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### MONEY LAUNDERING & BUSINESS CRIME NEWSLETTER SPECIAL BULLETIN – 27 JUNE 2000

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#### FATF NAMES 15 COUNTRIES WITH LAX MONEY LAUNDERING LAWS

Last Thursday, 22 June 2000, the Financial Action Task Force published its "Review to Identify Non-Cooperative Countries or Territories: Increasing the Worldwide Effectiveness of Anti-Money Laundering Measures". This report has now been picked up by many of the world's newspapers – including the headline story on the front page of yesterday's "Financial Times". Many such stories are referring to the report as providing a "blacklist" of countries that are negligent in their response and attitude to money laundering. It should also be noted that this is the review of the first set of jurisdictions – not a complete overview of all countries. The long term effects and repercussions of the contents of this report should not, in our opinion, be underestimated. We also think it essential that our clients and contacts are aware of the issues raised by this report.

The countries named as being "non cooperative", with the reasons for this are:

##### 1. BAHAMAS

- Lack of information about beneficial ownership of trusts and IBCs (which issue bearer shares)
- Certain intermediaries can avoid revealing the identity of their clients
- Delays and restricted responses to requests for assistance from other jurisdictions

##### 2. CAYMAN ISLANDS

- No legal requirements for customer identification & record keeping
- No mandatory regime for the reporting of suspicious transactions
- Large class of management companies unregulated

##### 3. COOK ISLANDS

- No relevant information on circa 1200 IBCs registered there
- Seven offshore banks are registered that do not have to identify customers or keep records

##### 4. DOMINICA

- Outdated proceeds of crime laws
- Company law provisions frustrate identification of beneficial ownership

##### 5. ISRAEL

- No anti-money laundering legislation

## **6. LEBANON**

- The country has a strict banking secrecy regime that frustrates investigations and international co-operation; suspicious customer relationships can be terminated without reporting to relevant authorities

## **7. LIECHTENSTEIN**

- System for reporting suspicious transactions is inadequate
- No proper laws for exchanging information about money laundering and international co-operation
- Resources devoted to tackling money laundering are inadequate

## **8. MARSHALL ISLANDS**

- Absence of a basic set of anti-money laundering regulations including criminalization of money laundering, customer identification and reporting of suspicious transactions
- 3000 IBCs registered here with strong secrecy concerning beneficial owners

## **9. NAURU**

- Absence of a basic set of anti-money laundering regulations including criminalization of money laundering, customer identification and reporting of suspicious transactions
- It has licensed 400 offshore "banks" that are badly supervised – no disclosure of relevant information on such entities or IBCs

## **10. NIUE**

- Lapses in customer identification requirements
- Strong concerns about regulation of 5 offshore banks and circa 5000 IBCs registered here

## **11. PANAMA**

- Money laundering (apart from drug trafficking) is not criminalized
- Strange system of reporting suspicious transactions

## **12. PHILIPPINES**

- Absence of a basic set of anti-money laundering regulations including customer identification and reporting of suspicious transactions
- Excessive secrecy of bank records; no suspicious transaction reporting procedure

## **13. RUSSIA**

- Lack of comprehensive money laundering law and regulations
- No customer identification requirements; no suspicious transaction reporting procedure
- No central reporting/intelligence unit

FATF comment "Russia faces a unique challenge in combating money laundering as it continues its transition to a market economy. The existence of a continued large scale capital flight, underdeveloped market institutions and lack of fiscal resources all complicate the fight against money laundering"

## **14. ST KITTS & NEVIS**

- Money laundering is only a criminal offence in relation to narcotics trafficking
- No reporting of suspicious transactions
- In Nevis: little supervision of offshore sector; no relevant procedures in place; non-residents can operate an offshore bank account with no ID being taken; strong bank secrecy laws which hide beneficial owners even in criminal cases; Company law frustrates customer identification even more

## **15. ST VINCENT & THE GRENADINES**

- No anti-money laundering regulations/guidelines exist for offshore financial institutions – thus no customer identification
- No system to require reporting of suspicious transactions

Crucially the FATF report recommends " financial institutions should give special attention to business relations and transactions with persons, including companies and financial institutions, from the non-cooperative countries" (i.e. the list of 15 territories given above)

NOTE: Excuse the self-marketing, but is this a good time to mention our due diligence services? Should you wish to discuss any aspect of this topic please feel free to contact us on proximal@bluemail.ch  
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