Proclaimed a key part of the 'axis of evil' by the United States in 2002, with Iraq and North Korea.

## **Iraq**

### *Hard information difficult to obtain*

With the world breathing down its neck, a chronically weak currency, a thriving black market in dollars and severe problems with the United States and its Western allies, although little information is available, Iraq is another one of those places that you can't see cropping up on a list of favourite places to launder money. This situation seems unlikely to change, owing to sanctions against Iraq, and thus there is the difficulty (but not impossibility) of integrating funds that originate from the country into the world's banking system.

## **Ireland**

The country has domestic money laundering problems; but the offshore financial centre appears to have few official reported problems with money laundering. However, my professional experiences over the last few years suggest that an Irish registered company (with nominee directors) is a popular method used by both launderers and fraudsters as part of a global *modus operandi*. Member of the FATF.

## **Isle of Man**

The island has a vibrant offshore industry and is obviously a target for money launderers. Particularly attractive is the Exempt Company where the ultimate beneficial owner need not be disclosed. Whilst the Isle of Man is extremely vigilant in its attempts to counter money laundering and maintain its reputation, gaps that can be exploited (and are being) still exist.

## **Israel**

*Named by FATF as 'non-cooperative' in June 2000; removed in June 2002*

Israel's entry in the first edition of this book read: 'There is key penetration of criminal structures by Russian organized crime groups. The biggest problem is that there still exist no anti-money laundering laws. Thus it is almost impossible to estimate the level of money laundering: the best guess is that it is substantial.' Under pressure from the FATF, Israel enacted the Prohibition on Money Laundering law on 2 August 2000, which criminalized money laundering together with addressing customer identification, record keeping and reporting requirements. Further regulations have followed for stock exchanges, portfolio managers, insurance companies and the postal bank.

## **Italy**

*Major organized crime problems*

The old alliances remain: if there is any saving grace on an international basis it is that the majority of money laundering problems in the country are domestic ones. That said, there is increasing evidence that the Italian Mafia are creating strategic alliances with other international organized crime groups together with successfully exploiting new channels such as Internet stock trading. The dangers posed by Italy are concerned with the exportation of problems rather than the country necessarily being utilized as a money laundering centre by outsiders. Ironically (or perhaps not, on reflection), Italy has one of the most sophisticated computer systems to identify suspicious transactions. Italy was rated 31st out of 102 (where 102 is the worst) of countries where corruption is perceived as a key problem in a survey by Transparency International in 2002. Member of the FATF.

## **Japan**

Japan has significant domestic problems with the Yakuza who are alleged to have in excess of 100,000 members. They were key factors in the collapse of various major Japanese banks due to the somewhat irregular loan arrangements that were set up with them. First-hand evidence from my own research confirms that until fairly recently Japanese banks accepted all kinds of funds without questioning their provenance. Because Japan is a major financial centre, any weaknesses in the country's banking systems mean that the proceeds of domestic crime have an easy entry point into the world's banking system – particularly that of the United States. The country is a member of the FATF.

## **Jersey**

Jersey is a major offshore financial centre offering sophisticated financial products, and thus must be a target for money launderers in later stages of the process. However, the desire to maintain a good reputation combined with effective laws will, hopefully, ensure that the problems are controlled.



## **Jordan**

### *No significant money laundering problems*

Whilst intelligence is sketchy, what there is suggests there is no relevant problem with international money laundering.

## **Kazakhstan**

### *Major organized crime problems*

The country is on the transit route of drugs from Afghanistan and Pakistan together with being an opium producer itself. Widespread and endemic corruption doesn't help matters, and neither does the country's fairly advanced financial services environment. The country has, however, criminalized money laundering in relation to drugs and other serious crimes. Unfortunately the enforcement of the relevant laws is weak. Rated 88th out of 102 (where 102 is the worst) of countries where corruption is perceived as a key problem in a survey by Transparency International in 2002.

## **Laos**

Laos is the third largest producer of opium in the world, although much of it is consumed domestically. The country has no anti-money laundering legislation, even though it is a regional financial centre. Because Laos has strict laws on the exporting of currency it is suspected that laundering out of the country is achieved through alternative remittance systems. In 2001 the Government of Laos agreed to freeze terrorist financial assets and to establish a financial intelligence unit to search for terrorist transactions.

## **Latvia**

### *Major organized crime problems*

### *Possible up-and-coming money laundering centre*

The country has attracted organized crime groups from Russia, the Balkans and Asia. Whilst Latvia is taking the money laundering problem seriously it is already at risk from Russian organized crime infiltration of the banking system as a conduit for laundering. This is both helped and hindered by the reputation the country has acquired of being stable and progressive. Banking regulation was previously poor but has improved. The country is perceived as having two other key problem areas in this context: drugs and corruption. The country is being used as a transit route for drugs from Russia and Central Asia to Europe, through Riga. Corruption is viewed as a problem – for example, there is alleged to be large scale corruption of members of parliament.

## **Lebanon**

*Named by FATF as 'non-cooperative' in June 2000; removed in June 2002*

My original view of Lebanon was that 'As the country's financial structures are now recovering, Lebanon, with a liberal financial regime, is an attractive target for money launderers. It has a cash intensive economy combined with banking secrecy (anonymous accounts exist); thus it is somewhat surprising to learn that there have been no money laundering prosecutions (even though relevant – but weak – laws exist) and there are apparently no current money laundering investigations.' In June 2000 the FATF named the country as non-cooperative because of the country's banking secrecy regime, lack of a financial intelligence unit and the fact that, although banks were allowed to terminate account relationships, such account terminations did not have to be reported. In July 2000 the US Treasury issued an advisory notice to US financial institutions, warning them to give enhanced scrutiny to any transaction originating in or routed through Lebanon. Various policies and regulations have since been put in place, which led to the country's removal from the FATF blacklist in June 2002.

## **Liberia**

As at April 2002 Liberia was classified as being an 'uncooperative tax haven' by the OECD because of the country's lack of commitment to the specified concepts of transparency and effective exchange of information. The most polite way of describing this verdict is a vast understatement. Under its president, Charles Taylor, Liberia has been the subject of UN sanctions because of Taylor's role in regional conflicts (particularly Sierra Leone) and human suffering (Amnesty International allege serious human rights abuses). The sanctions attempt to prevent Taylor and his cronies from travelling, buying weapons and selling diamonds. However, in late 2002 it was claimed that Al-Qaida operatives have been at work in the country since 1998 and oversaw a \$20 million diamond buying spree that effectively cornered the region's market in precious stones (as well as laundering funds away from the banking system). It is alleged that Taylor was paid \$1 million to harbour the operatives for two months after 9/11. The terrorist diamond buyers also appear to have been attempting to procure sophisticated weapons.

## **Liechtenstein**

*Named by FATF as 'non-cooperative' in June 2000; removed in June 2001*

Liechtenstein is a major offshore financial centre with a very sophisticated banking sector. Key facilitators of the money laundering process are available: anonymous accounts, bearer shares and various other suitable vehicles. Whilst money laundering is a criminal offence, suspicions continue to linger that money laundering is an on-going problem, which resulted in the FATF blacklisting in June 2000. This event caused severe embarrassment in Liechtenstein and a flurry of legal and regulatory improvement. Whilst now removed from the FATF blacklist, unconfirmed rumours circulate concerning Al-Qaida's previous use of Liechtenstein's financial centre. Additionally as at April 2002 Liechtenstein was classified as being an 'uncooperative tax haven' by the OECD because of the principality's lack of commitment to the specified concepts of transparency and effective exchange of information.

## **Lithuania**

The country has severe problems with drug trafficking, which has doubled since 1995. Heroin is entering the country in increasing quantities from Kazakhstan, Tajikistan, Afghanistan and Ukraine. Lithuania is also a transit point to Scandinavian countries. Lithuanian domestic organized crime groups operate at both a national and an international level. Laundering in the country is known to have been successfully achieved by both domestic groups and international ones.

## **Luxembourg**

One of the great dark horses – a secure banking system that is of on-going interest to the German tax authorities, because it is estimated that \$7.5 billion is lost every year in unpaid taxes by German nationals who place money in the grand duchy. If tax avoidance is a key concept of the new money laundering order, then Luxembourg is a location of major importance. Moreover, confidential reports suggest that Gaddafi, Mobutu and Saddam Hussein have all placed funds in Luxembourg. Whilst money laundering has been a crime since September 1992, for a country with over 200 banks the reporting of suspicious transactions is extremely low. Member of the FATF.