

## **Canadian FIU given powers to fine for non-compliance - 30 December 2007**

Canada's FIU, FinTRAC, has been given new powers to levy fines on individuals and reporting entities for a variety of offences, ranging from the "minor" failure to convert foreign currency transaction figures into Canadian funds, to the "very serious" failure to send a report to FinTRAC within the prescribed 30-day period. Previously, all FinTRAC could do in cases of non-compliance was refer them to law enforcement for possible criminal investigation, but now the agency can have a more proportionate response to cases where there is non-compliance but not criminal intent. The fines will range from up to C\$1,000 [about £500] for a minor violation, to C\$10,000 [about £5,000] for a serious violation and as much as C\$500,000 [about £250,000] for a very serious violation.

Under the current regime in Canada, financial institutions, insurance companies, estate agents and other professionals who handle high-value transactions are required to report to FinTRAC any suspicious transaction, and all transactions over C\$10,000 [about £5,000]. From 23 June 2008, foreign exchange dealers and money services businesses will be required to register with FinTRAC and comply with reporting requirements, while the obligations on estate agents will expand on that date to include verifying the identity of people involved in a transaction and keeping records of that information.

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## **Swiss close one money laundering case and keep another open - 27 December 2007**

A Swiss investigation into alleged money laundering involving Benazir Bhutto and her husband Asif Ali Zardari has been formally declared closed after the assassination of the Pakistani opposition leader in a shooting and suicide bombing attack on 27 December. Some US\$13 million [about £6.5 million] is frozen in bank accounts in Geneva, relating to suspected kickbacks from Swiss cargo inspection companies in the 1990s. Bhutto and Zardari were convicted in Geneva in 2003 of having laundered funds through offshore companies, but the investigation was reopened after the couple won an appeal against that conviction in 2004.

However, the Swiss Federal Court has ruled that more than US\$130 million [about £65 million] in Swiss bank accounts linked to Raul Salinas, brother of former Mexican president Carlos, will stay frozen, despite an appeal by Raul's wife. This decision enables the Mexican authorities to confiscate the assets, frozen since 1995, if they present a legal order to their Swiss counterparts. Raul claims that the money is legitimate, and not the proceeds of political pay-offs as suggested by prosecutors. His lawyer argued that keeping the money frozen for twelve years was excessive and disproportionate, but the court referred to the complexity of the case and said

that the length of proceedings was not the fault of Switzerland, which handed over the case to Mexican officials in 2002.

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### **Singer and son charged with money laundering - 21 December 2007**

The lead singer of a popular band and his son have been indicted on money laundering charges. Adalberto Gallegos Jr, lead singer for Tejano band The Latin Breed, is believed to have received more than US\$270,000 [about £136,000] from the sale of marijuana between February 2004 and July 2006. It is alleged that he deposited the money in a Bank of America account in Tampa, Florida, and then later withdrew the funds in Tucson, Arizona. His son Adalberto Gallegos III allegedly handled US\$61,800 from drug sales in the same manner, depositing the funds in a Tampa account and then withdrawing them in Tucson.

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### **Schengen zone extends eastwards - 21 December 2007**

Nine new states have joined the European border-free zone. The Schengen agreement, which allows passport-free travel across the area, now embraces 24 nations and 400 million people, with the addition of the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia. Initially the lifting of internal controls involves just land and sea borders, but that will be extended to airports at the end of March 2008. The European Commission says that one billion euros [about £720 million] has been spent on beefing up security on the new EU frontiers, including establishing missions along the Polish and Slovak borders. As Slovak Prime Minister Robert Fico said, "[Now] you can travel 4,000km from Tallinn in Estonia to Lisbon in Portugal without any border controls."

Although the enlargement allows passport-free travel throughout the area, travellers can be asked to carry documents by any of the countries concerned. For non-EU nationals, a Schengen visa allows travel across all the participating countries. Thirteen existing EU states have already been part of the Schengen accord as well as two non-EU countries, Norway and Iceland. The UK and Ireland are not involved in the zone but they have signed up to agreements on security, and Switzerland is expected to sign up to Schengen in 2008. A significant element of the Schengen agreement is the Schengen Information Service (SIS) which features an enormous database in the French city of Strasbourg. The SIS database enables police in any Schengen state to find out whether a suspect has been involved in any kind of crime across the EU.

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### **Canada to broaden its "regulated sector" - 20 December 2007**

Canada's Minister of Finance, Jim Flaherty, has announced changes to his country's anti-money laundering regime which will take effect from 26 December 2007: "We

are stepping up our regime by casting our net wider to detect illicit transactions, in line with international standards." The legal profession will be required to meet the client identification and record-keeping requirements of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. In addition, new sectors, such as British Columbia notaries and dealers in precious metals and stones, will be required to meet client identification, record-keeping and reporting requirements under the Act. To better ensure compliance with the requirements of the Act by all sectors covered by the regime, the new regulations will introduce an administrative penalty scheme. This is intended to bring the Canadian anti-money-laundering and anti-terrorist-financing regime into line with the revised international standards of the Financial Action Task Force.

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### **Grand Rabbi held on charges of money laundering - 19 December 2007**

The leader of an Orthodox Jewish sect has been arrested in Los Angeles after being charged in connection with operating a decade-long tax fraud and money laundering scheme stretching from Israel through New York to the jewellery district in downtown Los Angeles. Grand Rabbi Naftali Tzi Weisz, head of the Spinka religious group, and his executive assistant, Gabbai Moseh Zigelman, are accused of soliciting "tens of millions of dollars" in contributions to Spinka charities while secretly promising to refund up to 95% of contributors' donations. The contributors then illegally claimed tax deductions on their bogus donations. It is estimated that Zigelman alone solicited nearly US\$9 million in 2006 [about £4.5 million], netting a \$700,000 profit [about £350,000] for Spinka after donors were repaid. Spinka Jews are members of the Hasidic group within Orthodox Judaism; the sect originated in Romania and has a large population in Israel, continental Europe and Brooklyn, NY, where Weisz and Zigelman reside.

The indictment charges Weisz and Zigelman with conspiracy to defraud the IRS and to launder money. They also face 19 counts of mail fraud, 11 counts of international money laundering and one count of operating an illegal money-remitting business. Additionally, Zigelman is accused of helping to prepare fraudulent income tax returns. The indictment alleges that beginning in 1996, the pair reimbursed contributors through several channels. One involved cash payments transferred through an underground network that included jewellery businesses in Los Angeles. It is alleged that the scheme also allowed donors to pay a money laundering fee in order to have access to funds through wire transfers that started at Spinka organisations and ended in secret accounts at an Israeli bank.

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### **HM Treasury approves JMLSG Guidance Notes - 18 December 2007**

HM Treasury has approved the guidance issued by the Joint Money Laundering Steering Group (JMLSG) on "Prevention of Money Laundering/Combating Terrorist Financing". This means that this document can now be considered by industry to

represent best practice, and that courts will consult it when considering whether an individual or a company acted as they should have done in trying to prevent money laundering or the movement of terrorist funds.

To read the letter sent by Chancellor Alistair Darling to the JMLSG, [click here](#).

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### **Amsterdam to clean up red light district - 17 December 2007**

The mayor of Amsterdam, Job Cohen, has announced plans to clean up the city's red light district in an effort to fight human trafficking, money laundering and drug abuse. Cohen wants to clamp down on the organised criminals whose growing influence has corrupted the historic city centre: "The romantic picture of the area is outdated if you see the abuses in the sex industry and that is why the council has to act," he said. "We don't want to get rid of prostitution but we do want to cut crime significantly."

The aim is to partially reverse the full legalisation of prostitution introduced in the Netherlands in 2000, because it had not achieved its aim of bringing the profession out of the shadows and protecting sex workers. Brothel owners, escort agencies and those who protect prostitutes will have to apply for permits, and the minimum age for prostitutes will be raised from 18 to 21. The neon-lit boudoirs that earn about 70 million euros a year will be limited a few streets, while the rest are replaced by chic apartments, upmarket shops, designer galleries and boutique hotels.

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### **New Guernsey AML legislation comes into force - 17 December 2007**

The Criminal Justice (Proceeds of Crime) (Financial Services Businesses) (Bailiwick of Guernsey) Regulations, 2007 and the accompanying *Handbook for Financial Services Businesses on Countering Financial Crime and Terrorist Financing* (containing Commission Rules and guidance) have come into force. The Disclosure (Bailiwick of Guernsey) Law, 2007 and the Disclosure (Bailiwick of Guernsey) Regulations, 2007 have also come into force.

For links to all of these, including versions of the Criminal Justice Regulations and the *Handbook* with changes highlighted, [click here](#) to go to the relevant page of the Guernsey Financial Services Commission website.

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### **Money Laundering Regulations 2007 (and amendment) come into force - 15 December 2007**

The Money Laundering Regulations 2007 have now come into force in the UK. A small amendment to them has also come into force.

To download the Money Laundering Regulations 2007, [click here](#).

To download the Money Laundering (Amendment) Regulations 2007, [click here](#).

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### **Roofer jailed for allowing laundering through his account - 14 December 2007**

A roofer in Stevenage who laundered cash for a gang who were fleecing elderly people out of thousands of pounds for shoddy work has been jailed for 21 months. The gang charged inflated sums for inadequate or inappropriate roofing and guttering work on houses in north London occupied by elderly people living alone. Payment by cheque would be made payable to roofer Paul Allen, who would bank the cheques and later withdrew cash to hand over to the gang, retaining a commission. Over a three year period, he allowed the gang to run cheques for £50,000 through his two accounts. He was arrested in June 2006 after his bank became suspicious. At first he denied the money laundering charges but later changed his plea to guilty, saying that he had met the gang during legitimate roofing work and did not initially appreciate the methods they were using to get the money. However, as his defence lawyer explained, "At some stage he did suspect that everything was not right and blinded his eyes to the consequences of that. He should have gone to the police but he did not. He continued to accept the payments and is contrite about that."

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### **Aleman ordered to serve twenty years for laundering in Nicaragua - 13 December 2007**

A Nicaraguan appeal court has ordered ex-President Arnoldo Aleman to serve out his twenty-year prison sentence for money laundering, overturning an earlier decision granting him parole. Judge Ileana Perez said it will be up to prison officials to determine whether Aleman serves the time at his hacienda outside the capital Managua or in jail. Aleman was convicted in 2003 for money laundering and embezzlement and sentenced to twenty years in prison, but was later freed under a parole that restricted his movements to the capital. That parole was loosened earlier this year by Nicaragua's National Penitentiary System, which granted Aleman free rein to travel throughout the country. His whereabouts are currently unknown.

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### **New Australian AML requirements come into force - 12 December 2007**

Tougher anti-money laundering rules have come into effect for the Australian financial sector. The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 requires stricter checks on customer identities when establishing bank accounts, purchasing travellers' cheques,

or winning big at a casino. The new regime is being policed by the Australian Transaction Reports and Analysis Centre (AUSTRAC). AUSTRAC CEO Neil Jensen says the new regime is based on global standards. "The standards as they apply generally are twofold. One requirement is to know your customer: is your customer really the person that you believe them to be? The other side of it is reporting suspicious financial transactions to AUSTRAC. We then analyse those transactions and make that information available to law enforcement, revenue and national security agencies."

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### **Jersey announces new implementation timetable - 11 December 2007**

The Jersey Financial Services Commission (JFSC) has issued an update to the implementation timetable for new AML legislation and guidance. Owing to legislation delays, the revised Money Laundering Order 2008 is now expected to come into force on 1 February 2008. According to the JFSC's news release, "the Commission does not anticipate any changes to the substance of the requirements that were published in the Handbook for the Prevention and Detection of Money Laundering and Terrorist Financing on 2 July 2007", and the Handbook will also come into force on 1 February 2008. Moreover, the proposed amendment to Schedule 2 of the Proceeds of Crime (Jersey) Law 1999 will come into force on 19 February 2008 - this is the amendment that will bring lawyers, accountants, estate agents, high value dealers and others into the sector covered by the Money Laundering Order 2008.

To read the full 4-page explanation from the JFSC, [click here](#).

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### **Conrad Black sentenced to 78 months for fraud and obstructing justice - 10 December 2007**

Former media tycoon Conrad Black has been jailed for 6½ years by a Chicago court after stealing millions of dollars from shareholders. He has been told to report to prison in 12 weeks, but will remain free until then on payment of bail of \$21 million [about £10.3 million]. He was also fined \$125,000 [£61,000], but professes his innocence and plans to appeal. Ex-*Daily Telegraph* owner Black was convicted of three counts of fraud and another of obstructing justice.

Black will also have to forfeit \$6.1 million [about £3 million] - the amount that a pre-sentencing report sent to Judge Amy St Eve calculated had been

stolen from shareholders of Hollinger International. "Frankly I cannot understand how someone of your stature, on top of a media empire, could commit such acts," said the judge.

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Three of Black's former colleagues also received prison terms:

Jack Boulton was considered Black's key financial advisor - he was sentenced to 27 months in prison, followed by three years of supervised release, and must also pay \$152,000 [£75,000] in restitution

Peter Atkinson was the chief legal counsel for Hollinger - he was sentenced to 24 months in prison and given a \$3,000 [£1,475] fine

lawyer Mark Kipnis must serve six months in jail and will be required to perform community service.

### **New AML guidance issued for UK accountancy sector - 10 December 2007**

The Consultative Committee of Accountancy Bodies in the UK has issued its final "Anti-Money Laundering Guidance for the Accountancy Sector". This is guidance for all entities providing audit, accountancy, tax advisory, insolvency or related services, such as trust and company services, by way of business, on compliance with the law (including the Money Laundering Regulations 2007) from 15 December 2007. Although some aspects of the law are still subject to change, the CCAB (and, by extension, the ICAEW) recommends firms should use this Guidance (which will shortly be submitted to the Treasury for approval) to implement the new requirements. This guidance is the final version of that which was released as an exposure draft on 12 October, and has been updated to reflect and accommodate comments received.

To download the guidance, [click here](#).

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### **RBSI to sue employee convicted of money laundering - 8 December 2007**

In a follow-up to a story dated 29 October 2007 (see below), convicted Guernsey money launderer Emma Le Sauvage is to be sued by her former employer Royal Bank of Scotland International (RBSI). Le Sauvage was sent to prison in October for stealing £277,335 from the bank between February 2003 and October 2006. At the time, although it was accepted that Le Sauvage had £34,156 of realisable property, no confiscation order was made against her because it was anticipated that RBSI would pursue a civil case against her, and this is now going ahead.

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### **Blairs' friend Foster jailed for money laundering - 7 December 2007**

Australian conman Peter Foster has been jailed for 4½ years after pleading guilty in Brisbane to money laundering. Foster forged documents to obtain a loan of A\$300,000 [about £120,000] from the Bank of the Federated States of Micronesia. He claimed the money would be used to develop land in Fiji, but instead he used it to settle rent arrears and repay credit card debts. When the bank asked how the work was going, he provided false documents and photographs to suggest that the land development project was progressing as planned. Defence barrister Brad Farr told the court that his client genuinely intended to complete the development and repay the money but had over-committed himself financially. Foster hit the headlines in 2002 when he helped Cherie Blair buy two flats in Bristol - despite being a convicted fraudster.

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### **Cape Verde announces formation of its FIU - 6 December 2007**

The government of Cape Verde has announced that it will be setting up a financial intelligence unit. The Financial Information Unit (CIF) will operate under the country's central bank, the Bank of Cape Verde (BCV), and will be entrusted with collecting, analysing and disseminating information on money laundering and the financing of terrorist activities. A government spokesperson, Cristina Fontes Lima, said that the initiative was part of efforts to strengthen Cape Verde's financial system, as this is expected to serve as a driving force for the country's development. "For this to happen," said Lima, "it is necessary to guarantee all the levels of credibility required by the international community towards the fight against organised crime and terrorism. We are in the process of containing money laundering and creating better conditions for the enforcement of law." The CIF will comprise representatives of the ministry of justice, the attorney's office and the criminal department of the police force. Cape Verde's current AML legislation requires reports to be made to the BCV of all deposits or withdrawals involving amounts over the equivalent of £4,500.

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### **Launch date announced for Mozambique's FIU - 6 December 2007**

Mozambique's Office of Financial Information (GIFIM) is to start operations on 9 January 2008. The Mozambican government spokesman Luís Covane said that "GIFIM is an office that will work for Mozambique not to

be a stage for illegal money laundering operations. It will collect and analyse information and make it reach the relevant institutions for controlling and combating money laundering. Therefore, it is a police-type institution, which will operate on a national level and will also act outside Mozambique." GIFIM was created by an act of parliament passed in May 2007, which stated that that GIFIM will be run by a Coordinating Council chaired by the Prime Minister. The Council's other members will be the Finance, Interior and Justice Ministers, the Attorney-General and the Governor of the Bank of Mozambique.

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### **London lawyer jailed for 14½ years for money laundering - 5 December 2007**

Naveen Sagar, a solicitor at Mehra & Co in Wembley, has been sentenced to 14½ years in prison for his part in helping a west London criminal network that sold heroin and used firearms. The Metropolitan Police's Operation Pauldings was set up in late 2004 to target a criminal network run by Ahmed Osman Hersi, but as the investigation continued the importance of Sagar became increasingly apparent. He represented many of the individuals the officers arrested and as the investigation reached a crucial juncture he constructed elaborate delaying tactics to undermine the police investigation. As a result, one man entered protracted negotiations to provide evidence against Hersi and Sagar. Sagar then had the conversations between officers and the defendant recorded and edited to indicate police corruption. Ultimately his efforts failed, and Hersi's gang have all been convicted. Met officers will now seeks to use the Proceeds of Crime Act to recover assets worth approximately £1 million from Sagar, while inquiries into the finances of others continue. Mehra & Co has now ceased trading.

Hersi's network primarily operated from the Southall area, but over the course of the investigation officers seized drugs and guns in Hackney, Leicester Square and Shepherds Bush. Operation Pauldings resulted in 35 arrests and nine convictions, as well as the recovery of 4kg of heroin, 280 rocks of crack cocaine, two machine guns, five semi-automatic handguns, a revolver, 67 rounds of ammunition and £300,000 in cash.

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### **Isle of Man millionaire charged with money laundering - 4 December 2007**

Multi-millionaire Trevor Baines, who made his money from family's trading and private banking firm Africa House Group and now lives in the Isle of Man, has appeared in court charged with money laundering offences. Mr Baines, who was ranked 432 in the *Sunday Times* Rich List this year with a fortune of £162 million, was bailed for £750,000, with his mansion home Africa House put up as security. He is charged with assisting another with the proceeds of crime and falsifying records. The offences are alleged to have taken place between June and October 2001. Mr Baines, who denies all the charges, must report daily to police headquarters and surrender his passport, and will appear in court on 5 February 2008.

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### **New Czech money laundering legislation passes first hurdle - 4 December 2007**

The Czech government has approved a new money laundering law which may require banks to ask for ID documents from customers conducting transactions of 1,000 euros or more. If it is passed by the legislature, the law will take effect in mid-2008. Under current legislation, ID checks are required only on customers conducting transactions of 100,000 koruna [about £2,725] or more. The new law would also widen the requirements for banks and other financial institutions to enquire into the purpose of, and source of funds for, transactions over 15,000 euros. "According to official statistics, the damage from the crime has so far amounted to approximately 50 billion crowns [about £1.36 billion]," said Simona Cigankova, spokeswoman for Cyril Svoboda, head of the government legislative team. However, unofficial estimates put the damage about four times higher. The new law is intended to make it difficult for those who might try to pay in their criminal cash before the euro is adopted in the Czech Republic in 2013. The Czech FIU receives about 3,000 suspicious activity reports a year, mostly from the banking sector, and 100-150 criminal lawsuits are filed each year.

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### **Russia amends its money laundering law - 29 November 2007**

Russian President Vladimir Putin has signed into effect amendments to Article 5 and Article 7 of the federal law on money laundering and terrorist financing. The State Duma approved the law on 9 November and the Federation Council on 16 November. The amendments are intended to bring the legislation into line with Russia's international commitment to the fight against corruption. The amendments enlarge the list of organisations that are obliged to combat money laundering and terrorist financing to

include commercial organisations that conclude factoring agreements as fiscal agents. They also require additional measures aimed at tougher controls on PEPs, clearing settlements and money transfers without opening an account.

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### **SOCA publishes first SARs annual report - 28 November 2007**

The UK's FIU, the Serious Organised Crime Agency (SOCA) has published its first Annual Report on the Suspicious Activity Reports (SARs) regime. The report highlights substantial progress since Sir Stephen Lander's review of the regime in March 2006. The publication of an annual report to Ministers on its operation was a recommendation of Sir Stephen's review, and this first report indicates that the regime participants - SOCA, law enforcement and reporting institutions - have addressed all 24 recommendations contained in the review and that SOCA is performing well.

SAR success stories are reported, including:

Operation Overt was a long term operation which culminated in the arrest on 10 August 2006 of 24 people for suspected terrorist offences. SOCA provided operational support for the National Terrorist Finance Investigation Unit (NTFIU) and counter-terrorism agencies. In total, 153 SARs were linked to the investigation and passed to NTFIU.

A SAR on a relatively minor financial transaction earlier this year led to the arrest of an individual for money laundering and drug trafficking. An investigation into the subject of the SAR identified a property portfolio which was inconsistent with the subject's status. The subject was subsequently arrested and searches revealed suspected criminal property valued in excess of £1.5 million and several hundred thousand pounds worth of controlled drugs.

To download the full 36-page report, [click here](#).

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### **Spain closes money laundering case against Benazir Bhutto - 28 November 2007**

The Spanish authorities have ordered the closure of investigations on charges of money laundering against Pakistani former prime minister Benazir Bhutto since allegations could not be proved for want of credible evidence. The Prosecutor of the High Court of Valencia has asked for the provisional dismissal of the case against Bhutto, her husband and several others for the alleged laundering of money allegedly acquired through kickbacks. After more than three years of investigation, the prosecutor has concluded that "it has not been possible to prove the illicit origin of the

assets for which it was held that came from money laundering". Ms Bhutto is still under investigation for money laundering in Switzerland and the UK.

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### **ARA recovers assets of eBay fraudsters - 28 November 2007**

The UK's Assets Recovery Agency (ARA) has obtained a Civil Recovery Order for £60,000 against two students who sold counterfeit designer Tiffany jewellery and high-value designer handbags on Internet auction site eBay. Miao Cui and Xi Lin, both Chinese nationals, were living in Stockton-on-Tees and were arrested in February 2006 for offences against the Trademarks Act and Proceeds of Crime Act; a search of the premises revealed Hermes and Tiffany trademark packaging boxes, counterfeit Chanel, Louis Vuitton and Mulberry handbags, Fendi and Chloe handbags, Hermes ties and Tiffany jewellery. The suspects were bailed to return to Stockton Police Station on 30 May 2006 but failed to appear and are believed to have returned to China. The case was then referred to the ARA, who discovered that between October 2004 and January 2006, some £90,000 was received into numerous accounts in the names of Mr Cui and Miss Lin, directly from online payment companies Nochex and Paypal, and a further £75,000 was paid in in cash. The agency was granted a Property Freezing Order on 14 February by the High Court to prevent assets being dissipated during the ongoing investigation which has now led to a successful recovery action.

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### **Police confiscate £500,000 from Irish fraudster operating in Canada - 22 November 2007**

Businessman Dennis Clarke of Antrim, Northern Ireland has been forced to hand over £500,000 to the Police Service of Northern Ireland (PSNI) after one of their biggest-ever money laundering investigations. The money is believed to be the proceeds of a £2 million fraud involving Belfast-based aerospace company Shorts. The Canadian authorities are also keen to speak to Clarke in connection with alleged tax evasion running into several million dollars. Clarke received a two-year suspended jail sentence earlier this year for money laundering after he was caught transferring hundreds of thousands of pounds of cash - illegally gained in Canada where he was working at the time - into the bank account of elderly relatives back home in Antrim. It is understood that Clarke used laundered money to purchase several properties across Northern Ireland and Spain.

It was claimed in court at the time that the laundered money had been swindled from Belfast plane makers Shorts after Clarke made false claims for payment of invoices. Clarke allegedly doctored time sheets for contractors who were doing work for the company at their plant in Montreal. At the time of the alleged scam he was living in Montreal where he had set up a company called Nathan Air which looked after the contractors in Canada.

The Clarke case was one of the biggest investigations launched by the PSNI's Financial Investigation Unit to date with several officers travelling to Canada on a number of occasions to work on the case alongside the Royal Canadian Mounted Police and the tax authorities there. Suspicions about Clarke were first brought to the PSNI's attention in 2002 after the bank where his elderly relatives had an account contacted officers to say that large sums of money were being transferred into it from Canada.

The Senior Investigating Officer in the case, Detective Inspector Sam Sittlington, today said that the money has now been handed over by Clarke and will be used to catch other criminals. "Although we think Clarke benefited from £1 million to £2 million, he only had half a million pounds worth of assets left which has been handed over to the PSNI. A total of £150,000 of that will be handed over to Shorts in compensation. The money that we received from Clarke will now be put straight back into the unit to help us go after others like him."

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### **Detroit drug kingpin pleads guilty to money laundering - 20 November 2007**

Demetrius Flenory, leader of Detroit's "Black Mafia Family" (BMF) has pleaded guilty today to running a large scale drug organisation and to money laundering. Flenory admitted that from 1990 to 2005, he was the leader of a criminal enterprise involving the large scale distribution of controlled substances, mainly cocaine. He admitted obtaining millions of dollars in cash from the sale of cocaine, which he laundered by buying real estate, vehicles and jewellery (the latter through the infamous Jacob the Jeweller). Under the terms of the plea agreement, Flenory faces a sentence of 30 years to life in prison, and also agreed to a money judgment in the amount of US\$270 million [about £131 million]. A date has yet to be set for sentencing.

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### **Guernsey to pass cash declaration law - 20 November 2007**

The Cash Control (Bailiwick of Guernsey) Law 2007 will come into effect on 15 December 2007. Mimicking a piece of EU legislation designed to thwart the flow of criminal money, this law will require anyone intending to carry the equivalent of €10,000 or more in cash (or cash equivalents, such as bearer instruments or travellers' cheques) into or out of the Bailiwick of Guernsey to complete a declaration form beforehand. Compliance with the new law will be policed by Customs officers.

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### **NY judge sentenced to 33 months for money laundering - 16 November 2007**

David Gross, a former county court judge in Nassau County, New York has been sentenced to 33 months in prison for money laundering. He conspired with members of the Genovese family to launder nearly US\$ 400,000 of cash and stolen diamonds, watches and jewellery. He was arrested after being caught by an FBI-organised sting operation. Gross had a reputation for being quirky, and once wrote a book entitled "If the Robe Fits: A View from the Bench". After sentencing, Gross apologised to his family for letting them down, and told the court, "For all my adult life, I loved the law. And now I violated the very law that I was sworn to uphold, and in doing so have irrevocably destroyed my life." His term in prison will start in January.

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### **JMLSG publishes revised UK Guidance Notes - 13 November 2007**

Following industry consultation over the summer, the Joint Money Laundering Steering Group has published revised guidance on "Prevention of Money Laundering/Combating Terrorist Financing". Much remains as suggested in the draft guidance, but some changes have been made:

- monitoring has been given its own section in the guidance, to make it clear that it applies even when simplified due diligence is used
- there is more detailed definition of beneficial ownership
- the transfer of responsibility for the sanctions regime from the Bank of England to HM Treasury
- use of source of funds as an exception from standard CDD.

The new guidance has been submitted to HM Treasury for approval, and will take effect from 15 December 2007. To download the new guidance, [click here](#).

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## **NY money transfer business closed down for money laundering - 7 November 2007**

Following a two-year investigation by the Manhattan District Attorney and the Secret Service, New York-based money transfer business Western Express International has finally been shut down for identity theft and money laundering. Western Express International acted as a front company for two Web sites, Dengiforum.com and Paycard2000.com, which it used to help harvest credit card information. In total, the company trafficked 95,000 stolen credit card numbers, which brought in over US\$35 million [about £17 million] in criminal proceeds. Seventeen of the company's employees were indicted in the investigation, and face prison sentences of up to 25 years. Two corporate officers of the company (married couple Vadim Vassilenko and Yelena Barysheva) pleaded guilty in September 2006 to running an unlicensed money transfer and cheque-cashing business and to money laundering, and are already in prison.

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## **Ghana passes new AML law - 2 November 2007**

The Ghanaian parliament has passed the Anti-Money Laundering Bill, which criminalises money laundering, establishes a Financial Intelligence Centre and provides for various related matters.

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## **Office of Fair Trading issues AML guidance - 1 November 2007**

The UK's Office of Fair Trading has today published guidance to business on their obligations under the new anti-money laundering regulations. The OFT will become a Supervisory Authority on 15 December 2007, and will assume supervision of consumer credit lenders who are not authorised by the FSA and estate agents. Monitoring and enforcement powers will be shared with local authority Trading Standards Services (TSS) under arrangements to be negotiated in coming months. Ray Hall, OFT Director of Markets and Projects, said: "Our key aim at this stage is to ensure that businesses we supervise are aware of their obligations under regulations. Although these businesses already have to comply with anti-money laundering legislation until now they have not been supervised. We are happy to share monitoring and enforcement powers with local authority Trading Standards Services and will continue to work closely with them, to implement a supervisory regime which is effective."

To download the OFT's 45-page AML guidance, [click here](#).

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## **Serious Crime Bill receives Royal Assent - 31 October 2007**

The Serious Crime Bill has received Royal Assent and is now the Serious Crime Act 2007. The Act contains a number of measures designed to improve the processes used by police and other authorities to identify, find, arrest and prosecute serious offenders, including:

- giving new power to police to stop and search for weapons in areas where violent crime has occurred
- allowing courts to impose restrictions on those proven to be involved in serious crime
- smoothing the way for more information sharing between public and private sectors
- making encouraging or assisting somebody committing a crime an offence
- merging key elements of the Assets Recovery Agency with the Serious Organised Crime Agency
- facilitating seizing proceeds of crime
- extending HM Revenue and Customs surveillance powers to combat organised tax fraud.

These measures are designed to make life difficult for serious criminals, disrupting their operations and ensuring that they don't benefit from the harm they cause.

To download the Serious Crime Act 2007, [click here](#).

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## **Taipei bun shop used for money laundering - 31 October 2007**

Taipei police have uncovered a money laundering operation that has processed an estimated five billion RMB [about £325,000] over the past two years. Police raided a popular barbecue steamed bun store in Hsinchu, suspected of being used as a front for money laundering, and found a large amount of cash, 42 bank cheque-books, an operation manual, a fax machine and a computer. Police arrested six suspects at the premises but the ringleader (a man surnamed Huang, also known as 'Black Dragon') and his accomplice (surnamed Lo), a Taiwanese business man in China, are still at large. Huang reportedly opened the famous barbecue steamed bun store in Hsinchu and then recognised an opportunity to provide underground financial transactions between China and Taiwan. He visited Guangdong province in China, where he made contact with Lo, and started the money laundering operation, retaining 0.02% to 0.04% from currency exchange spreads and charging a 1.5% to 3% service fee (5% if the transaction involved criminal proceeds). The pair were known for their

speedy service; reportedly, transactions made through them were faster than wiring through banks, and they were just a phone call away.

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### **Two plead guilty to embezzling and laundering 9/11 money - 30 October 2007**

Two employees of the New York medical examiner's office have pleaded guilty to running an elaborate scheme to embezzle millions of dollars sent by the Federal Emergency Management Agency to identify the victims of the World Trade Center attacks. Natarjan Venkataram and his girlfriend Rosa Abreu pleaded guilty to charges of embezzlement, money laundering and conspiracy. Abreu faces up to 75 years in prison, and Venkataram could spend the rest of his life behind bars when they're sentenced in January 2008.

"It was a very complex scheme," said Department of Investigations Commissioner Rose Gill Hearn said. Abreu was the director of records at the medical examiner's office, and Venkataram was her boss until they both resigned in September 2005. The scheme was uncovered in 2004 when other staff in the medical examiner's office became suspicious about Venkataram's procurement practices. Abreu was responsible for supporting computer systems used to track and identify forensic evidence, including DNA, from crime scenes. After the 9/11 attacks, the office needed more computer services to identify victims through evidence collected at ground zero, and Venkataram and Abreu steered more than US\$13 million in computer service contracts and purchase orders between 1999 and 2004 in exchange for cash payments to companies that did little or no work. Investigators tracked much of the money to India, where the pair stashed it at Venkataram's direction. "We are trying to get back as much of the money as we can," said Hearn. "We traced a great deal of it to India. We are hoping to get it all back but one never knows with these things."

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### **Thai bird's nest industry used for money laundering - 30 October 2007**

The bird's nest industry in Thailand is a conduit for money laundering and could be funnelling more than 100 million baht [about £1.5 million] a year, according a study by the Thailand Research Fund. Kasem Jandam, who conducted a research project on the bird's nest business in southern Thailand, found illegal collecting of bird's nests at sites on 66 islands located off the Gulf of Thailand and in the Andaman Sea. These areas are

outside the 104 islands that were deemed as legal concession areas for the collecting of bird's nests in Thailand under the 1942 Swiftlet Bird's Nest Tax Act. The government could be losing tax revenue of more than 100 million baht per year per site in eight provinces in southern Thailand.

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### **Guernsey secures first money laundering conviction - 29 October 2007**

The first conviction for money laundering under Guernsey legislation has now been made public. Royal Bank of Scotland International (RBSI) employee Emma Le Sauvage admitted stealing £277,335 from the bank between February 2003 and October 2006, and also pleaded guilty to four counts of money laundering. She stole money from accounts at the bank - often dormant accounts, and including accounts belonging to her relatives - and transferred the money elsewhere. Much of the money is still missing. Le Sauvage joined NatWest – which was taken over by RBS in 2000 – as a 16-year-old school leaver, and in 2002 she was promoted to business adviser. She and her line manager were responsible for more than 500 client accounts and her role gave her access to other accounts. In October 2006, an investigation was launched by the bank's London-based group security and fraud department after concerns were raised about the defendant misappropriating funds. Le Sauvage was sentenced to two years and three months in prison on each of the five counts, to run concurrently. RBSI has reimbursed all affected customers.

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### **Senior corporate lawyer forced to resign in New York - 26 October 2007**

International law firm Baker & McKenzie has forced its New York corporate partner Martin Weisberg to resign on the day he was charged with participating in a US\$55 million fraud and money laundering operation. In a statement the firm said it had requested and received Weisberg's resignation, adding: "Effective immediately, he is no longer associated with our firm in any capacity." Weisberg was indicted by federal prosecutors and the US Securities and Exchange Commission and turned himself in on 22 October. He paid a US\$1.5 million bond.

The corporate lawyer is accused of helping cover up a number of private investments made in companies Ramp and Xybernaut. According to the charges, Weisberg and three former executives from the companies did not disclose the discounted stock sales they made to two investors based in Israel. The investors later sold the stocks short, allegedly paying kickbacks

from their profits to the defendants. Weisberg was reportedly tried and acquitted on similar charges in 1991 in Texas. At that time he was accused of participating in a Ponzi scheme involving the Mexican peso.

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### **First convictions under new Chinese AML legislation - 23 October 2007**

Four people have been sentenced to between 15 and 24 months' imprisonment in Shanghai in the first convictions since new anti-money laundering legislation took effect in January. The Shanghai Hongkou District People's Court sentenced Pan Rumin to two years in jail and fined him 60,000 yuan [about £4,000]. Accomplices Zhu Suzhen, Li Daming and Gong Yuan were sentenced to between 15 and 16 months in prison and fined 20,000 yuan [about £1,300] each. The four had laundered more than 1 million yuan [about £65,000] by withdrawing money and transferring funds over the Internet, through ATMs and over the counter at bank branches. The Shanghai branch of the Industrial and Commercial Bank of China eventually grew suspicious, and police arrested the suspected launderers in Hongkou in July 2006. The convictions are the first for the new offence of money laundering; before this new law took effect, suspects in money laundering cases were charged with operating illegal businesses or disordering financial markets.

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### **Northern Irish police warn about stained banknotes - 22 October 2007**

A campaign to increase awareness of stained banknotes, particularly among retail and pub staff, has been launched by the Police Service of Northern Ireland. Police, banks and cash-in-transit companies say that if notes are stained, then they were probably stolen. The campaign will see posters displayed in banks, businesses and police stations as well as on sponsor group websites. The posters have been produced by the Northern Ireland Bankers' Association in partnership with cash-in-transit companies and the Police Service under the auspices of the Organised Crime Task Force. They show sample notes from the four main banks in Northern Ireland and highlight differences with stained and cleaned notes. Banknotes become stained with a dye when cash boxes stolen during cash-in-transit robberies are opened. Frequently, criminals try to clean the notes but this process damages the foil features on them.

To download the poster mentioned, [click here](#).

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### **Russia seeks nine-year jail term for Berezovsky - 22 October 2007**

Russian prosecutors have asked a court to hand a nine-year prison term to Boris Berezovsky, a Russian tycoon and Kremlin opponent being tried in absentia on charges of embezzlement and money laundering. Berezovsky, who lives in London, was charged earlier this year with embezzling funds from the Aeroflot airline, whose shares he held in the mid-1990s, and with laundering the proceeds of that embezzlement. He is being tried in absentia in a Moscow district court but has rejected all the charges and refused to cooperate with the court, saying the trial is politicised. The UK has repeatedly rejected Russia's demands to extradite Berezovsky to stand trial in Moscow, but prosecutors decided to go ahead with his trial nonetheless.

Berezovsky, one of a handful of magnates who made fortunes in the turmoil of post-Communism reforms, was an influential political figure in Russia until he fell out with President Vladimir Putin. From London, Berezovsky accused Putin of dismantling democracy in Russia. The Kremlin, in turn, accuses him of attempting to undermine Russia's political stability and says that he has close links with separatist rebels in Chechnya.

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### **Bhutto money laundering case nearing resolution - 19 October 2007**

A long-running investigation into charges of money laundering against former Pakistani prime minister Benazir Bhutto and her husband is near completion, a Swiss magistrate has said. "I will transmit the case at the end of next week to the prosecutor," said Geneva investigating magistrate Vincent Fournier. The regional prosecutor for Geneva, Daniel Zappelli, will then have to decide whether to proceed with the case against Ms Bhutto. Ms Bhutto's lawyer, Alec Reymond, said that a recent reconciliation agreement between Ms Bhutto and President Pervez Musharraf was likely to have an impact on the Swiss case, if an amnesty for Ms Bhutto is endorsed by Pakistan's supreme court. "If it is validated the agreement specifies that Pakistan will drop legal proceedings in Pakistan and here [in Switzerland]," Mr Reymond said.

Pakistan is a plaintiff in the Swiss case. Ms Bhutto and her husband, businessman Asif Ali Zardari, were suspected of using Swiss bank accounts to launder about US\$12 million in alleged bribes paid by companies seeking customs inspection contracts in Pakistan in the 1990s.

The couple were formally sentenced by decree on the charges in Geneva in 2003 after a first investigation, but the ruling was overturned when they lodged an appeal, prompting Magistrate Fournier's more recent probe since 2004. The magistrate has questioned Ms Bhutto several times in Geneva. Ms Bhutto has repeatedly denied the charges. Under Swiss law, money laundering can only occur if the assets involved are proven to be the product of a criminal act, such as corruption.

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### **Lloyds TSB charged with money laundering in the US - 15 October 2007**

The US Attorney for the Southern District of Manhattan has charged Lloyds TSB with "knowingly assisting" its client Lycourgos Kyprianou, former chairman of Cypriot software maker AremisSoft, to launder millions of dollars. Kyprianou was indicted in 2002 for securities fraud and money laundering in connection with alleged insider trading at his company. The Attorney's office is seeking US\$130 million in fines from Lloyds TSB, which - if paid - would total more in anti-money laundering fines than those levied on all other US banks combined over the past six years. A spokesman for Lloyds TSB said, "We do not believe there is any basis for this action so we are disappointed that the US government has commenced proceedings in this case. We intend to defend the action vigorously and are confident the bank's stance will be vindicated." The Bank of Cyprus has also been charged in connection with the same client and also denies any money laundering.

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### **HM Treasury to launch Asset Freezing Unit and take on sanctions responsibility - 10 October 2007**

In February 2007, HM Treasury announced that it would be setting up a dedicated Asset Freezing Unit to increase resources for and operational focus on asset freezing. The Treasury's Asset Freezing Unit will become operational on 24 October 2007.

The Bank of England has historically acted as the Treasury's agent for the purpose of administering financial sanctions and has maintained its own Financial Sanctions Unit. With the setting up of the new Asset Freezing Unit, the Bank of England's role in financial sanctions will be transferring to the Treasury to consolidate functions and enable the new unit to act as a single point of contact on financial sanctions. From 23 October, the financial sanctions pages on the Bank of England's website will no longer

be updated, and will be removed. From 24 October, the consolidated list of sanctions targets, and other information on financial sanctions, will be published on new financial sanctions pages on the Treasury's public website.

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### **New US ambassador to Chile prioritises AML - 10 October 2007**

It is being reported in the Chilean press that Paul Simons, the next US ambassador to Chile, will make money laundering legislation one of his top priorities. In information submitted to the Senate Foreign Relations Committee as part of his confirmation process, Simons said that his plans to fight money laundering include promoting strong legislation and more regulation of certain financial institutions. "From the time I am confirmed," he said, "I will emphasise to Chile's government the importance of creating legislation that complies with all international standards, and does everything possible to facilitate investigations." Simons also proposed expanding government regulations to include non-bank institutions such as currency exchange businesses and mail courier companies, which he says currently operate in Chile with no oversight.

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### **Icelander arrested in India for money laundering - 28 September 2007**

Police in India have arrested an Icelandic man for laundering the proceeds of drug trafficking. The man was hiding out in India and has been wanted by the US Drug Enforcement Administration (DEA) for four years. He is accused of laundering on behalf of a US drug producer up to US\$3 million in money derived from drug sales in Russia and Estonia. The drug producer for whom the Icelander allegedly worked was sent to prison in Kansas in 2003 for manufacturing LSD. The cover story for the money movement was that the drug producer held a research position at the University of California in Los Angeles (UCLA) and received what the university authorities believed was research sponsorship from Russia. But the money allegedly came from criminal activities in Estonia and Russia, and the Icelander was responsible for sending that money to the US. He will probably be extradited to the US to stand trial.

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### **Former defence minister of Georgia accused of corruption and money laundering - 27 September 2007**

The General Prosecutor's Office of Georgia has accused Irakli Okruashvili, the former Minister of Defence, of extortion, money laundering, misuse of power and negligence. Nika Gvaramia, Deputy Prosecutor General, stated that on the basis of joint work, the Prosecutor's Office and the Investigation Department of the Revenue Service of the Ministry of Finance has discovered that Okruashvili, while serving as Minister of Defence in January 2005, agreed with his friend Kiber Khalvashi to set up a construction company, International Building Company, that eventually became the exclusive contractor for defence ministry construction projects. "A total of three contracts with worth of GEL 140 million [about £39 million] were signed between the defence ministry and the International Building Company," said Gvaramia. Okruashvili had also had extorted shares worth US\$10 million in a company called Geocell from another shareholder, Jemal Svanidze. This has been confirmed by Dimitri Kitoshvili, former Parliamentary Secretary of the President of Georgia, who is currently in custody. Finally, Okruashvili is accused of money laundering – he obtained government funding of US\$1.8 million to build a new head office for his political party, but can now show only US\$250,000 of that money.

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### **Turkey signs more MOUs to prevent money laundering - 24 September 2007**

Turkey has signed memorandums of understanding (MOUs) with several countries to strengthen the international fight against money laundering and financing terrorism. Turkey's Financial Intelligence Unit or FIU (Finance Ministry Financial Crimes Investigation Board - MASAK) has signed MOUs with the FIUs of the Turkish Republic of Northern Cyprus, Indonesia and Sweden. Most recently, MASAK Deputy Chairman Genc Osman Yarasli and the chairman of NFIS (Sweden's FIU) signed the MOU which will enable Turkey and Sweden to rapidly and easily exchange information on people involved in money laundering and terrorist financing. MASAK is also negotiating MOUs with the FIUs of Albania, Georgia, Japan, Poland, Portugal, Romania, Singapore, Serbia, South Korea, Syria and the Ukraine.

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### **Fujimori is extradited to Peru - 22 September 2007**

Former Peruvian President Alberto Fujimori is being extradited from Chile to face two charges of human rights abuses and five of corruption in his home country. He has been put on a Peruvian police plane to Lima, a day after Chile's Supreme Court approved his repatriation. Fujimori denies the allegations, which date back to the early 1990s, and has fought extradition since 2005, but now says that extradition to Peru will give him an

opportunity to clear his name. Peruvian Prime Minister Jorge del Castillo has said that his government would not politicise the case and has pledged that Mr Fujimori will be given a fair trial and treated with dignity.

The human rights charges against the former Peruvian leader date back to the early 1990s, when his government was allegedly responsible for killing civilians in the fight against Shining Path Maoist guerrillas. After the extradition ruling, Mr Fujimori told Peruvian radio that he had always tried to do what was best for the country: "I governed Peru for ten years, through one of its worst periods, and solved most of the problems the country faced such as terrorism and hyperinflation." However he acknowledged that "some crass errors" had been made by his administration.

Mr Fujimori - the son of Japanese immigrants - led Peru from 1990 to 2000, and fled the country as his term in office drew to a close amid a corruption scandal. He initially flew to Japan, where he holds dual nationality and is immune from extradition. Five years later he travelled to Chile in a failed attempt to return to Peru to run in last year's presidential elections and was detained there to await extradition. While in prison in Chile, he married his Japanese girlfriend, hotel magnate Satomi Kataoka.

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### **Sheffield-based Jamaican drug gang imprisoned for money laundering - 20 September 2007**

A gang of ten Jamaicans who laundered more than £1 million in drugs money through a newsagent's shop have been sent to jail for a total of 26 years after a five-year investigation. Rajia Iqbal, who ran Spital Hill News in Spital Hill, Sheffield, was jailed for 11 years for conspiracy to launder the proceeds of drug trafficking. Judge Patrick Robertshaw said the men were guilty of "offending on a massive scale" and had brought misery to many. He told Iqbal: "You were the lynchpin. Without your agency this could not have happened. Your breach of the responsibility for which you were entrusted was flagrant, calculated and chronic. Is it possible to envisage a worse case? It is, but only just." Proceeds from the sale of drugs were sent via money transfer to relatives of the gang in Jamaica, where it funded a lavish lifestyle. Iqbal had allowed more than 1,500 payments to go to Jamaica through the money transfer service he operated from his newsagents. Drug dealer Carl Hinds was jailed for eight years for money laundering and drugs supply offences, while Richard Blake received a five-year sentence for similar offences.

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## **Singapore stiffens its money laundering penalties - 19 September 2007**

The Singaporean parliament has passed two bills aimed at strengthening the island nation's counter-terrorism and anti-money laundering measures. With the passing of the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Bill and the Monetary Authority of Singapore Bill, acquisition, possession and use of the proceeds of crime are now considered money laundering offences. The fine for money laundering offences has been raised, from S\$200,000 to a maximum of S\$500,000 [about £165,000] for individuals, and a maximum of S\$1 million [about £330,000] for institutions or corporations. At the same time, the penalty for non-disclosure under the Suspicious Transaction Reporting Section has been doubled from the current S\$10,000 to S\$20,000 [about £6,600]. Also, anyone carrying currency, travellers' cheques, money orders, cheques, bonds or promissory notes worth S\$30,000 [about £9,900] or more into or out of Singapore will have to make a declaration. The same goes for those who send or receive the same amount through the postal and cargo system. The new offences, penalties and requirements will take effect from 1 November 2007.

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## **Guernsey issues new money laundering regulations and guidance - 18 September 2007**

The Guernsey Financial Services Commission (GFSC) has now issued the Criminal Justice (Proceeds of Crime (Financial Services Businesses) (Bailiwick of Guernsey) Regulations, 2007, and the *Handbook for Financial Services Businesses on Countering Financial Crime and Terrorist Financing*. The 2007 Regulations have not yet been signed by the Policy Council, and neither the Regulations nor the *Handbook* is yet in force. The GFSC anticipates that they will come into force on 15 December 2007 (to coincide with the date on which three related pieces of legislation on the transfer of funds come into force). By issuing the Regulations and *Handbook* now, the GFSC hopes to provide financial services businesses with an opportunity to put in place policies, procedures and controls before they have effect. Other new legislation is also required to be in place in December as part of the changes to the AML/CFT framework. The Disclosure (Bailiwick of Guernsey) Law, 2007 and the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) (Amendment) Law, 2007 have both been agreed by the States of Guernsey and are being considered by the Privy Council.

To download the Regulations, [click here](#). And to download the *Handbook*, [click here](#).

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## **Transparency International welcomes StAR initiative - 17 September 2007**

Transparency International (TI - the world anti-corruption agency) has welcomed the Stolen Asset Recovery (StAR) Initiative of the World Bank and United Nations. StAR, which will provide resources to help countries locate and repatriate assets lost through illicit acts, is a wake-up call to those who steal and to those who facilitate or harbour stolen assets.

Corruption's drain on resources available to alleviate poverty, disease and illiteracy is profound. The annual cross-border flow of proceeds from criminal activity, corruption and tax evasion is estimated by the StAR report at between US \$1 trillion and US \$1.6 trillion. Furthermore, bribes received by public officials from developing and transition countries are estimated at US \$20 to \$40 billion annually. Indeed, these estimates are roughly equivalent to the World Bank's total annual lending portfolio. TI also encourages all countries to ratify the United Nations Convention against Corruption, the global legal framework essential for the success of initiatives such as StAR. To date, four of the Group of Eight countries have not yet ratified: Canada, Germany, Italy and Japan.

To download the full 56-page document "Stolen Asset Recovery (StAR) Initiative: Challenges, Opportunity and Action Plan", [click here](#).

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## **Union Bank of California forfeits US\$21.6 million for laundering lapses - 17 September 2007**

Union Bank of California NA (UBOC), a wholly-owned subsidiary of UnionBanCal Corporation, based in San Francisco, has entered into a deferred prosecution agreement on charges of failing to maintain an effective anti-money laundering programme and will forfeit US\$21.6 million to the US government. The bank is charged with failing to maintain an effective anti-money laundering programme. UBOC waived indictment, agreed to the filing of the information, and accepted and acknowledged responsibility for its conduct in a factual statement accompanying the information, and will pay \$21.6 million to the US to settle forfeiture claims held by the government. "Banks that knowingly disregard their legal obligations under the Bank Secrecy Act are easily exploited by drug cartels and other criminals," said Assistant Attorney General Alice Fisher. "The Department of Justice will continue to work to make sure banks follow the law and put these vital anti-money laundering programmes in place."

The charge arose out of transactions conducted between May 2003 and April 2004 by and through certain accounts at UBOC held by licensed

Mexican casas de cambio (currency exchange houses). Several US and international undercover operations documented the export of multi-ton quantities of cocaine out of Colombia to Mexico, for trans-shipment to the US and Europe. Investigators then traced the flow of the resulting drug proceeds in the form of bulk shipments of US dollars and euros to a few Mexican casas de cambio working in concert with one another, or to the direct deposit of drug proceeds to accounts held by the casas de cambio in Spain. In either case, once the drug proceeds were successfully placed with the Mexican casas de cambio, the proceeds were then either wire transferred or, after being converted to other negotiable instruments, directly shipped to UBOC in California for deposit to certain of the casas de cambio bank accounts. UBOC failed to detect, identify and report the suspicious transactions in the accounts, as required by the Bank Secrecy Act, due to deficiencies in its anti-money laundering programme.

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### **Police crack another Nigerian/Japanese laundering ring - 17 September 2007**

In a case similar to that reported below on 2 September, police in Chiba (near Tokyo) have arrested a man from Nigeria, a known senior member of a group affiliated with the Sumiyoshi-kai crime syndicate and two other Japanese on suspicion of illegally opening bank accounts used in money laundering operations for overseas crime syndicates. The four opened about a hundred bank accounts in the names of dummy companies to launder the money. Between December 2004 and October 2006, accounts were opened in the cities of Funabashi and Chiba. 1.3 billion yen [about £5.6 million] was transferred in from the US, Germany, Canada, the UK, Australia and Switzerland; about 260 million yen [about £1.12 million] was later transferred to accounts in Canada, China and the UK. Police suspect the accounts were used as the "entrepot" for money laundering by crime syndicates around the world.

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### **Head of Russian FIU confirmed as new prime minister - 14 September 2007**

President Vladimir Putin has confirmed Viktor Zubkov as the new prime minister of Russia. Zubkov was until yesterday the head of Russia's FIU (the Financial Monitoring Service). He was a surprise nomination, who had worked for Putin in the St. Petersburg mayor's office in the early 1990s and is seen as a loyal supporter of Putin. He has pledged to wage a war on corruption. "What could ruin Russia is lack of professionalism and

corruption," Mr Zubkov told MPs in the Russian state Duma this morning. "Corruption permeates our society. That is why of course measures need to be taken, and the sooner the better." Zubkov has not ruled out running for the presidency next March to succeed Mr Putin.

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### **Former Philippine President jailed for life for corruption - 12 September 2007**

Joseph Estrada, who was President of the Philippines from 1998 to 2001, has been found guilty of corruption and jailed for life. Estrada, who was once a film star and once had a great deal of popular support in the Philippines (indeed, he was elected in 1998 by the biggest margin ever), was accused of embezzling four billion pesos [about £42 million] before he was forced from office in an army-backed revolt in 2001. His vice-president Gloria Arroya then took over, and remains in power. Estrada denounced the verdict as a "political move" and said he had been tried in a "kangaroo court". Following a six-year trial, the special anti-corruption court ruled that Estrada was guilty of plunder, having received four billion pesos from illegal gambling, tax kickbacks and bribes while in power. He was found not guilty of a separate charge of perjury, and his son Jinggoy was acquitted of the charge of plunder. Estrada was ordered to remain under house arrest on his country estate (where he is building a museum dedicated to his life on screen and in politics) "until further orders". He is expected to appeal.

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### **Former Pakistani PM arrested for money laundering and then deported - 10 September 2007**

Former Pakistani Prime Minister Nawaz Sharif has been arrested and then deported back to Saudi Arabia very shortly after returning home from exile. Mr Sharif, who was ousted by President Pervez Musharraf in a military coup in 1999, has been charged with money laundering and corruption. Mr Sharif was returning to Pakistan to challenge Mr Musharraf ahead of elections and to help restore the rule of law. "It's democracy versus dictatorship," said Mr Sharif. Pakistan's Supreme Court had affirmed Mr Sharif's right to return, but when his plane landed in Islamabad early this morning, it was surrounded by paramilitary troops. There was a stand-off on board as Mr Sharif refused to hand over his passport to military officials, but after ninety minutes an agreement was reached and Mr Sharif was escorted to the VIP lounge in the airport. He was then arrested, and put on board a plane bound for Jeddah in Saudi Arabia.

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### **Three London-based Nigerians sentenced for money laundering - 6 September 2007**

Three Nigerians living in London have been sentenced for laundering more than £15 million in drug money through the British bank account of a Nigerian company. Timothy Felder, his wife Ann Felder, and Ray Orah were caught by Scotland Yard officers exchanging bags stuffed with ten of thousands of pounds in cash. £377,000 was seized and found to be heavily contaminated with heroin.

Orah and a fourth suspect, who has since died, regularly deposited money into the British account of Nigerian company Milla Holdings. More than £15 million was paid into the account in 2006 and 2007, and then immediately moved abroad. Police said they could find no evidence that Milla Holdings, ostensibly involved in the importation of spare car parts, had ever conducted any legitimate business in Britain.

Orah was sentenced to three and a half years in prison, while Felder was imprisoned for two and a half years. Ann Felder received a 12-month suspended sentence.

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### **Another US judge imprisoned for money laundering - 4 September 2007**

Former federal prosecutor and North Carolina state judge Sam Currin has been sentenced to 70 months in prison for his role in a securities fraud scheme, and must also serve three years on probation. Currin was the US attorney for the Eastern District of North Carolina from 1981 to 1987 and was a Superior Court judge from 1987 to 1990; he has been in private law practice since then and has been a leading figure in the state Republican Party.

Currin pleaded guilty in November 2006 to money laundering and obstruction of justice, admitting that he had laundered about US\$1.4 million [about £700,000] in proceeds from a securities fraud scheme run by a spam e-mail company. A group that included one of Currin's legal clients engaged in the scheme to manipulate the stock prices of several publicly traded companies through the use of spam e-mail, mass unsolicited faxes, Internet search optimisation and voicemail broadcasting. Currin received more than \$240,000 [about £120,000] for his involvement.

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## **Several arrested in Japanese money laundering investigation - 2** September 2007

Police in Japan have arrested five Japanese citizens and a Nigerian on suspicion of illegally opening bank accounts that are alleged to have been used by organised crime syndicates in Canada and the US to launder at least 700 million yen [about £3 million] that was deposited with financial institutions in Saitama Prefecture (in the centre of Japan). It is unusual for laundering to take place in Japan outside Tokyo. Using false names, the Japanese members of the group allegedly opened accounts at branches of a bank and several credit unions; according to police, since summer 2005 more than 30 accounts have been opened, to which sums of money from the US and Canada amounting to between 1 million yen and 10 million yen were deposited on more than 100 occasions every month. They gave the Nigerian (who runs a restaurant locally) a total of about 700 million yen and received about 300,000 yen each as payment every month. Through a Nigerian friend in Tokyo, the Nigerian suspect then sent money from other banks to the US, Canada and China. After a joint investigation with the FBI, Japanese police confirmed that about 23 million yen - profits from selling fake stocks and bonds in the US - had been channelled back to the US.

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## **Gambling Act 2005 comes into force in the UK - 1 September 2007**

The Gambling Act 2005 has come into effect in the UK. Overhauling pieces of legislation dating back to 1845, the Act covers all forms of gambling from high-end casinos to arcades (but not the National Lottery or spread betting), and aims to tighten industry regulation and ensure the young and vulnerable are not exploited. "The Gambling Act will give the Gambling Commission and local authorities unprecedented powers to ensure gambling is conducted fairly, children and vulnerable people are protected and crime is kept out," said Sports Minister Gerry Sutcliffe.

All gaming operators based in Britain will be required to show they can meet strict conditions to win a license from the new regulator - the Gambling Commission - to trade. Failure to uphold the Commission's licensing conditions, which includes the prominent display of information about responsible gambling and anti-money laundering procedures, will result in steep fines and even prosecution.

The main changes introduced by the Gambling Act 2005 include:

new codes governing TV and radio advertising in a socially responsible way  
Internet gaming to be regulated for UK-based firms  
local authorities can impose sanctions on operators  
the membership requirement on casinos will be lifted  
poker clubs will be limited to a stake of £10 per game  
betting firms will have to display gambling helpline information online and in shops  
betting shops will be able to open from 0700 to 2200 all year round.

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### **Nigeria to name and shame non-compliant banks - 27 August 2007**

Speaking at an anti-money laundering conference in Abuja, Nuhu Ribadu (Chairman of the Economic and Financial Crime Commission - EFCC) confirmed that the commission would name and shame those banks that have failed to comply with Nigeria's AML/CFT regime. Ribadu observed that new schemes for committing financial crimes and laundering the proceeds have been discovered. He went on to discuss the problem of non-compliant banks: "While we appreciate efforts by a number of banks to develop and implement robust AML/CFT compliance programmes, a few are yet to comply. We plan to start naming and shaming these banks shortly. While Politically Exposed Persons (PEPs) and 419ers have remained high on the list of potential launderers, banks and the securities markets have remained the most vulnerable platforms for laundering funds in Nigeria. We have kept track, reviewed our strategies midstream and quickly built capacity to address the changing nature of financial criminals and money launderers."

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### **Judge refuses to block extradition of Noriega to France - 26 August 2007**

In a follow-up to a story of 17 July 2007 (see below), a judge in Miami, Florida has refused to block the extradition of former Panamanian dictator Manuel Noriega to France, where he is accused of laundering millions of dollars in drug proceeds through French banks. Judge William Hoeverler rejected arguments by Noriega's lawyers that his status as a US prisoner of war negated the French request under the Geneva Convention and required his return home to Panama. The decision, which could be appealed, means that a hearing before another judge will take place on Tuesday 28 August on the extradition request.

Hoeverler's decision said his designation of Noriega as a prisoner of war following his 1992 conviction was meant to ensure that he was treated as one while incarcerated. "This court never meant for the proclamation of

defendant as a POW to shield him from all future prosecutions for serious crimes he is alleged to have committed," Hoeveler wrote. "It appears that the extradition proceedings should proceed uninterrupted."

Noriega is to be released from a US prison on 9 September 2007 after serving 15 years for drug trafficking and racketeering. He faces up to 10 more years in prison in France, where authorities want him to face charges of laundering more than US\$3 million in drug proceeds through five French banks. Noriega was convicted in absentia of those charges and sentenced to 10 years, but the French agreed to hold a new trial if Noriega is extradited from the US. A French Justice Ministry spokesman said it was too early to say what would happen if Noriega is again convicted — whether he would serve his term in France or be sent back to Panama.

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### **Palestinian Authority considering ML law to tackle Hamas funding - 22 August 2007**

The government of the Palestinian Authority is considering introducing a law to tackle money laundering and terrorist financing. To bypass an international embargo, Palestinian merchants and importers have been serving as couriers for Hamas, acquiring funds from abroad in exchange for a cut - sometimes as much as 20%. This has been one of the most popular ways of bringing money into the Gaza Strip since the Rafah border crossing was closed following the Hamas takeover in June. And after local banks stopped transferring money, fearing American sanctions, Hamas officials are believed to have used their diplomatic immunity as government officials to smuggle suitcases stuffed with money across the border with Egypt. Raising money through its charitable wing, Hamas (which runs a huge social welfare network in the occupied territories) has an annual estimated budget of US\$50 million. The proposed AML/CFT law will be ratified by the Palestine Monetary Authority, which serves as the central bank.

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### **First-ever case of money laundering in the Solomon Islands - 21 August 2007**

Police in the Solomon Islands (a group of almost a thousand islands, east of Papua New Guinea) have arrested an African couple in the country's first-ever money laundering case. The couple were arrested in a hotel in the capital Honiara after they cashed a stolen traveller's cheque. A search of their room uncovered eight passports in different names, 25 credit cards,

a large amount of cash in various currencies and more stolen traveller's cheques. Police say the couple had also tried to exchange Solomon dollars for US dollars, New Zealand dollars and pounds sterling. The couple have been charged with money laundering and false pretences.

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### **Report published on the effects of corporate fraud - 20 August 2007**

A report published by the Centre for Crime and Justice Studies at King's College London concludes that the devastating consequences of corporate fraud on victims remain largely hidden and the lessons ignored.

"Knowledgeable consumers? Corporate fraud and its devastating impacts" is based on interviews with victims of corporate fraud and shows that the harms caused are equivalent to, and often more devastating than, those usually focused on by the criminal justice system. Victims express a range of emotional and health problems, long-term financial difficulties and other impacts that are not fully appreciated by government policy. One victim of the BCCI scandal said, "Street crime can involve you being physically assaulted but with white-collar crime you are physically and mentally assaulted."

Following analysis of interviews with the victims of the scandals relating to Robert Maxwell and the closure of the Bank of Credit and Commerce International (BCCI), the report concludes that:

Victims of white-collar and corporate harms do not feature highly on victim policy agendas as they are not considered to be useful to the efficient running of the criminal justice system within the terms of current targets and objectives set by government

Financial abuses impact upon victims in multiple ways, producing emotional, psychological, behavioural, physical and financial reactions that can be severe and long-lasting

The harms caused by corporate fraud are equivalent to, and often more devastating than, those usually focused on by the criminal justice system

Economic liberalisation since the 1980s has created many "sites of trust" that are open to crimes and abuses such as false accounting, fraud, conspiracy and the decimation of company pension schemes

There is little that employees and customers of deviant or unethical companies can do to avoid being victims of a wide range of abuses.

To download an 8-page briefing on the report, [click here](#).

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### **Vietnam Airlines pilot jailed for 4½ years for money laundering - 18 August 2007**

In a follow-up to a story dated 10 October 2006 (see [Old news page](#)), a Vietnam Airlines pilot who took part in a multi-million dollar money laundering scheme has been jailed in Australia for up to four and a half years. Van Dang Tran transferred a total of AUS\$6.5 million [about £2.6 million] from Australia to Vietnam between July 2005 and June 2006. He collected the money when he arrived in Sydney, and flew back to Vietnam with the cash to avoid taxes and bank fees. He told the court that he took fees of AUS\$38,000 [about £15,300] for his involvement, and that he wanted the money for a housing project for the poor in Vietnam. Tran pleaded guilty to a charge of dealing with money where there was a risk it would become an instrument of crime. He has been jailed for four and a half years, with a non-parole period of two years and six months.

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### **German pizzeria murders linked to Mafia money laundering - 16** August 2007

The killing of six Italians in the German city of Duisburg has been linked with the 'Ndrangheta or "Honoured Society", whose tentacles have spread far beyond their rural origins in Calabria, in southern Italy. The six men were killed by machine gun moments after they left a pizzeria.

Carmelo Petralia, acting director of Italy's National Anti-Mafia bureau, said that the Italian authorities had been aware for some time of how the 'Ndrangheta was using its business activities in Germany to launder the proceeds of its criminal activities at home, far from the prying eyes of the Italy's mafia investigators. "We knew that the 'Ndrangheta had deep links to Germany and that these were connected to money laundering," Mr Petralia said. The criminal organisation has a virtual stranglehold on the drugs trade into Italy; the bulk of Europe's cocaine is reported to pass through the channels it controls and the 'Ndrangheta has offshoots and links with crime groups in South America, Canada, Australia and eastern Europe. "The 'Ndrangheta began with the trafficking of contraband after the war and then this developed into kidnapping. There was a series of high-profile kidnaps in the 1970s. These were very lucrative and these funds were reinvested in drug trafficking," said Mr Petralia.

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### **AmEx Bank International fined US\$65 million for AML failings - 6** August 2007

American Express Bank International of Miami (an international agency office of New York-based American Express Bank) is to pay US\$65 million

to the US federal government after agreeing that it had failed to maintain an effective anti-money laundering program. A criminal information affidavit filed by FinCEN (the American FIU) charged American Express Bank International with one count of failing to maintain an effective anti-money laundering programme.

According to FinCEN, "the bank repeatedly failed over the course of multiple regulatory examinations dated June 2, 2003, July 6, 2004, July 11, 2005, and September 12, 2006, with increasing adverse findings, to implement effective account monitoring controls or ensure compliance with the Bank Secrecy Act." This raises questions about why the bank's executives failed to deal with the problems as they were found, although FinCEN also noted that the bank had insufficient internal audit training and ineffective independent testing of its AML procedures.

Specifically, FinCEN found that American Express Travel related Services Co. failed to timely file more than 1,000 suspicious activity reports involving more than \$500 million in transactions. The 1,639 reports filed in the twelve month to 7 May 2007 contained more than 2,000 errors, such as blank spots on forms.

During a lengthy investigation, Department of Justice investigators found a number of American Express bank accounts that they believed were used to launder about \$55 million in payments for distributors in the South American black market. Money brokers, from apparently legitimate South American businesses using offshore shell companies, exchanged US dollars from those accounts for currency from countries such as Venezuela, Colombia, and Brazil to make the payments. Undercover law enforcement agents working as go-betweens for Colombian drug traffickers discovered the money laundering.

The bank opted not to fight the charge. Despite the hefty forfeiture and fines, the government will recommend the dismissal of the charge in twelve months, provided the bank fully implements significant anti-money laundering measures. The \$65 million penalty is made up of \$55 million in restitution and \$10 million in penalties.

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## **Retired bank manager charged with theft and money laundering - 4 August 2007**

Brian Lewis, a retired bank manager, has been charged with theft from two churches and a Rotary club, and money laundering. He faces twenty sample charges which were read to him at a special court at Llandudno;

eighteen relate to theft and two to money laundering (by making payments to companies with which he was associated). Lewis allegedly stole money between 2002 and 2007 while he served as treasurer to St Michael's Church and St Mary's Church in Betws-y-Coed and Conwy Valley Rotary Club. The prosecution said that the total amount involved was about £110,000. Lewis made no plea and magistrates ruled the case should go to the crown court; Lewis was bailed until October.

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## **Uruguay holds an "international day against money laundering" - 2 August 2007**

Uruguay is holding an "international day against money laundering". The government has unveiled an initiative to create a national committee to fight money laundering, partly by increasing state transparency. Roberto Gossi, head of the civilian organization "Transparent Uruguay," said that the international day against money laundering would help to increase international exchanges in technical information, and that the democratic system, freedom and government institutions must be protected from illegal practices. Meanwhile, the Uruguayan president's pro-secretary Jorge Vazquez reminded people that the government had passed a law in 2004 that brought about the first arrest in 2005 for money laundering and drug trafficking. He also said that financial investigations and the capabilities of the central bank have been beefed up. Vazquez said it is important for Uruguay's citizens to have a concept of a safe nation in which investments and tourism are protected, and this could not happen without greater transparency.

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## **Home Office publishes consultation on form of SARs - 30 July 2007**

The UK Home Office has published a consultation paper entitled "Tackling Money Laundering Suspicious Activity Reports: Prescribed Form and Manner". The purpose of the consultation is to seek stakeholder views on whether proposals to prescribe the form and manner for reporting suspicious activity under section 339 of the Proceeds of Crime Act 2002 (PoCA) are acceptable and would not cause significant burden to industry. Comments are invited from all interested parties, and should be submitted in writing by 22 October 2007.

To download the 67-page consultation paper, [click here](#).

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## **Nigerian ex-governors freed early from prison - 28 July 2007**

In a follow-up to a story dated 13 July (see below), Diepreye Alamaieyeseigha (the former governor of Nigeria's Bayelsa state) has been released from prison two days after receiving a two-year sentence for money laundering. His early release is reported to be the result of a plea bargain, after he pleaded guilty to six charges of corruption. He had been in custody since being arrested in Nigeria in December 2005, so he had served most of his two-year sentence. Despite the short jail term and the early release, analysts say his conviction is a sign that President Umaru Yar'Adua is serious about continuing Olusegun Obasanjo's anti-corruption drive. Five other former governors are currently facing charges of corruption, theft and money laundering in courts in Abuja and Lagos.

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### **China widens its AML net - 27 July 2007**

The People's Bank of China (PBOC - the Chinese central bank) has directed insurance and securities institutions to put in place AML policies and procedures. "We need the insurance and securities sectors to set up an (internal) arm and devise rules against money laundering this year," said Tang Xu, head of the anti-money laundering department of the PBOC. The banking sector is already covered by the requirements, and future target sectors include non-financial institutions such as law and accounting firms and auction houses. As of 1 October 2007, securities and insurance companies will have to report suspicious transactions to the PBOC.

In a related initiative, the PBOC and the Ministry of Public Security have set up a network to check the identity of banks' customers. The system went into force in late June, and all the country's banks have joined it. If a bank official wants to check a customer's identity, he can quickly access a scanned image of the customer's ID documents on screen.

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### **UK businesses surveyed about new Regulations - 26 July 2007**

A survey carried out by LexisNexis asked UK regulated businesses what they thought of the new Money Laundering Regulations 2007. Some key findings were:

- 52% believe the new regulations will require additional financial investment
- 50% believe the Regulations will undermine the competitiveness of UK PLC
- 68% have started to invest in training resources to bring staff up to speed with the changed
- 48% have started to invest in personnel to perform due diligence checks
- 50% believe the new Regulations will mitigate the business risk of being exposed

to the threat of money laundering and other financial crime  
the principal risk facing 38% is the reputational risk if found to be non-compliant  
the second most important concern for 33% is the financial risk if fined due to non-compliance  
40% see no benefit to the new Regulations.

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### **Dunstable market found guilty of money laundering - 25 July 2007**

Wendy Fair Markets, the company appointed to run the market in Dunstable in Bedfordshire, and its directors Sally Ward and Nick Hobday have been found guilty of two counts of money laundering after an eight-week trial in St Albans. Prosecutor David Groome said, "Wendy Fair Markets and its directors permitted [the trade in counterfeit goods] and turned a blind eye to it. It is estimated that as many as 20% of the stalls on Bovington market were selling counterfeit goods. [The directors] must have been aware that counterfeit goods were being openly sold - they didn't care as long as they were taking money from the stallholders. They gave the traders premises, customers, car parking, pitches and security." Four traders also pleaded guilty to selling counterfeit stock.

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### **UK publishes Money Laundering Regulations 2007 - 25 July 2007**

After last-minute deliberations with the lawyers about the definition of beneficial ownership, and making it just before Parliament breaks for the summer on 26 July, HM Treasury has published the final text of the Money Laundering Regulations 2007. The new Regulations come into effect on 15 December 2007, and:

extend supervision to all businesses in the regulated sector to secure greater compliance with anti-money laundering controls including, for the first time, estate agents, trust and company service providers and consumer credit businesses  
include strict tests to ensure money services business and firms that help set up and manage trusts and companies are not run for criminal purposes  
require extra checks on customers that pose a higher risk of money laundering (for example foreign heads of state and non face to face customers).

They also reduce regulatory burdens in low risk areas. For example:

firms will be able to make fewer checks in low risk situations, such as occupational pension funds and child trust fund administration  
the number of identity checks will be reduced with firms being able to rely upon checks done by certain other firms (for example solicitors and FSA authorised financial advisors)

greater flexibility will be introduced to record keeping rules so that firms can keep only the important details rather than whole documents.

To download the Money Laundering Regulations 2007, [click here](#).

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### **Goldfinger arrested in Tenerife - 23 July 2007**

John Palmer, the English fraudster nicknamed "Goldfinger" by the press, has been arrested by Spanish police in Tenerife. Palmer was charged in 1983 with melting down three tons of gold stolen from the Brink's Mat warehouse at Heathrow, but was later acquitted. He subsequently built up a property empire in the canary Islands, but in 2001 was convicted of defrauding 17,000 timeshare clients and jailed for eight years. Released from prison in 2005, he now faces charges of "multiple criminal activities", including timeshare and credit card fraud, drug trafficking and money laundering.

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### **JMLSG issues draft guidance notes - 20 July 2007**

The UK's Joint Money Laundering Steering Group has issued draft money laundering guidance notes, in anticipation of the Money Laundering Regulations 2007 being laid before Parliament sometime soon. The guidance notes (entitled "Prevention of Money Laundering/Combating the Financing of Terrorism: Guidance for the UK Financial Sector") come in two parts: Part I is general and applies to all parts of the financial sector, while Part II contains additional sector-specific guidance. This is part of a consultation process, and comments on the draft are invited by 7 September 2007.

To download the draft JMLSG guidance notes, [click here](#).

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### **UK police officer jailed for money laundering - 18 July 2007**

A woman who served as a police officer with the Thames Valley Police has been jailed for two years after admitting using police data to help her drug dealer boyfriend launder money. Emma Wheatcroft, whose home in Milton Keynes home was bugged by police, was heard telling Matthew Nyack about sensitive police techniques. She pleaded guilty to offences relating to misconduct in a public office, obtaining personal information from a police computer system, concealing criminal property (money laundering)

and possession of a Class A drug. Nyack admitted conspiracy to supply Class A drugs, concealing criminal property (money laundering) and aiding and abetting misconduct in a public office, and has been jailed for six years.

Thames Valley Deputy Chief Constable Alex Marshall branded Wheatcroft, who resigned during the investigation, as a "corrupt officer" who had created a link between the force and serious crime. "I am very pleased with the outcome of this case and it should send a very clear message that Thames Valley Police can and will deal decisively with any criminality within the Force," he said.

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### **Noriega to be extradited to France to serve money laundering sentence - 17 July 2007**

Former Panamanian dictator Manuel Noriega will be extradited to France in September to serve a ten year sentence for money laundering. A French court convicted and sentenced Noriega in absentia in 1999: he was charged with unlawfully depositing millions in drug money in several French bank accounts and laundering the cash partly by purchasing three Paris apartments.

Accused of racketeering and cocaine smuggling in association with Colombia's Medellin drug cartel, Noriega was deposed by the US invasion of Panama in December 1989. He surrendered the next month and was convicted in Miami in 1992 on eight counts of drug trafficking and racketeering - he was alleged to have accepted millions of dollars in payoffs from the Medellin cartel to ease passage of US-bound drugs through Panama. Witnesses against Noriega included his personal pilot, who flew to and from Colombia, and convicted Colombian drug lord Carlos Lehder, who was extradited from Colombia to the United States in 1987. Noriega was sentenced to 40 years in prison and after spending more than 17 years in custody in Florida, he will be released in early September, with time off for good behaviour.

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### **Ex-judge pleads guilty to money laundering - 13 July 2007**

Former Florida District Judge David Gross, who once wrote in a book about the "pure menace" of the organised crime members who appeared in his courtroom, has admitted that he conspired with an accused mobster to launder more than US\$400,000 [about £197,000] in proceeds from stolen

jewellery. The scheme was uncovered by the FBI during an investigation into illegal gambling operations involving the Genovese and Gambino crime families. In January 2005, while Gross was running for re-election, Genovese crime family member Nicholas Gruttadauria introduced Gross to an undercover FBI agent posing as a jewel thief. Gross agreed to help the agent launder \$130,000 in cash from stolen diamonds and watches through Café by the Sea, a restaurant. He also agreed to help sell \$280,000 worth of stolen jewellery. In a recorded conversation, Gross told the undercover agent, "I know which rules not to break and I know how to get around everything else. ... You know, so cash is not a problem". Gruttadauria and the restaurant's owner, Kim Brady Land, both pleaded guilty to money laundering conspiracy and other charges and are awaiting sentencing.

Gross faces a maximum of 20 years in prison when he is sentenced on 26 October; however, federal prosecutors are recommending 37 to 46 months in prison. Gross also agreed to surrender a 1999 Chrysler 300 automobile that he used to transport the laundered money, a pair of 1.7 karat diamond earrings given to him by an undercover federal agent, and US\$7,000 - his cut from the scheme. With his guilty plea, Gross also faces disbarment.

"I wouldn't characterize him as the top legal mind, but he worked hard at what he did," said Michael DerGarabedian, an attorney who worked closely with Gross for years. "I would characterize him as a person who talked too much, and probably talked himself into something that he shouldn't be involved in. That's just the way he was ... He never shut up."

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#### **Four Nigerian ex-governors charged with money laundering - 13 July 2007**

Four former state governors have been charged with money laundering by a court in Abuja, Nigeria. The government's economic and financial crime agency arrested the four men this week for looting state treasuries during their time in office in the last decade. The ex-governors are: Saminu Turaki of Jigawa State (north-east Nigeria); Joshua Dariye of Plateau State (central Nigeria); Orji Kalu of Abia State (south-east Nigeria); and Jolly Nyame of Taraba State (north-west Nigeria). Turaki is charged with laundering more than US\$281 million [about £138 million], while Kalu was alleged to have laundered more than US\$234,000 [about £115,000]. Turaki and Dariye were denied bail and are to be held in custody until the next hearing on 16 July. Nyame was remanded into custody and will have a bail hearing on 19 July.

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## **"White Whale" judge suspended on charges of corruption - 13 July 2007**

Judge Francisco Javier de Urquía, best known for heading the "Ballena Blanca" investigations into a money laundering ring allegedly run from the Cruz-Conde lawyers' offices in Marbella, has been suspended from his duties as the head of Marbella's Court Number 2. He is being investigated by the Andalusian High Court (TSJA) for alleged bribery and corruption as part of a case involving corruption in the planning department in Marbella (a case codenamed "Malaya"). Juan Antonio Roca, the alleged mastermind behind the Malaya case who is currently in prison, was questioned after deeds to de Urquía's house were found in Roca's papers.

De Urquía appeared in court this week. He is suspected of accepting "certain payments to cover personal expenses" in exchange for making decisions in favour of certain people involved in the Malaya case. The TSJA enquiry was opened after Miguel Angel Torres, the judge in charge of the Malaya case, informed the High Court of the police investigation that connected de Urquía with the Malaya suspects.

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## **FATF publishes guidance on a risk-based approach to AML/CFT - 12 July 2007**

The Financial Action Task Force has published a paper entitled "Guidance on the Risk-Based Approach to Combating Money Laundering and Terrorist Financing: High Level Principles and Procedures". This guidance was developed by the FATF in consultation with representatives of the international banking and securities sectors. The guidance supports the development of a common understanding of what the risk-based approach involves, outlines the high-level principles involved in applying the risk-based approach, and indicates good public and private sector practice in the design and implementation of an effective risk-based approach.

To download the 47-page guidance paper, [click here](#).

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## **Online gambling sites implicated in terrorist finance investigations - 11 July 2007**

Three men found guilty in London in early July for using the internet to incite terrorism are said to have laundered money through at least twelve online gaming

sites in order to fund terror activities. According to a report in the *Washington Post*, investigators in the UK and the US tracked the financial activities of the three men across thousands of merchants in more than a dozen countries. It is alleged that one of the men, Tariq Al-Dour, laundered money through online gambling sites including AbsolutePoker, Betfair, BetonBet, Canbet, Eurobet, NoblePoker and ParadisePoker, using accounts set up with stolen credit card numbers and victims' identities. In total, it is alleged that the group conducted 350 transactions at 43 different online gambling sites, using more than 130 compromised credit card accounts. Winnings were withdrawn and transferred to online bank accounts that the men controlled.

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### **FATF publishes three more mutual evaluations - 6 July 2007**

The Financial Action Task Force has published mutual evaluation reports on the state of the AML/CFT regimes in China, Greece and the United Kingdom.

To download the report on China, [click here](#).

To download the report on Greece, [click here](#).

To download the report on the UK, [click here](#).

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### **Bangladesh approves new AML legislation - 5 July 2007**

The army-backed interim government of Bangladesh has approved an act to prevent money laundering and terrorist financing. At the same time, the Bangladeshi tax authority the National Board of Revenue (NBR) has launched a major drive to boost revenue, aiming to add new taxpayers and reach the tax revenue target of 438.5 billion taka [about £3.2 billion] in the current fiscal year (which started on 1 July). The aim is to boost domestic resources and thereby reduce dependence on foreign aid. "We have fixed a target of 365,000 new taxpayers in the current fiscal year," said Alamgir Hossain, additional commissioner of taxes at the NBR. "Some 100 inspectors have been asked to identify at least 10 new taxpayers per day. No harassment of honourable taxpayers will be tolerated." The NBR has also vowed to take tough action against tax evaders.

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### **New member, new president and reports due at the FATF - 29 June 2007**

In a statement issued at the end of its plenary meeting in Paris, the Financial Action Task Force has announced that it has accepted China as a member. The FATF statement says that "although much work remains to be done in key areas, China has made remarkable progress in implementing measures against money laundering and terrorist financing". This brings the number of FATF members to 34; South Korea and India are currently FATF observers and are working towards becoming FATF members.

In other developments, the FATF is to publish various papers:

- guidance for the public and private sectors on implementing a risk-based approach to combating money laundering and terrorist financing
- evaluations of the AML/CFT regimes of China, Greece and the United Kingdom
- a report on money laundering and terrorist financing through the real estate sector
- a report on laundering the proceeds of illegal drug trafficking in the Eurasian region

The presidency of the FATF has now been passed from Canada to the United Kingdom.

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### **Scottish MP's son sent to prison for money laundering - 28 June 2007**

In a follow-up to a story covered on 29 April 2006, 8 November 2006 and 24 May 2007 (see below), the son of Scottish millionaire businessman and Labour MP Mohammed Sarwar has been sent to prison for three years for laundering nearly £850,000 derived from VAT fraud. Athif Sarwar, a cash-and-carry managing director, laundered the money in a couple of months through the United Wholesale (Scotland) headquarters in Glasgow. On delivering the sentence, Judge Lord Carlaway said that Sarwar had committed a crime which did considerable damage to the UK Treasury and therefore required a sentence with a deterrent element. Mohammed Sarwar was in court to hear his son's sentence; he announced last week that he is to leave parliament at the next election, as he has received death threats from people linked to a gang of racist murderers he helped extradite from Pakistan.

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### **Russia releases updated money laundering statistics - 27 June 2007**

Yevgeny Shkolov, director of the Economic Security Department (ESD) under the Russian Interior Ministry, has revealed that more than 850 people have been charged with money laundering this year. The ESD tracked down some 2,680 money laundering incidents between January and May of this year - a 14% increase on the same period last year. Other agencies

tracked down almost as many cases, said Shkolov: "Some 4,390 crimes related to money laundering were tracked in the Russian Federation in the first five months of this year, including 1,257 on a large scale," Shkolov said. "More than 3,500 criminal cases have been sent to courts; 854 people have been held criminally responsible." He also confessed that Russia lost 413 million roubles [about £8 million] in the same period as a result of money laundering.

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## **Filipino general charged with 165 counts of money laundering - 22 June 2007**

The Anti-Money Laundering Council (AMLC) of the Philippines has filed 165 charges of money laundering against retired Major General Carlos Garcia, his wife Clarita Depakakibo and their sons Ian Carl, Juan Paolo and Timothy Mark. In its statement, the AMLC charged the family with plunder for allegedly amassing ill-gotten wealth amounting to about 303.27 million pesos [about £3.3 million].

AMLC records shows that Garcia declared in his 2003 Statement of Assets, Liabilities and Network that his net worth was P2.765 million, but it was found out that his family's bank balances for that year totalled P66.77 million and US\$ 623,057.34. The records further show that between July 2002 and October 2004, the family "either individually or jointly, made at least 165 Anti-Money Laundering Act-defined transactions consisting of bank deposits, withdrawals, local and foreign fund transfers and a purchase of real estate", while the family's total bank withdrawal over three days in October 2004 amounted to more than P73 million and US\$ 967,215.99.

The AMLC statement said that "the Garcias were aware that the funds they transacted were proceeds of the unlawful activity of plunder." In particular, Depakakibo's involvement in the money laundering activities can be established "among others, by her own 6 April 2004 typewritten and handwritten declarations that respondent Garcia received cash and other gifts from businesses and companies who benefited from Garcia's 'favourable actions'." The sons' participation can be demonstrated by "several large bank withdrawals immediately after the news article came out showing that their father was being investigated by the Office of the Ombudsman for possible graft charges".

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## **Vietnam steps up its AML efforts - 21 June 2007**

Vietnam has recently taken measures to improve its anti-money laundering regime. Firstly, on 20 June its Ministry of Public Security signed an agreement with the United Nations Office on Drugs and Crime (UNODC) to set up a joint programme to combat money laundering. UNODC will help the Vietnamese police and other agencies hone their capabilities in detecting, investigating, prosecuting and trying money launderers, and Deputy Minister of Public Security Le The Tiem said this project showed the Vietnamese government's determination to fight money laundering.

Secondly, a Vietnamese delegation, led by a director of the State Bank of Vietnam, will attend the annual Asia-Pacific Group on Money Laundering (APG) conference in Australia in late July. The delegation will include representatives from the Ministries of Public Security, Finance and Justice, Foreign Ministry, and the People's Supreme Procuracy. Vietnam is hoping to join the APG as a full member.

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### **Jersey accountant jailed for six years for laundering £27 million - 18 June 2007**

Jersey accountant Peter Michel has been jailed for six years on nine counts of laundering a total of £27 million for his clients through what prosecutors called "a complex web of accounts and hidden payments". The prison sentence was handed down after the second of two lengthy trials; Michel has been in custody since he was convicted of one count of laundering in August 2006, and he will return to court in September for a seizure hearing (prosecutors estimate that he has assets totally £14.5 million).

Police officers first raided the office of Michel & Co in 2001, and found on his client files instructions to call those clients only from public telephone boxes, and not to mention Michel's name or the fact that the call was coming from Jersey. Michel's assistant, Simone Gallichan, was found guilty on one count and ordered to complete a community service order. Commissioner Sir Geoffrey Nice, handing down the sentence to Michel, said that the accused was "a man of ability and indeed charm" who had been overcome by greed. Had it not be for "exceptional mitigation" (which has not been made public), the sentence would have been longer.

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### **Law Society publishes online directory of AML experts - 18 June 2007**

Solicitors needing legal advice on anti-money laundering (AML) compliance can now access an online directory of solicitors who practise in this area,

launched by the Law Society of England and Wales. The Law Society already provides AML guidance online, but if further legal advice is needed, the solicitors in this directory will provide their fellow solicitors with thirty minutes of free legal advice on money laundering issues.

To view the directory, [click here](#).

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### **EU cash declaration requirement comes into force - 15 June 2007**

From 15 June 2007, people who travel between EU and non-EU countries and carry €10,000 (about £6,800) or more in cash (or easily convertible assets such as uncrossed cheques) will have to declare it on departure from or arrival into the EU. This move complements the existing monitoring of transactions made through credit and financial institutions. Under the new rules customs authorities are empowered to undertake controls on people and their luggage and detain cash that has not been declared. In the UK, travellers will face a penalty of up to £5,000 if they fail to comply with the obligation to declare or provide inaccurate information.

"The new rules will make it more difficult for terrorists to enter or leave the Community with the cash required to finance their illegal actions while at the same time it will not put disproportionate administrative formalities on the majority of travellers and traders given that the €10,000 threshold is high enough," said Taxation and Customs Commissioner László Kovács. "A single uncomplicated system of this type will also be fairer to legitimate travellers who will no longer be faced with control measures that vary depending on where they enter or leave the Community."

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### **Malaysia cracks down on Internet investment scams - 12 June 2007**

Malaysian authorities have cracked down on illegal Internet-based investment schemes, blocking several websites and raiding the offices of one firm on suspicion of money laundering. Raids were made on the offices of AB Fund, an unlicensed firm that runs investment websites [www.abfund.us](http://www.abfund.us) and [www.abfundtrader.biz](http://www.abfundtrader.biz), and investigators confiscated documents, cash and computer equipment. Bank Negara, the central bank, issued a statement saying, "[We are] investigating AB Fund for suspected illegal deposit taking and money laundering activities. Members of the public are advised not to fall prey to unscrupulous parties who promise investors seemingly high-return investments." The Securities Commission said it had blocked six sites, including the two run by AB Fund,

and would continue to track other such sites promoting illegal investment activities, having received many complaints from members of the public who had fallen victim to such sites. This activity follows major raids in May in and around Kuala Lumpur, during which police arrested more than 30 foreigners for operating Internet and other scams that snared victims across the Asia-Pacific region.

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### **Further arrests and freezings in Operation White Whale - 11 June 2007**

In a follow-up to the story of 17 April (see below), there have been yet more arrests and seizures in Operation Hidalgo in Spain. Operation Hidalgo is part of a larger money laundering investigation code-named Operation White Whale (Ballena Blanca). So far, €92 million has been frozen in 632 accounts in 22 banks. Embargos have also been placed on 553 properties, mostly on the Costa del Sol but some in other parts of Europe. Sixty luxury cars have also been impounded by the police, along with top-of-the-range jewellery which is thought to be key to the money laundering operation allegedly run from the offices of Marbella lawyers Cruz Conde. There have now been 23 arrests, the latest being that of a Swiss man earlier this month.

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### **Swiss to get new financial super-watchdog - 8 June 2007**

The Swiss parliament has approved plans for a new financial regulator to combine the activities of three existing watchdogs. But the launch of the proposed Federal Financial Market Supervisory Authority (Finma) has been delayed for a year, and the new agency has already been criticised in some quarters for lacking full autonomy from government.

From the beginning of 2009, Finma will combine the regulatory work of the Federal Banking Commission, the Federal Office of Private Insurance and the Money Laundering Control Authority. It will investigate suspected cases of money laundering and corruption to help Switzerland finally shake off its old reputation as a soft touch for criminal money. The International Monetary Fund broadly welcomed the plans but voiced concerns about the fact that the Swiss finance ministry will retain full powers to impose financial penalties, fearing this may compromise Finma's independence. Swiss finance ministry spokesman Dieter Leutwyler rejected the criticism, saying that Finma's powers of confiscation, issuing bans and naming and shaming gave it enough teeth to operate effectively.

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### **Another US congressman charged with money laundering - 8 June 2007**

The US democrat congressman William Jefferson (from Louisiana) has been charged under the Foreign Corrupt Practices Act with several counts of bribery, racketeering, money laundering and obstruction of justice. It is alleged that Jefferson accepted approximately US\$500,000 [about £250,000] in bribes from companies in the US and Africa. He denies all charges - if found guilty, he faces a maximum sentence of 235 years in prison. The trial is scheduled to begin on 16 January 2008 and should take about four weeks.

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### **Australia and Lebanon share fruits of seizure - 7 June 2007**

Australia and Lebanon have shared more than AUS\$1 million [about £425,000] confiscated as the proceeds of tobacco excise fraud. Australian Federal Police Commissioner Mick Keelty handed over Lebanon's share Central Bank Governor Riad Salameh during a small ceremony in Beirut. From July 1999 to September 2001, more than 93 million cigarettes were sold in Australia by a Melbourne-based crime syndicate, which purchased the cigarettes duty-free over the Internet, claiming they were intended for overseas suppliers, before diverting them for sale through a number of retail outlets in Melbourne. The proceeds were then laundered through Hong Kong, Belize and Lebanon to be brought back to Australia, thus evading about AUS\$14.9 million [about £6.36 million] in excise duty was avoided.

An Australian investigation resulted in eight people being arrested. "The Lebanese authorities played a key role in the identification, restraint and forfeiture of the criminal proceeds. Cooperation between countries in criminal investigations is vital and I am pleased that Lebanon was able to assist in this case," Commissioner Keelty said. Governor Salameh responded that Lebanon would not hesitate in responding to any matter related to money laundering or any suspicious financial deal.

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### **UK Treasury agrees to redraft ML Regulations 2007 - 4 June 2007**

Following representations from the Law Society and others, Ed Balls, Economic Secretary to the Treasury, has agreed that the definition of

beneficial ownership in the current draft Money Laundering Regulation 2007 needs to be amended. He has written to the President of the Law Society with a proposed new definition and has asked for a response within a fortnight.

To see the full text of the letter, containing the amended definition, [click here](#).

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### **"Spam King" charged with money laundering - 3 June 2007**

Top spammer Robert Soloway of Seattle has been charged with mail fraud, wire fraud, email fraud, aggravated identity theft and money laundering, and has pleaded not guilty to all charges. Soloway pleaded not guilty to all charges. "Spam is a scourge of the Internet, and Robert Soloway is one of its most prolific practitioners. Our investigators dubbed him the Spam King because he is responsible for millions of spam e-mails," said Jeffrey Sullivan, US Attorney for the Western District of Washington.

Soloway allegedly spammed the masses in email fraud since 2003 by using hijacked computers from around the world, and covered his tracks using Chinese servers, fabricated websites and stolen identities. Soloway's company, Newport Internet Marketing, defrauded its customers by offering to send a high volume of legitimate e-mail marketing messages or to sell software that could be used in mass mailings. Neither approach performed as advertised but generated a torrent of spam. When customers complained, Soloway allegedly refused to provide assistance or refund the sales, instead threatening to charge them with additional fees and refer them to collections agencies.

Anti-spam campaigners named Soloway in their top ten list of worst offenders, and in 2005, Microsoft won a US\$7.8 million judgment against him for his spoofing of MSN and Hotmail email addresses. Unfortunately, the money could not be collected because Soloway's funds and bank accounts remained elusive.

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### **Egmont Group decides to set up secretariat - 1 June 2007**

At the Bermuda Compliance Summit, attended by 217 delegates representing 92 countries and 12 non-governmental organisations, the decision has been taken for the Egmont Group of financial intelligence units to have a permanent secretariat. Bermuda's Governor, Sir John Vereker, said, "No one could be prouder than we in Bermuda that this agreement is being reached here. I hope it will be called the Bermuda Charter. The financial intelligence units or agencies established under the Egmont umbrella must have the capacity to receive, collate, analyse and disseminate information in a timely manner." These units must also be independent of political control and have "ring-fenced" budgets in order to

ensure "there can be no interference in their role, whether directly or through budgetary pressure," he said.

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### **Saudi Arabia imposes requirement on travellers to declare cash - 1 June 2007**

Travellers to and from the Kingdom of Saudi Arabia will now be required to declare if they are carrying more than 60,000 riyals [about £8,000] in cash or jewellery. The move is part of measures drafted four years ago to combat money laundering.

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### **Romanian AML official involved in money laundering case - 31 May 2007**

The former Romanian prime minister, Adrian Nastase, has been charged with appointing Ion Melinescu as the head of the country's financial intelligence unit in exchange for Melinescu ending an investigation into Nastase's accounts. Nastase, who was in office from 2000 to 2004, was under investigation by an anti-corruption department regarding the deposit of US\$400,000 into his wife Dana's bank account. According to prosecutors, Melinescu was working at the financial intelligence unit in a junior capacity when he contacted Nastase in November 2000 and warned him that a money laundering investigation was underway. A month later, two days after Nastase became prime minister, he promoted Melinescu to head of the FIU and the investigation was halted. Melinescu has been charged with divulging confidential information and accepting a bribe. Both men have denied any wrongdoing.

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### **Jersey launches public consultation on the prevention of money laundering - 31 May 2007**

The States of Jersey has launched a public consultation on extending its AML requirements to additional business sectors such as estate agents, solicitors and businesses which deal in high value goods (e.g. boats, cars and jewellery). This is in anticipation of an inspection visit from the IMF early next year, to assess Jersey's compliance with international standards. The Council of Ministers has set up a group to oversee the preparations for the visit: the AML/CFT Strategy Group has issued two consultation papers.

The first sets out proposals which would require a number of business sectors to comply for the first time with laws which prevent Jersey businesses being used by people seeking to launder money or finance terrorists. The business sectors that would be affected are:

- estate agents (when involved in transactions for their clients concerning the buying and selling of real estate)
- high value goods dealers (when accepting payment in cash above a set level - expected to be about £10,000)
- lawyers, notaries and other independent legal professionals (when participating or assisting in the planning or execution of financial or property transactions)
- accountants, auditors, tax advisors and insolvency practitioners.

The second consultation paper proposes a legal framework which would establish a mechanism for the supervision of those businesses who would be required to comply with the regulations but whose compliance is not currently overseen by a supervisory authority. These businesses include:

- money service businesses (bureaux de change, money transmitters and cheque cashers)
- issuers of electronic money
- lenders
- certain traders in financial instruments
- money brokers
- persons who provide safe custody services.

To download the first consultation paper, [click here](#).

To download the second consultation paper, [click here](#).

Responses to both are invited by 27 July 2007.

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### **Egmont Group admits six new members - 30 May 2007**

At its annual plenary meeting held this year in Bermuda, the "trade body" for financial intelligence units, the Egmont Group, admitted six new FIUs to its membership. The new member FIUs are based in Armenia, Belarus, India, Nigeria, Niue and Syria. This brings the total number of member FIUs to 106. The Egmont Group recently established a permanent secretariat in Toronto.

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### **Scottish MP's son found guilty of money laundering - 24 May 2007**

In a follow-up to a story covered on 29 April 2006 and 8 November 2006 (see [Old News page](#)), the son of Scottish millionaire businessman and Labour MP Mohammed Sarwar has been found guilty of laundering £850,000. Athif Sarwar, a cash-and-carry managing director, laundered the money in a couple of months through the United Wholesale (Scotland) headquarters in Glasgow. His co-accused, Mansoor Khan, the assistant manager of the cash-and-carry, was found not guilty of any involvement.

The high court in Glasgow was told how Sarwar received criminal proceeds into the firm's account by electronic transfer. The money was then transferred as either cash or goods to an unknown person. Sarwar denied the allegations, saying he would not do anything like that because of his father's public profile. He told the jury that since his company had split off from his father's business United Wholesale Grocers in 2002, he had built it up into one of the leading wholesalers in the UK, with a turnover of £100 million in 2007 - he claimed that he concentrated on marketing and left the accounting and banking to subordinates. The prosecution claimed, however, that cash from six shell companies was laundered through the cash-and-carry business, and that the laundering started a year after Athif Sarwar was appointed managing director.

The laundered money came from a complex scam involving mobile phones imported VAT-free from Europe and then passed through a number of specially set-up companies. Each claimed input and output tax, the last one reclaiming VAT before disappearing with the cash. The six shell companies opened accounts with United Wholesale (Scotland), injecting them with thousands of pounds allegedly to pay for goods to be delivered in the future.

Judge Lord Carloway deferred sentence on Sarwar until next month for background reports and allowed him bail.

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### **Assets Recovery Agency reports bumper year - 24 May 2007**

In the year 2006/2007, the UK's Assets Recovery Agency (ARA) disrupted criminal assets worth £73.6 million and recovered £15.9 million of criminal wealth last year, Interim Director Alan McQuillan has reported. This brought the total value of assets under active litigation to £145.8 million in 143 live cases. Launching ARA's *Annual Report for 2006/07* and its *Business Plan for 2007/08*, McQuillan confirmed that the Agency is already on course to make a similar impact this year: "This is not just about meeting targets and recovering money from criminals. Our aim is to help reduce crime in communities across the UK by seizing assets from those

who often prey on the most vulnerable in society. We are pursuing the assets of those involved in a wide range of crime including drug dealing, people trafficking, fraud, extortion, smuggling, control of prostitution, counterfeiting, benefit fraud, tax evasion and environmental crimes such as illegal dumping of waste and illegal fishing."

To download the *ARA Annual Report 2006/07 and Business Plan 2007/08*, [click here](#).

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### **Laundering car dealer jailed for 27 months - 21 May 2007**

In a follow-up to a story covered on 21 January 2007 (see [Old News page](#)), three car dealers from Berkshire have been jailed for their part in a £2.3 million bank swindle. Neil Kynoch was jailed for 27 months after admitting conspiracy to launder money; he used his company, Berkshire Motor World in Winkfield, to assist the main players in the year-long operation. Brett Hilton was jailed for 14 months and Wesley Rossitter for twelve.

Southwark Crown Court heard how bank insiders at the Halifax, HSBC and Barclays stole the details of dozens of wealthy account holders to pass on to outside accomplices, who used the details to move money to new accounts set up using false identities. From there, the money was transferred into 'friendly' third party accounts belonging to the car dealers. Shuaid Ade Adesanya, a Nigerian prince, lost tens of thousands of pounds in the scam masterminded by Oluwasegun Adekunle, who received a five-year jail sentence. The gang also stole £114,664 from the bank account of a dead woman.

Shana Campbell, who worked at Halifax in Bexley Heath, was one of two bank insiders jailed for their part in the scam. Police believe that several other bank insiders remain undetected.

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### **Adams ordered to pay £4.7 million for his own defence - 18 May 2007**

Terry Adams, leader of the Adams crime family from north London, has been ordered to pay a £4.7 million bill for defence costs. He was sent to prison for seven years in March 2007, having made so much money from crime that he was able to retire at the age of 35. At the Old Bailey in London, Judge Timothy Pontius ordered Adams to pay his defence team's costs, covering four years of legal representation. Passing sentence in March, Judge Pontius had said that the public would be shocked to know

that such a wealthy man had had his defence paid for by the British taxpayer.

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### **New Caymanian law to be enacted concerning transport of money - 18 May 2007**

The Legislative Assembly of the Cayman Islands has passed a bill to enable regulations to be issued governing the transportation of money to and from the Cayman Islands. The new regulations aim to tackle the threat of international money laundering, and require CI\$15,000 [about £9,300] or more being transported into or out of the Cayman Islands to be declared on a Customs declaration form - as is already required in the US. The regulations are necessary to enable the Cayman Islands to meet standards set by the Financial Action Task Force (FATF) and the Caribbean Financial Action Task Force (CFATF), and are expected to be in place before the CFATF conducts an on-site evaluation of the Cayman Islands in early June.

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### **BoNY sued by Russian government over laundering loss - 18 May 2007**

Russia's Federal Customs Service (the country's currency control agency) has filed a suit against the Bank of New York in Moscow's Arbitration Court for US\$22.5 billion - equivalent to more than two-thirds of the bank's market capitalisation. The suit demands damages related to a \$7 billion money laundering scheme conducted by former BoNY vice president Lucy Edwards and her husband Peter Berlin, from 1996 to 1999. The pair pleaded guilty and served six months of house arrest in the US. In 2005, BoNY entered into a deal with the US Attorney's office to resolve criminal prosecutions against the bank and paid \$38 million in fines and restitution. A statement from BoNY said, "The company was previously approached by lawyers purporting to represent this agency who claimed to be able to dispose of the matter for a tiny fraction of the amount now claimed."

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### **Swiss launch laundering investigation into BAE - 12 May 2007**

The Swiss federal prosecutor's office in Bern has opened an investigation into allegations of corruption surrounding arms deals by the British firm

BAE Systems. A spokeswoman, Jeannette Balmer, said the investigation concerns suspicions of money laundering and was instigated by a report prosecutors had received from the Swiss money laundering authority (MROS - Money Laundering Reporting Office Switzerland).

In December 2006, the UK government called off an inquiry into a multi-billion dollar arms deal between BAE Systems and Saudi Arabia, saying it was acting to protect national security and British jobs. PM Tony Blair said that continuing the Serious Fraud Office investigation "would do enormous damage to our relationship with Saudi Arabia". The SFO had been investigating allegations that BAE ran a GBP 60 million "slush fund" offering sweeteners to Saudi officials, reportedly via Swiss bank accounts, in return for lucrative contracts - BAE has denied any wrongdoing.

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### **Israel to extend AML legislation to cover diamond trade - 10 May 2007**

At a meeting of the World Diamond Council in Jerusalem, Israel's Minister of Industry, Trade and Labour, Eli Yshai, announced that his office is working to amend the country's money laundering legislation to include money traded through the diamond industry. Yshai commissioned the ministry's diamond controller Shmuel Mordechai to work towards extending the law so that "Israel would be among the first countries in the world to prevent money laundering through the diamond industry".

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### **FSA fines BNPP Private Bank for weak anti-fraud controls - 10 May 2007**

The Financial Services Authority (FSA) has fined BNP Paribas Private Bank (BNPP Private Bank) £350,000 for weaknesses in its systems and controls which allowed a senior employee to fraudulently transfer £1.4 million out of clients' accounts without permission. The 13 fraudulent transactions were carried out between February 2002 and March 2005 using forged clients' signatures and instructions and by falsifying change of address documents. During its investigation, the FSA found that BNPP Private Bank did not have an effective review process for large transactions, over £10,000, from clients' accounts. It also found that the bank's procedures were not clear about the role of senior management in checking significant transfers prior to payment. As a result, a number of fraudulent transactions were not independently checked.

Margaret Cole, FSA Director of Enforcement, said: "BNPP Private Bank's failures exposed clients' accounts to the risk of fraud. This is unacceptable particularly with the overall increase in awareness around fraud and client money risks. Senior management must make sure their firms have robust systems and controls to reduce the risk of them being used to commit financial crime."

BNPP Private Bank's failings were serious because they enabled significant fraud to take place and failed to detect subsequent transfers to cover it up for a long period of time. The bank also failed to improve its procedures for monitoring large transactions or carry out remedial action on a timely basis. This was despite the bank being aware that certain of its procedures required improvement as a result of an FSA visit in relation to money laundering systems and controls in August 2002 and subsequent internal reviews.

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### **BenQ executives charged with money laundering in Taiwan - 10 May 2007**

Five of the most senior executives at BenQ, a Taiwanese consumer electronics manufacturing firm, have been charged with insider trading and money laundering. Those indicted by prosecutors in Taiwan include the company's chairman and chief executive, K Y Lee, and its president, Sheaffer Lee. The chief financial officer, Eric Yu, who was also charged, is already in detention.

The charges appear to be linked to BenQ's disastrous investment in Siemens' mobile handset division, which cost the Taiwanese manufacturer more than US\$1 billion in losses in little more than a year. Prosecutors allege that BenQ employees sold millions of dollars worth of shares and transferred the funds raised to a small Malaysian company, CREO Ventures. The money was allegedly later reinvested in BenQ shares after the price fell following news of problems with the Siemens Mobile acquisition. BenQ announced that it was "shocked and baffled" by the charges and has denied the charges, claiming that the Malaysian company was part of a legitimate accounting scheme to help employees sell their share bonuses.

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### **New Australian AML advisory group is launched - 7 May 2007**

A new Australian ministerial advisory group that will help to implement legislation to detect and deter money laundering and terrorism funding is meeting in Canberra. The Anti-Money Laundering and Counter-Terrorism Financing Council will provide high-level advice on implementing existing legislation to protect financial institutions and upcoming legislation regarding industries. “The laws, which were passed in December, are essential to protect our financial institutions from being used by criminals to clean the dirty profits of their offences,” Minister for Justice and Customs David Johnston said. “They also bring Australia into line with international standards so we can retain our place in the global financial market.”

“We developed these laws through extensive consultation with industry and we will continue that through the new council,” Johnston said. The second tranche of anti-money laundering reforms will tighten controls in industries including real estate, precious stones and metals dealing, and accounting and legal services. “Representatives of these industries have been invited to participate in the council, along with those of industries affected by first-tranche reforms,” said Johnston.

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### **Jordan passes new AML legislation - 6 May 2007**

The Jordanian parliament has passed a new anti-money laundering bill; the 110-seat elected lower house passed the bill and has sent it to the 55-seat upper house (appointed by the King) for its approval. The bill seeks to preserve the banking system and to protect the national economy and, when implemented, will require the formation of a new agency to draw up policies on combating money laundering and to facilitate the exchange of intelligence with other countries. The bill is the latest in a series of laws adopted by the Jordanian parliament in the wake of the 2005 suicide attacks against Amman hotels that killed 60 people.

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### **US authorities seize US\$5.6 million of laundered money - 3 May 2007**

US authorities have seized more than US\$5.6 million from sixteen New York City bank accounts used by an accused Dubai-based drugs money launderer. US Attorney Michael Garcia said that the money was seized after law enforcement authorities in Italy, the UK and the United Arab Emirates learned that Naresh Jain Kumar Patel of Dubai admitted that he had laundered the proceeds of an Albanian drugs trafficking organisation operating in Italy. Patel and thirty-nine accomplices had been arrested in the UAE in February. Police in Dubai recovered banking and wire transfer

records from Patel's office showing that he held accounts at Man Financial Inc. in Manhattan. "Some of the activity in the Man Financial accounts demonstrated that Patel engaged in sham commodities trades in which Patel and his nominees would always suffer losses and other entities ... would enjoy profits - all with no real change in trading position for either party," explained Garcia.

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### **SocGen and its CEO to go on trial for money laundering - 29 April 2007**

French newspaper Journal du Dimanche has reported that French bank Société Générale and its chief executive Daniel Bouton will go on trial from 4 February 2008 on charges of 'serious money laundering'. This is part of the Sentier II case, which relates to allegations of money laundering involving cheques issued by foreign banks, mainly Israeli ones, that were cashed in France. Formal investigations have been underway since 2001, and SocGen has denied knowingly participating in any such activity. The case also involves Barclays France, the National Bank of Pakistan and the Société Marseillaise de Credit, which will also face trial at the same time. Four other banks have been cleared of all charges.

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### **UFOs spotted over Alderney - 27 April 2007**

Two pilots flying in separate planes have reported seeing a large UFO hovering over the Channel Island of Alderney. Captain Ray Bowyer, of local airline Aurigny, described the UFO: "It was a very sharp, thin yellow object with a green area. It was 2,000 feet up and stationary. I thought it was about 10 miles away, although I later realised it was approximately 40 miles from us. At first, I thought it was the size of a [Boeing] 737. But it must have been much bigger because of how far away it was. It could have been as much as a mile wide." As he continued his approach into Guernsey he spotted a second object further to the west, "identical" to the first. "It was exactly the same but looked smaller because it was further away. It was closer to Guernsey. I can't explain it. At first, I thought it might have been a reflection from a winery in Guernsey, but that would have disappeared quickly. This was clearly visual for about nine minutes. As I got closer to it, it became clear to me that it was tangible. I was in two minds about going towards it to have a closer look but decided against it because of the size of it. I had to think of the safety of the passengers first. I'm certainly not saying that it was something of another world. All I'm saying is that I have never seen anything like it before in all my years of flying."

The captain described the sightings to Air Traffic Control, and duty officer Paul Kelly said that he had had a similar report from a pilot with Blue Islands, another airline. "The description was very similar to Captain Bowyer's and they described it as being in exactly the same place. But they were looking at it from opposite sides." The objects did not appear on ATC radar, but had they been stationary then the radar would have filtered them out.

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### **Digital currency firms indicted for money laundering - 27 April 2007**

A grand jury in Washington, DC has indicted two digital currency companies and their owners on charges of money laundering, accusing the companies of helping to fund illegal activities such as child pornography and identity theft. The four-count indictment mentions the companies E-Gold Limited and Gold & Silver Reserve Inc., and their owners Douglas Jackson, Reid Jackson (both of Florida) and Barry Downey (of Maryland). The defendants face charges on one count of conspiracy to launder monetary instruments, one count of conspiracy to operate an unlicensed money transmitting business, one count of operating an unlicensed money transmitting business under federal law and one count of money transmission without a license under state law.

The case is being investigated by the US Secret Service with the assistance of the Internal Revenue Service and the Federal Bureau of Investigation, and the Department of Justice has obtained a restraining order to prevent the defendants from unloading their assets, as well as 24 seizure warrants on more than 55 accounts believed to be involved in money laundering and the operation of an unlicensed money transmitting business.

EGold's digital currency, called EGold, functioned as an alternative payment system and was purportedly backed by stored physical gold. Customers wishing to open an E-Gold account were required to provide only a valid e-mail address, and no other contact information was verified. Customers could fund their accounts in a number of ways and convert currency into EGold, and then access their accounts through the Internet and conduct anonymous transactions with other parties anywhere in the world.

The indictment alleges that EGold has been used by operators of investment scams, credit card frauds and identity frauds, and by sellers of online child pornography. The Department of Justice claims that the

defendants conducted funds transfers on behalf of their customers, knowing that the funds involved were the proceeds of illegal activity.

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### **Notorious California criminal gets 40 years for money laundering - 27 April 2007**

The leader of the notorious Sacramento gang known as "The Company" has been sentenced to 40 years in prison for money laundering crimes stemming from a series of armed robberies more than a decade ago. Huy Chi Luong, also known as "Jimmy" Luong, was convicted of 19 counts of money laundering and one count of conspiracy to commit money laundering. Luong and other gang members were also convicted in 2000 of racketeering and other charges for organising 31 robberies of computer component and memory chip businesses between 1994 and 1996. In just one of these robberies, they stole US\$10 million worth of computer chips from a manufacturer near Los Angeles. Luong's latest convictions were for using the stolen proceeds to make extravagant purchases, including at least five luxury cars, a boat, two homes and electronic equipment.

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### **FSA publishes paper on the future of regulation in the UK - 23 April 2007**

The Financial Services Authority (FSA) has published a paper called "Principles-based regulation - Focusing on the outcomes that matter". This paper sets out the FSA's current thinking on its move towards a more-principles-based regulatory regime. John Tiner, Chief Executive of the FSA, said: "Financial services markets are dynamic and innovative. To be effective, regulators must be able to adapt their regimes to keep pace with market changes. We believe principles which focus on an outcome are more enduring while at the same time better foster innovation and competition. More principles based regulation is the natural next step in the evolution of our regulatory system. It will give firms more choice over how they meet our requirements bringing for many a closer fit with their business processes and more clearly placing the responsibility for key regulatory decisions at more senior levels in firms."

To download the full 28-page paper, [click here](#).

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## **Bank continues to launder in India by masquerading as a software firm - 22 April 2007**

It has emerged that a bank that was forced to close in Europe because of its connection with money laundering was able to continue its laundering in India by masquerading as a software company. An Anglo-Dutch investigation revealed that Bermuda-based First Curacao Bank had been a conduit for money launderers around the world; launderers in Europe and India used the bank to send money to many destinations including the UK, the UAE, Cyprus, Turkey, Spain and Belgium. It was a gigantic operation, with transactions averaging £98 million a week just before it was busted by the authorities.

While a crackdown by investigators forced the bank to go out of business in Europe, it continued to work from Bangalore by assuming the guise of a software company called Transworld ICT Solutions Pvt Ltd, owned by Dutch national John Deuss, a director of First Curacao. This appeared to be a typical software concern (Bangalore being the centre of the Indian IT industry), with the First Curacao connection completely camouflaged. It was only when Indian investigators seized the company's computer server after a routine investigation into Hawala transactions that they discovered that Transworld ICT was the "fig-leaf" for a money laundering operation. Further investigations revealed the scale of that operation: one Delhi-based businessman alone laundered US\$1.4 billion between January and July 2006, describing the money as "proceeds of software business" and sending the money abroad through Transworld ICT Solutions, which essentially worked as an illegal clearing house.

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## **Further arrests in Operation White Whale - 17 April 2007**

Twenty-one further arrests have been made in Malaga as part of an on-going money laundering investigation code-named Operation White Whale (Ballena Blanca). The most recent raid (code-named Operation Hidalgo) involved 230 officers searching twelve properties, including the luxurious Marbella Club Hotel, where some of the arrests were made, and a local law firm which is believed to have set up front companies to launder proceeds from drug trafficking and prostitution. Three of the nineteen people arrested are public notaries and several others are lawyers.

Operation White Whale is a massive investigation that hit the headlines in March 2005. So far, it has seen the arrest of more than fifty people of various nationalities who are accused of laundering more than €250

million. More than 250 properties have been seized as well as other assets worth around €350 million.

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### **Costa Rica makes biggest-ever seizure of criminal cash - 11 April 2007**

The Drug Control Police (PCD) in Costa Rica have arrested two Guatemalans for money laundering after seizing US\$ 2.1 million - the largest amount ever seized by Costa Rica. The PCD found \$1,130,435 on Cabrera Torres and \$969,600 on Leon Matta at Juan Santamaria International Airport. The cash was wrapped in carbon paper to avoid being detected by X-rays. The seizure followed increased security at the airport after a tip-off from the police in El Salvador, who had recently arrested a Guatemalan with \$319,000 hidden in his luggage at San Salvador's International Airport - he had planned to fly to Panama via Costa Rica.

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### **Major Scottish gangster imprisoned for money laundering - 10 April 2007**

James "The Iceman" Stevenson, one of Scotland's major gangland figures, has been jailed for more than twelve years for money laundering. He and his stepson Gary Carbin used the proceeds from drug sales to buy luxury watches and set up a taxi firm; Carbin has been jailed for five and a half years. The sentencing judge at the High Court in Glasgow, Lord Hodge, described Stevenson as a major figure in the world of serious crime.

Stevenson and Carbin were caught after a massive police surveillance operation, during which officers from the Scottish Crime and Drug Enforcement Agency used listening devices and hidden microphones to listen to conversations in the men's homes. Investigators were able to use this information to trace nearly £600,000 in cash, 55 luxury watches and ten Skoda cars, as well as record an attempt to set up a taxi firm for laundering purposes.

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### **Chileans crack large MSB laundering ring - 4 April 2007**

The Chilean authorities have vowed to more strictly oversee their currency exchange sector after the uncovering of a massive money laundering operation. The scheme funnelled over US\$ 280 million of Colombian drug

money through Santiago, involving exchange houses in Chile, Peru, and Colombia and one bank in the US. The operation was exposed when Chilean national Mauricio Mazza Alaluf was arrested in Los Angeles on 31 March 2007 by the US Drug Enforcement Agency (DEA) with more than 2.5 million euros in his possession. Mazza Alaluf's cousin, Mexican national Luis Mazza, is believed by the DEA to run the laundering ring - he has lived in Chile since 2003, and his "Mazza Clan" is used by Colombian drug lord Jorge Jiménez Urrego.

Exchange houses in Santiago were used to "clean" Colombian money received for drugs sold in Europe. The money was first smuggled to Colombia in 500 euro notes carried by human mules. It was then using human "mules," people who physically transported the cash to Colombia in their carry on luggage or by hiding it in their clothing. The funds were then directed to the Fimesa currency exchange in Colombia, but euros are not widely circulated in the country and so were shipped to Chile (again, by human mules) to be converted into US dollars at exchange houses controlled by the Mazza cousins in Santiago, Viña del Mar and Valparaíso. The money was then wired to Harry's Bank in Los Angeles and finally wired back, in US dollars, to Colombia. Mazza Alaluf, Luis Mazza and Daniel Mazza are now all under arrest in Chile, with their personal bank accounts frozen.

The operation has received widespread press interest in Chile, and the country's Ministry of the Interior has promised to better oversee the way exchange houses do business in the country. According to current law, all financial institutions are required to report transactions that show signs of money laundering. Between May 2004 and September 2006, 376 such reports were filed, but only 39 of them came from exchange houses. Financial institutions are also required to report all transactions over US\$15,000, but according to Chile's Financial Analysis Office (UAF), exchange houses submit only 2% of the 200,000 such reports filed a month.

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### **Austria launches money laundering investigation into Croatian former minister - 3 April 2007**

A money laundering investigation into former Croatian Assistant Defence Minister, General Vladimir Zagorec, and his Austrian business partners has been launched by the Office of the Prosecutor in Klagenfurt. Carmen Riesinger from the Office of the Prosecutor explained that her office would investigate "the business operations of Zagorec and his partners in the Hypo Alpe Adria bank, the headquarters of which are in Klagenfurt, and

some other financial institutions". The Hypo Alpe Adria bank has denied any involvement; in a press release, it says that it can prove that its business relationship with Zagorec began only in 2004, and that it has never been involved in any transaction involving funds belonging to the Croatian state or funds stemming from the war.

Zagorec, who has been living in Austria for several years, was arrested in Vienna in mid-March following an international warrant for his arrest issued by Croatia, demanding his extradition. In Zagreb, court proceedings have been launched against him on suspicion of white collar crimes, including taking jewellery worth US\$ 5 million from a Ministry of Defence safe when he retired.

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### **Third Myanmar private bank linked with money laundering - 2 April 2007**

A third private bank in Myanmar has been linked with money laundering. U Tin Sein, owner of Universal Bank, has been charged under the Narcotic Drugs and Psychotropic Substances Law and the Control of Money Laundering Law. Universal Bank was sealed by the Myanmar government in August 2005, while two other private banks (Myanmar Mayflower Bank and Asia Wealth Bank) were closed in March 2005 for having facilitated money laundering.

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### **HMT announces UK President of the FATF - 2 April 2007**

The UK will assume presidency of the Financial Action Task Force from July 2007 to June 2008, and it has been announced that the man who will serve as president is James Sassoon. He is currently the Chancellor's and the Treasury's Representative for Promotion of the City, a part-time role he has held since December 2005 and in which he will continue. From 2002 to 2005, he served as a member of the Treasury Board and Managing Director of the Treasury's Finance and Industry Directorate. And from 1985 to 2002 he worked at UBS Warburg, having first qualified as a chartered accountant with KPMG.

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### **UK Customs assets seizures exceed target - 2 April 2007**

The Asset Forfeiture Division of the UK's Revenue and Customs Prosecutions Office (RCPO) has exceeded its 2006/07 target for the recovery of criminal assets. More than £23 million has been seized so far from convicted criminals by lawyers from RCPO over the last year, exceeding their original goal of £22.7 million. The Director of RCPO, David Green QC, said: "This is a terrific achievement. The Asset Forfeiture team has worked extremely hard over the last year. Ensuring that criminals do not benefit from their dishonesty is a major priority across the criminal justice system, and I am delighted that RCPO has made such a significant contribution to that effort."

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### **Indian government approves international sharing of AML information - 29 March 2007**

The Indian government has approved the exchange of information on money laundering activities between the Indian financial intelligence unit (FIU) and its foreign counterparts. This paves the way for the Indian FIU to join the Egmont Group. Indian authorities will now be able to elicit information on money laundering activities from other countries.

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### **Maltese woman sent to prison for money laundering - 29 March 2007**

In the conclusion to the case reported on 27 March 2007 (see below), Maria Abela has been sentenced to six years in prison for money laundering. Although Abela pleaded guilty, she told the court that when she initially entered into the business, she believed it to be a legitimate venture. Once she found out its illegality, she explained that she did not report the matter to the authorities because she had been threatened.

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### **Surrey man sentenced to six years for money laundering - 28 March 2007**

Danny Williams has been sentenced to six years in prison for his part in laundering more than £5 million through UK bank accounts. Customs officers observed Danny Williams visiting banks in Croydon and other parts of south London banks and depositing large amounts of cash, split into small amounts to avoid suspicion. Forensic tests carried out on cash found in Williams's home revealed unusually high levels of heroin on the notes. Williams denied money laundering and claimed that he was operating a

legitimate international money transfer business. However, he could not explain the enormous amounts of cash which were often handed to him in carrier bags in supermarket car-parks by people he claimed not to know.

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### **First Maltese money laundering criminal prosecution - 27 March 2007**

In the first case of money laundering to be heard in the Maltese Criminal Court, Maria Abela has pleaded guilty to involvement in the laundering of about Lm71,000 [about £113,000]. However, according to presiding judge Mr Justice Joseph Galea Debono, the relatively new legislation on money laundering is rather ambiguous.

According to the indictment, Abela received an amount of money through Bank of Valletta in May 2004. This money was transferred into an account held in Abela's name, on behalf of Alasram Holdings Limited (through which Abela was involved in the import and export of merchandise). Previous transactions through the account dated back to January 2002. Police investigations showed that Abela, together with a number of foreigners, was involved in illegal money transactions carried out by means of falsified documents. Abela was allegedly paid 10% of the money that was transferred into her account.

Money laundering in Malta carries a maximum prison sentence of 14 years or a maximum fine of Lm1 million [about £1.5 million]. While the prosecution argued that the reputation of the country's financial institutions had to be protected, Abela's defence lawyer Martin Fenech insisted that the punishment should be commensurate with the amount of money involved, "which was not such a huge amount".

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### **First Malaysian money laundering prosecution - 18 March 2007**

A woman doctor has been charged in Kuala Lumpur with laundering RM34.2 million [about £5 million] under the Anti-Money Laundering Act 2001 - the first such case in Malaysia under the act. Dr Hamimah Idruss has been charged with seven counts of receiving the money, alleged to be proceeds from unlawful activities overseas, and has pleaded not guilty to all seven charges. Dr Idruss is accused of having received RM2.3 million through her daughter's bank account, RM6.8 million through the company bank account of Azam Rahmat Sdn Bhd (where she is a director) and a total of RM18.6 million through other company bank accounts - all in June 2006.

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## **US Treasury confirms that Banco Delta Asia is barred from US financial system - 18 March 2007**

The US Department of the Treasury has finalised its rule against Banco Delta Asia SARL (BDA) under Section 311 of the USA PATRIOT Act. When the final rule takes effect in 30 days' time, US financial institutions will be prohibited from opening or maintaining correspondent accounts for or on behalf of BDA. This action bars BDA from accessing the US financial system, either directly or indirectly.

"Our investigation of BDA confirmed the bank's willingness to turn a blind eye to illicit activity, notably by its North Korean-related clients," said Stuart Levey, the US Treasury Under Secretary for Terrorism and Financial Intelligence. "In fact, in exchange for a fee, the bank provided its North Korean clients access to the banking system with little oversight or control."

The Treasury's Financial Crimes Enforcement Network (FinCEN) in September 2005 found BDA to be of "primary money laundering concern" under Section 311 and issued its proposed rule, citing the bank's systemic failures to safeguard against money laundering and other financial crimes. The US Treasury has since been engaged in an on-going investigation of BDA with the cooperation of Macanese authorities. The information derived from that investigation and the failure of the bank to address adequately the full scope of concerns described in the proposed rule has laid the groundwork for this latest action.

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## **Canadian investment banker sentenced to four years for money laundering - 14 November 2006**

Following on from a story dated 16 November 2006 (see [Old news page](#)), Canadian investment banker Martin Tremblay has been sentenced by a Manhattan court to four years in prison for money laundering. He will spend 34 months in prison as he has already served 14 months since his arrest. Tremblay is also required to pay a US\$12,500 court fine and a US\$220,000 forfeiture penalty. Before sentencing, Tremblay said, "I'm sorry. I apologize to my family and the court. I just ask for forgiveness." Martin Auerbach, Tremblay's lead defence lawyer, said outside the courthouse that the sentence was acceptable: "I understand the judge's reasoning. As a person, as Mr. Tremblay's lawyer, knowing him as a human being, would I like to see him go home sooner? Absolutely. But do I think the judge was fair and reasonable? I do."

In 2005, Tremblay was the target of an undercover sting operation carried out by the New York Organized Crime Drug Enforcement Strike Force. He confessed that in March 2005 he met with undercover agents he thought were drug traffickers and agreed to help them to hide their illicit profits. He also admitted that in May 2005 he received a wire transfer of US\$20,000 to an account in New York with the intention of laundering the money. The original indictment alleged that Tremblay laundered US\$1 billion for numerous clients between 1998 and December 2005 through his Bahamas-based investment services company Dominion Investments Limited. But in November 2006, Tremblay reached a plea agreement in which he admitted in court to offering to launder US\$220,000 in illicit funds on behalf of federal agents he thought were drug traffickers. In exchange, the government dropped all charges relating to the alleged US\$1 billion in laundered money and recommended a much shorter prison term.

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### **India proposes to extend its AML requirements - 13 March 2007**

The Indian government is planning to enhance the coverage of its Prevention of Money Laundering Act (PMLA), perhaps even in the current session of Parliament. Under the current PMLA, banks, financial institutions and intermediaries are required to keep records and report suspicious and large cash transactions. The proposed amendment will extend these requirements to money changers, casinos (including those operating offshore in Goa) and offshore banks. This will bring India into line with FATF requirements, and hopefully will restrict the use of these entities for money laundering.

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### **Israel launches joint AML/CFT centre - 13 March 2007**

The Israeli Money Laundering Authority (MLA), police and tax authorities have opened a joint intelligence centre at the national police headquarters in Jerusalem. The new centre is intended to co-ordinate the fight against money laundering and terrorism financing. Yehuda Shaffer, head of the MLA, said that the new centre would enable law enforcement agencies to share information while safeguarding the privacy of clients of banks, insurance companies, investment managers and other institutions that are required to submit financial reports. Of the 410,000 reports received by the MLA each year, 1.7% are forwarded to the police or the Shin Bet (Israel's security agency). These yield a few dozen court cases per year, which is all that the law enforcement system can handle, Shaffer said. He added that the MLA wants to improve and standardise the reports submitted by

other institutions (such as the stock exchange, traders in precious stones and other financial institutions) so that they are as detailed as those provided by the banks. The MLA has also prepared a bill to extend the obligation to submit financial reports to members of the diamond industry.

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### **Terry Adams jailed for money laundering - 10 March 2007**

In a follow-up to the story of 6 February 2007 (see below), notorious London gang leader Terry Adams has been sent to prison for seven years for money laundering, after pleading guilty last month to conspiracy to launder his income from crime between 1997 and 2003. In addition to the jail term, Adams was ordered to pay £750,000 compensation for the £1 million he laundered or face another four years in jail.

The Adams family, known as the A team or The Firm, dealt mainly in drugs and was rumoured to have been connected to a number of gangland killings. But despite being one of the country's most prominent gangsters, Adams considered himself virtually untouchable, as he kept away from the dirty end of the business. Andrew Mitchell QC said of Adams that "a hallmark of his career was his ability to keep his evidential distance from any of the violence and other crime from which he undoubtedly profited. By the early 1990s he had been so successful that he was able to retire, content that the wealth and status he had accumulated by the age of 35 would allow him and his family to live in the manner they were accustomed to for the rest of their lives." This manner included owning a mansion full of antiques, staying in the most exclusive hotels and indulging a passion for expensive jewellery. Yet despite a net worth estimated at £11 million, Adams had no work history and paid no tax or national insurance.

Mr Mitchell said: "Terry Adams has always thought he was above the law and his attitude to this prosecution is some proof of that. He has sought throughout these proceedings to play the system, delay and to try as hard as possible to make this case and himself unprosecutable." He was charged nearly four years ago, but sacked his solicitors three times, demanded transcripts of MI5's 21-month bugging operation and even claimed mental illness before bargaining a guilty plea.

Handing down the sentence, Judge Timothy Pontius said: "Your plea demonstrates that you have a fertile, cunning and imaginative mind capable of sophisticated, complex and dishonest financial manipulation. It is obvious that the cost to the taxpayer overall has been colossal and, perhaps, unprecedented." Adams's four-year legal battle to avoid prison

has probably cost the taxpayer at least £4 million, and a hearing in April will decide whether Adams should make a contribution to the costs.

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### **Jail for Croydon gang who laundered £100 million - 9 March 2007**

Three members of a gang who laundered more than £100m in cash have been jailed for a total of 15 years. The Croydon-based laundering scheme used links with companies in Pakistan to launder money for criminal organisations throughout the UK between June 2003 and September 2005. Ringleader Zaka Ud Din pleaded guilty to 19 charges relating to money laundering and was sentenced to nine years in prison. He was also disqualified as a company director for 10 years. His uncle Ghafoor Ud Din pleaded guilty to one charge and was sentenced to four years imprisonment and disqualified as a company director for 10 years. Cash courier Sabz Ali Khojo was jailed for two years. Stephen Giles Parker was sent to prison for 18 months for his links to the gang.

The money laundering operation centred on Zaka Ud Din's money services bureau Deans Exchange in Croydon. He was arrested in a supermarket car-park in September 2005, along with Parker, who had just handed over £117,000 cash concealed in shoe boxes. Ghafoor Ud Din, who owned the money services business Dollar East in Tooting, was linked to the disposal of £3 million and later arrested at his home.

Cash from criminal organisations would be delivered in large holdalls to the MSBs. The money would be taken for counting to nearby flats, rented in false names, and then used to pay off the legitimate debts of Pakistani companies to UK firms. Companies in Pakistan would deposit what was owed with an MSB in Pakistan which in turn would get Ud Din to settle the debt. In this way, the gang laundered £105 million. Before passing sentence, Judge Peter Thompson told the four men: "You were deeply involved in disposing of criminal cash on a massive scale and you have brought disgrace and humiliation to both yourselves and your families."

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### **Former mosque leader sentenced for money laundering - 9 March 2007**

Yassin Muhiddin Aref, the former leader of New York mosque, has been sentenced to 15 years in prison for his part in a money laundering scheme that also involved an FBI agent working undercover as an arms dealer. Aref was found guilty of money laundering, conspiracy and attempting to

provide material support and resources to a terrorist organisation. The organisation concerned was Jaish-e-Mohammed, a Pakistani Islamic extremist group that features on the US State Department's list of designated foreign terrorist organisations.

The FBI agent approached Mohammed Mosharref Hossain, the owner of a pizzeria in Albany, New York, and asked him to launder money from the sale of a shoulder-fired missile that the agent said would be used to kill a Pakistani diplomat in New York City. Aref acted as a witness to the transactions. Although the assassination plot was fictional, Hossain and Aref were both found guilty in October 2006 of supporting terrorism.

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### **Indian authorities uncover large money laundering scheme - 7 March 2007**

The income tax authorities in Mumbai and Delhi have stumbled upon a large money laundering scheme whereby significant sums are sent to Mauritius through the hawala system and then come back to India as investments in the stock market, real estate and other business sectors made by a dummy corporation based in Mauritius. It is suspected that Rs 20,000 crore [about £2.4 billion] has been processed in this way over the past few years. The scheme was uncovered when tax officials raided a stud farm in Pune. Their search uncovered details of Swiss bank accounts in various names (rumoured to be those of influential people in Indian politics and industry), with deposits totalling Rs 20,000 crore. Further investigations revealed that the money had been earned by misusing the “double taxation avoidance treaty” between India and Mauritius. As per the treaty, the capital gain earned from investments from Mauritius is not taxed in India, and the ‘investor’ benefits as in Mauritius there are no tax on capital gains. Tax authorities suspect that this profit was then routed to Swiss banks.

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### **Russian former UN official charged with money laundering - 7 March 2007**

Vladimir Kuznetsov, a former Russian diplomat who once chaired the United Nations' powerful budget oversight committee, has been convicted in New York of conspiring with a UN procurement officer to launder hundreds of thousands of dollars from foreign companies seeking UN contracts. Kuznetsov was charged in 2005 after an internal UN investigation of Alexander Yakovlev, a Russian who worked in the UN

procurement office. Yakovlev pleaded guilty in 2005 to soliciting a bribe, wire fraud and money laundering. Yakovlev admitted accepting nearly US\$1 million in bribes from UN contractors, and testified against Kuznetsov.

Prosecutors said Kuznetsov established an offshore company in 2000 to hide criminal proceeds from Yakovlev, who received secret payments from foreign companies seeking contracts to provide goods and services to the UN. Yakovlev provided the companies with confidential information about the contracts. In 2005, the Independent Inquiry Committee headed by former US Federal Reserve chairman Paul Volcker said it found "persuasive evidence" that Yakovlev took kickbacks from companies that had won some US\$79 million in UN contracts, and had found that US\$1.3 million had been wired to a bank account in Antigua, West Indies, in the name of Moxycy Limited.

Former UN Secretary-General Kofi Annan had waived Kuznetsov's immunity at the request of US authorities. Both men face up to the 20 years in prison; sentencing has been scheduled for 25 June.

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### **Israeli court seizes US\$4.9 million from Arcadi Gaydamak - 6 March 2007**

In a follow-up to the story of 23 March 2006 (see [Old news page](#)), the Tel Aviv District Court has ordered the temporary seizure of US\$4.9 million from Russian-born billionaire Arcadi Gaydamak as part of a money laundering investigation. Judge Uri Shoham said there was enough evidence to seize the money but he was not expressing an opinion on whether there should be an indictment of Gaydamak.

An investigation was launched into the financial activities of Gaydamak and others in 2002, on suspicion that they had laundered US\$50 million through Bank Hapoalim in Tel Aviv. Gaydamak was released on bail in November 2005.

With regard to the seizure of Gaydamak's funds, his lawyer argued that the money should not be taken because funds that had been taken as bail under the provisions of one law were now being held under money laundering law. Judge Shoham ruled that the state could seize the money temporarily, and that as opposed to property seized due to criminal activity, there was no need to determine if a crime had been committed before seizing it.

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## **Spanish authorities uncover another money laundering ring - 4 March 2007**

Spanish police have broken up a money laundering operation believed to have processed more than 20 million euros of drug proceeds. "Operation Lotus" was launched in November 2006, and so far seven Colombians and two Dominicans have been arrested in Madrid. Police suggest that drug traffickers divided the money into small amounts and sent it to third parties, who would deliver it to Colombian drug dealers. The money laundering gang has allegedly carried out 25,000 illegal transactions.

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## **US government publishes International Narcotics Control Strategy Report 2007 - 1 March 2007**

The US Department of State has published its "International Narcotics Control Strategy Report" (INCSR) - dated 2007, it covers 2006. The INCSR is a country-by-country two-volume report that describes the efforts to attack all aspects of the international drug trade: Volume I covers drug and chemical control activities, while Volume II covers money laundering and financial crimes.

To download both volumes and related material, [click here](#).

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## **UK government publishes its AML/CFT strategy - 28 February 2007**

The UK Home Office, HM Treasury, Foreign & Commonwealth Office and Serious Organised Crime Agency (the UK's FIU) have jointly published "The financial challenge to crime and terrorism". The document shows that the financial measures taken in recent years are already helping to deter, detect and disrupt crime and terrorism. To build on this progress, the strategy sets out the key priorities for increasing the financial challenge to crime and terrorism in the future, and announces new proposals that exemplify the Government's commitment to their delivery.

To download the full 68-page document, [click here](#).

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## **Money laundering arrests in Dubai - 26 February 2007**

Dubai Police have arrested several foreign nationals (from Asia, Europe and the US) for money laundering. According to police sources, the

criminals “misused financial institutions - assisted by some of their staff to conceal such crimes, against commissions paid to them”. The eighteen-month investigation has also revealed the involvement of nine companies. The Central Bank of the UAE has issued an alert notice to all banks and money changers operating in the country, instructing them to immediately freeze the bank accounts of all the main suspects, all those who assisted them and the nine companies, and to prohibit any bank transfers in their names.

The Dubai Police Chief, Lieutenant General Dhahi Khalfan Tamim, said, "All necessary measures taken in this case fall within the purview of UAE's policy of combating crime - including money laundering and terrorism. Our main aim is to protect our society and financial institutions from falling victim to any such criminal activity."

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### **Indonesian man pleads guilty to supplying terrorists and money laundering - 23 February 2007**

Erick Wotulo, an Indonesian citizen and a retired Indonesian Marine Corps General, has pleaded guilty in a Maryland (US) court to conspiracy to provide material support to a designated foreign terrorist organisation and money laundering. From April 2006, Wotulo conspired with others to export state-of-the-art firearms, machine guns and ammunition, surface to air missiles, night vision goggles and other military weapons to the Liberation Tigers of Tamil Eelam (Tamil Tigers) operating within Sri Lanka, to be used to fight against Sri Lankan government forces. Wotulo aided in the acquisition and proposed delivery of military technology to the Tamil Tigers, requesting price quotes, negotiating the purchases and providing details of ocean routes for the transfer of the arms to the Tamil Tigers. On 2 August 2006, a transfer of US\$250,000 was made to a bank account in Maryland; this was a down-payment for the arms. A further transfer of \$452,000 was made on 28 September 2006. On 29 September, Wotulo arrived in Guam to meet with other conspirators and undercover agents to discuss the ship-board loading of the arms and munitions - he was arrested. He now faces a maximum sentence of 15 years in prison for conspiracy to provide material support and a maximum sentence of 20 years in prison for money laundering; sentencing will take place on 25 May 2007.

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### **Man sentenced for laundering through Texas supermarket - 23 February 2007**

The manager of a family-owned supermarket in Brownsville, Texas has been sentenced to two years in prison and must pay more than half a million dollars in restitution for laundering the proceeds of stolen US Treasury cheques through the supermarket's bank account. Jaime Miguel Lopez pleaded guilty to bank fraud in June 2004, admitting that from 1999 to 2000 he acquired stolen US Treasury cheques from an individual in Mexico and imported the cheques into the United States. He fraudulently endorsed the cheques and co-mingled the proceeds with legitimate receipts from his family's supermarket, depositing them into the supermarket's Texas State Bank account. He then withdraw cash from the account and split the proceeds with the individual in Mexico. The bank lost US\$1.2 million in "charge-backs" as a result of the scheme. The scheme was discovered in early 2000 when the intended recipients of the US Treasury cheques, who live in Mexico, filed claims saying that they hadn't received their cheques.

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### **Finnish FIU receives record number of SARs - 21 February 2007**

Finland's financial intelligence unit, the National Bureau of Investigation (NBI), received 10,000 suspicious activity reports in 2006 - up from 4,000 in 2005. The NBI annual report explained that the rise in reporting was probably a result of the introduction of an electronic form for submitting reports. 1,000 of the SARs led to an investigation, and the vast majority involved white collar crime. The largest number of reports came from bureaux de change.

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### **Russian banks process 800 billion roubles in fictitious deals each year - 20 February 2007**

Sergei Ignatyev, chairman of the Russian Central Bank (CBR), has declared that Russia loses 500-800 billion roubles [about £10-16 billion] a year through fictitious banking operations. Giving evidence at a hearing at the Duma, the lower house of Russia's parliament, Mr Ignatyev revealed that operations to debit cash for allegedly legal purposes are the most widespread of the fictitious banking transactions; in reality, the cash is used to pay "grey" wages, offer bribes and carry out other illegal deals. Money transfers to the accounts of offshore foreign companies allegedly for the purpose of paying for goods or services without customs border crossing are also common, totalling about £1.5-2 billion a month. "The real purpose of such operations is to pay for 'grey' imports, smuggle drugs, offer bribes,

etc.," Mr Ignatyev said, adding that such operations are carried out with the involvement of "shell" companies.

Mr Ignatyev went on to say that the CBR will continue to withdraw licenses from banks for the violation of money laundering law. He was answering a proposal by some deputies to deprive the country's chief bank of the right to revoke banking licenses for money laundering violations. Since early 2005, the CBR has revoked the licenses of 70 banks, or 6% of the total number of Russia's banks, for money laundering violations. The CBR is also seeking to empower banks to deny dubious clients the right to open accounts, to correspond with the recommendations of the FATF.

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### **Man charged in Jersey with laundering US\$44 million - 13 February 2007**

Raj Arjandas Bhojwani, a native of India, has been charged in Jersey with the laundering of US\$43.9 million [about £22.5 million]. Bhojwani was arrested in London on 8 February 2007 and taken to Jersey the next day. He appeared in the Royal Court and reserved his plea to three charges relating to the laundering of the money, which is alleged to be the proceeds of government corruption in Nigeria. The laundering is alleged to have taken place in October 2000.

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### **Khodorkovsky charged with money laundering - 10 February 2007**

Mikhail Khodorkovsky, former boss of the Yukos oil empire in Russia, and his former business associate Platon Lebedev have been formally charged with laundering more than US\$23 billion [about £12 billion]. An official statement confirmed that "the prosecution service has charged Khodorkovsky and Lebedev with illegal acquisition of shares belonging to the State, as well as theft of oil and laundering of the money accruing from the sale of that oil". The statement further elaborated that the two men had acted in an organised criminal conspiracy in acquiring shares of the Vostochnaya Neftianaya oil company in November 1998 and putting them into foreign offshore companies. Furthermore, prosecutors allege that "between 1998 and 2003 Khodorkovsky and Lebedev stole oil from the Samaraneftegaz, Yuganskeneftgaz and Tomskneftgaz companies worth more than 850 billion roubles [about £16.5 billion]". This oil was then allegedly sold on and the profits laundered.

The statement detailed for the first time the charges laid against the jailed former tycoon which prompted Khodorkovsky to criticise the politicised court system in Russia. "What will follow is clear," he said. "Falsified

evidence, testimony by perjurers who have been frightened or tricked, and a quick guilty verdict - a shameful farce that has nothing in common with justice."

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### **Major UK criminal admits money laundering - 6 February 2007**

Terry Adams, head of a notorious north London crime family for more than thirty years, has pleaded guilty to money laundering. With his brothers Tommy and Patsy, Adams ran a criminal empire that included a West End club, a restaurant in Smithfield and a Hatton Garden jewellery shop. A flamboyant dresser described as a cross between Liberace and Peter Stringfellow, Adams pleaded guilty to conspiracy to conceal criminal property. His last-minute guilty plea saved the need for round-the-clock police protection for the jury at Blackfriars Crown Court; 2-meter screens had already been installed in the courtroom after fears were expressed that the jury might be intimidated during the trial.

Prosecutors claimed that Adams laundered money from his criminal activities (ranging from protection rackets against market stallholders to armed robbery and drug dealing) with the help of diamond merchant Saul Soloman Nahome, who was shot dead in a contract killing in 1998. Nahome was said to have laundered £25 million through property deals and offshore accounts. Adams has pleaded guilty to laundering £750,000, and will be sentenced on 9 March 2007 - he faces up to fourteen years in prison.

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### **FSA publishes Business Plan 2007/2008 - 6 February 2007**

The Financial Services Authority has published its "Business Plan 2007/2008". With regard to financial crime, the plan says: "The risk of financial crime is increasing. Our financial crime strategy for the next three years is to:

- gain a better understanding of the scale and incidence of financial crime and its impact in the UK and financial institutions;
- target poor performing firms and sectors; and
- encourage risk-based implementation of financial crime policy domestically and internationally."

The FSA also promises that "in Q1 2007, we will announce the results of our first survey on financial crime. We will use the results of this survey of firms and other stakeholders to inform our priorities and improve our work on financial crime."

To read the full 55-page plan, [click here](#).

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### **Peter Foster charged with money laundering - 6 February 2007**

Australian businessman Peter Foster has been remanded in custody after being charged with money laundering. He was arrested at Brisbane International Airport only a day after being released from prison in Vanuatu. The laundering of an amount between AUS\$ 200,000 and AUS\$ 250,000 [about £79,000-£99,000] was allegedly committed against the Bank of the Federated States of Micronesia. If convicted, he faces up to 20 years in prison. Foster has been described in the past as "Australia's greatest conman", and is best known in the UK for buying two Bristol flats on behalf of Cherie Blair in 2002.

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### **Trujillo sentenced to 40 years for money laundering - 1 February 2007**

Joaquin Mario Valencia-Trujillo has been sentenced by a judge in Miami to 40 years in prison and ordered to forfeit US\$110 million. In a trial that took four months, the court heard that Trujillo had supplied more than 100 tons of cocaine annually to the US market between the early 1990s and his arrest in Bogota in January 2003. Trujillo was extradited from his native Colombia in March 2004 to stand trial in the US, and in October 2006 he was found guilty of all the drug, conspiracy and money laundering charges against him.

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### **Ex-US official in Iraq sent to prison for money laundering - 30 January 2007**

A court in Washington has sentenced Robert Stein, a former official of the US Coalition Provisional Authority (CPA) in Iraq, to nine years in prison and a fine of US\$ 3.6 million for money laundering. Stein pleaded guilty in February 2006 to charges of corruption, fraud and money laundering, and admitted that he had rerouted money from Iraq reconstruction funds while he served as treasurer for the CPA in the Al-Hillah region south of Baghdad. With the help of other CPA officials, he transferred over US\$ 2 million to an account belonging to Philip Bloom, an American businessman established in Romania, who then laundered the money through a network of Iraqi, Romanian and Swiss accounts. Stein admitted that he and his accomplices took bribes amounting to more than US\$ 1 million in the form of luxury cars, jewels, computers, plane tickets and other valuable goods in exchange for fictional contracts. Philip Bloom pleaded guilty in March 2006

to charges related to Iraq contracts amounting to over US\$ 8.6 million, and a verdict in his case is expected in February 2007.

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### **NASD fines Banc of America for AML failures - 29 January 2007**

NASD [formerly known as the National Association of Securities Dealers, and responsible for the regulation of the US securities industry] has fined Banc of America Investment Services, Inc. (BAI) US\$ 3 million [about £1.5 million] in connection with the firm's failure to obtain customer information for certain high-risk accounts and for failing to have adequate communication with its parent bank to ensure that BAI's suspicious activity report (SAR) filing obligations were met. NASD Head of Enforcement James Shorris said, "BAI fundamentally failed to meet its obligations with these high risk accounts by failing to adequately investigate and pursue red flags, especially in the face of repeated requests for additional information about the accountholders from its own clearing firm."

The 34 accounts at issue involved trust and private investment corporations domiciled in the Isle of Man and apparently affiliated with one family. The offshore entities located in the Isle of Man collectively held from US\$ 79 million to US\$ 93 million in assets and engaged in multi-million-dollar wire transfers across international boundaries. When the accounts were opened in August 2003, BAI had established AML procedures designed to address certain customer account risks by requiring additional information from the accountholders, specifically, the names of the beneficial owners, before conducting substantial transactions in the accounts. However, from August 2003 to October 2004, BAI did not require the names of the beneficial owners and never restricted the activities in the accounts, allowing them to engage in large wire transactions - even in the face of advice from a senior lawyer at BAI in March 2004 that BAI should obtain the names of the beneficial owners, and a determination by the BAI risk committee in May 2004 that the information must be obtained.

In addition, NASD also found that BAI had an inadequate compliance programme for reporting suspicious transactions. While BAI relied on its parent, a bank with its own independent reporting obligations, to determine whether a suspicious activity report (SAR) should be filed, BAI did not have sufficient procedures in place to ensure that there was adequate communication between BAI and its parent as to whether a SAR should be filed and whether a SAR had in fact been filed. Consequently, BAI did not make certain that its independent obligations regarding the filing of a SAR were met. BAI was also unable to reliably incorporate the information that

a SAR had been filed into an ongoing risk assessment of its customers and to evaluate account activity going forward.

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### **Hong Kong tightens KYC requirements - 26 January 2007**

Remittance agents and money changers in Hong Kong are now required to verify customer identity and keep records for all transactions of HK\$ 8,000 [about £525] or more. The enhanced requirements are found in the amended Organised and Serious Crimes Ordinance, and have been designed to meet new international standards (in particular, FATF Special Recommendation VII). Customers will be required to produce proof of identity (e.g. Hong Kong Identity Card, passport) to the remittance agent or money changer for verification, and also provide their address and telephone number when remitting, receiving or exchanging HK\$8,000 or more. Remittance agents are also required to record and retain the particulars of the sender and the instructor of any remittance transaction if the two are not the same person. "We strongly encourage remittance agents to take an additional step to include the sender's information in the message accompanying the remittance. This will facilitate remittance agents to conduct remittances smoothly to countries that require such information to be attached," said Ms Sally Wong, the Hong Kong Commissioner for Narcotics.

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### **Noriega to be freed in September 2007 - 24 January 2007**

Former Panamanian dictator Manuel Noriega will be released from prison in Miami on 9 September 2007 and hopes immediately to board a plane for Panama, his attorney Frank Rubino has announced. Noriega's eight-year rule over Panama ended after when the US invaded Panama on 20 December 1989 to force him from power. He is in prison on charges of drug trafficking and money laundering charges; he was sentenced to a 30-year term for protecting Colombian cocaine shipments through Panama in the 1980s, but has had his sentence reduced for good behaviour. Noriega has also received two 20-year sentences in Panama for the killings of dissident leader Hugo Spadafora, but Rubino said Noriega will fight the charges: "When he goes back to Panama, that case will be able to be reopened. Then he'll be able to adequately defend himself on that case."

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### **FSA launches new division to tackle financial crime - 23 January 2007**

Speaking at the Financial Services Authority's Annual Financial Crime Sector Conference, John Tiner, the FSA's Chief Executive, unveiled a new division to tackle the risks posed by the evolution of financial crime. The new Financial Crime and Intelligence Division will be a centre of excellence providing the leadership, tools and expertise needed to meet the increased challenges ahead and maintain the integrity of the UK's financial sector. The new division has brought together all of the financial crime expertise that was previously spread throughout the FSA; it was created on 1 January 2007 and it is led by director Philip Robinson. Among its tasks will be examining the risks facing consumers from increasing information security and hi-tech crime. The division will work closely with other regulators, and co-operate with economic experts from inside and outside the FSA to create an effective means of measuring the real scale of the problem posed by financial crime.

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## **UK publishes draft Money Laundering Regulations 2007 - 22 January 2007**

The UK's Treasury has published draft Money Laundering Regulations 2007. The proposals include:

- extended supervision so that all businesses in the regulated sector comply with money laundering requirements, including estate agents, trust and company service providers and unsecured lenders
- strict tests to ensure people running money services businesses and those who help set up trusts and companies are fit and proper
- extra checks on customers that firms identify as posing a high risk of money laundering
- a requirement to establish the source of wealth for those in high risk situations, for example those involving deals with high ranking public officials overseas
- a strengthened and risk-based regime in casinos, in line with, but stricter than, international standards
- reduced regulatory requirements in low risk areas, such as employer-led pension funds and child trust fund administration
- the ability to rely upon identity checks done by other firms in certain situations, and greater flexibility in record keeping so that firms can keep important details rather than whole documents.

Ed Balls, Economic Secretary to the Treasury, said: "These regulations will strengthen further the UK's defences against money laundering and terrorist finance. By taking tough new measures where the risks are greatest, we will crackdown on illegal activity and help force criminals and would-be terrorists out of the shadows."

Comments on the draft are invited - responses should be sent to the Treasury by 2 April 2007.

To see the full text of the draft Money Laundering Regulations 2007, [click here](#).

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### **Nigerian former oil minister charged with money laundering - 18 January 2007**

Dan Etete, a former Nigerian oil minister, is to stand trial in France for money laundering. The trial is a result of investigations into suspected kickbacks paid by major oil companies (including France's Elf-Aquitaine - now part of Total - and Canada's Addax Petroleum) for drilling rights in Nigeria. Etete served between 1993 and 1998 under the regime of the late Sani Abacha, and now lives in England. Between 1999 and 2000, he purchased several luxury properties in France, with a total value of 15 million euros, and investigators suspect that he paid for them with the proceeds of bribery. No trial date has yet been set.

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### **Stars called to testify at laundering trial of jeweller - 18 January 2007**

Jacob Arabo, jeweller to the stars and known as "Jacob the Jeweller", wants his celebrity customers to testify for the defence at his trial. Arabo was arrested in June 2006 and is accused of laundering profits for a Detroit-based drug gang by accepting cash for jewellery without reporting the transactions properly. Arabo, who makes huge gold and diamond-encrusted watches and pendants, is accused of laundering the equivalent of £140 million. His lawyer, Benjamin Brafman, says that Arabo wants footballer David Beckham, rappers Sean "Diddy" Combs and Jay-Z and singer Mariah Carey, among others, to testify as to the jeweller's good character and how "they themselves made substantial purchases in cash from Mr Arabo and all the money was handled properly". Arabo denies all charges.

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### **Dying ARA still has a sharp bite - 18 January 2007**

The Assets Recovery Agency (ARA) has frozen an additional £11.8 million worth of property in the Manchester area as part of an ongoing investigation into large scale mortgage fraud and money laundering. The

ARA alleges that 77 properties in the Manchester area have been funded by the proceeds of financial crime and used to launder money. The property portfolio, with an equity value of around £4.7 million, consists largely of tenanted flats and houses owned and operated by property companies in Manchester. The allegation is that Paul Dermot Craven and Brian Pepper established the property portfolio through the proceeds of unlawful conduct, including money laundering, tax evasion, false accounting, mortgage fraud and benefit fraud. This is the latest phase of an ongoing ARA investigation which last November and December saw 15 Manchester properties worth around £1.2 million made the subject of Property Freezing Orders (PFO) granted by the High Court.

Jane Earl, Director of the ARA, said: "This is a further demonstration of the power of the Proceeds of Crime Act and the way in which it is being used to attack crime at all levels across the UK. The Government has recently announced proposals to merge ARA with the Serious Organised Crime Agency. For ARA it is still a matter of business as usual and we will continue to pursue all current cases as well as develop new cases. With our partners in the asset recovery community we will continue to make the climate as hostile as possible for those who seek to profit from crime and cause harm to communities."

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### **UK issues Serious Crime Bill - 17 January 2007**

The UK Home Office has published the Serious Crime Bill - proposed legislation that, if passed, will grant strong new powers to tackle serious crime. Proposals include:

- the introduction of new civil serious crime prevention orders that can be used against individuals and organisations
- the creation of new offences to outlaw encouraging or assisting someone to commit an offence [which will encompass money laundering], and
- improving data-sharing.

The bill targets those who operate around organised crime gangs - including money launderers - and will ensure that anyone connected even loosely with serious crime groups will face prosecution.

To see the full text of the Serious Crime Bill, [click here](#).

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### **Russian banker charged with murder of Andrei Kozlov - 17 January 2007**

Alexei Frankel, the head of a private bank in Moscow, has been charged with the murder of Andrei Kozlov, the deputy head of the Russian Central Bank. Frankel is accused of hiring gunmen to assassinate Kozlov in one of the most high-profile contract killings of recent years. Prior to his murder on 13 September 2006, Andrei Kozlov had headed a campaign to clean up the banking sector; the Central Bank revoked the licences of dozens of private banks, accusing them of many forms of criminal activity including money laundering. One of the banks affected was Frankel's VIP Bank, which was forced to close down last June. Frankel denies the charges.

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### **Directors of money transfer firm charged with laundering - 15 January 2007**

Two former directors and founding shareholders of NETeller, an online money transfer company registered in the Isle of Man, have been charged in the United States with laundering billions of dollars in illegal gambling proceeds. Canadians Stephen Lawrence and John Lefebvre were charged in Manhattan with conspiring to transfer funds with the intent to promote illegal gambling, and face a maximum sentence of 20 years in prison.

Money transfer companies like NETeller allow gambling companies to transfer money collected from US gamblers to bank accounts outside the United States. When Lawrence and Lefebvre helped take NETeller public in the UK in 2004, they "conceded that they were risking prosecution by the government of the United States under existing or future federal laws," according to US Attorney Michael Garcia. Prosecutors said that NETeller processed more than US\$7.3 billion [about £3.7 billion] in transactions in 2005, and more than 95% of its revenue from transfers involved Internet gambling companies.

NETeller's shares have fallen 60% since September 2006, following the arrests in the US of executives from British companies involved in online sports betting and the passage in October of a US law barring banks from transactions involving Internet gambling.

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### **Car dealer admits laundering proceeds of fraud - 12 January 2007**

A car dealer has admitted using his business to help launder the proceeds of a million pound bank fraud. Neil Kynoch, owner of Berkshire Motor World in Winkfield, was part of a conspiracy in which bank insiders at HSBC, Barclays and the Halifax allegedly hacked into the accounts of

wealthy customers to fleece them out of GBP 1.3 million. Dozens of account holders had their identities stolen in the year-long conspiracy; even a dead woman's account was drained of GBP 114,000.

Kynoch's company was one of a string of car dealerships used to launder GBP 400,000 of stolen cash. Under the pretence of having purchased a car, the fraudsters transferred money into the dealer's business account, and the dealer wrote a cheque back to the gang's account, keeping a percentage for himself. Kynoch initially denied his involvement but changed his plea. He will be sentenced following the trial of the other five accused.

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### **Assets Recovery Agency to be abolished - 11 January 2007**

The Assets Recovery Agency, set up in 2002 to take money from criminals, is to be abolished. The problem seems to be that the ARA has seized only £8 million from criminals, but cost £60 million to set up. However, although the ARA will cease to exist as an agency, its work and investigations will continue. It is understood that the Serious Organised Crime Agency (set up in 2006 to tackle drug trafficking and other major crime) will take over the assets recovery functions, and there may be additional powers for prosecutors to seize money, though this has not been confirmed.

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### **New UN chief publishes his personal financial records - 10 January 2007**

The new United Nations Secretary-General, Ban Ki Moon, has released his personal financial records, making him the first UN leader to do so publicly. In addition, Ban also has encouraged other high-level UN officials to disclose their finances publicly. UN guidelines call for all high-level UN staff members to disclose their personal financial records to an ethics unit, but they are not required to make them public. The Secretary-General, however, is an elected official, and not a member of the UN staff, so he has no legal obligation to file. Ban, a former foreign minister of South Korea, was required to file disclosure statements as a part of his role in the South Korean government.

Transparency International, the anti-corruption body, applauded Ban's decision. "We celebrate this gesture of open disclosure of information as a move toward greater transparency and accountability within the UN," said David Nussbaum, Transparency International Chief Executive. "Alongside

Ban, we also urge others – inside and outside of the UN – to follow this example.” The United Nations Convention against Corruption (UNCAC), which was signed three years ago and came into force in 2005, has extensive provisions for preventative measures in the public and private sectors. Article 52 of the convention makes specific reference to this stating the need for “effective financial disclosure systems for appropriate public officials”.

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### **Arrest warrant issued for British mafia wife - 8 January 2007**

The Italian authorities have confirmed that on 12 December they issued an arrest warrant for Ann Hathaway, a British woman married to jailed "Godfather" Antonio Rinzivillo. Ms Hathaway is accused in the warrant of mafia association. Rocco Ligouri, the Italian prosecutor in charge of the investigation, said: "The charge that Ann Hathaway faces is one of Mafia association. We believe that she was acting as the messenger between her husband in prison and other jailed members of the gang and people on the outside. We believe that she was involved in money laundering through pizzerias and building contractors." Ms Hathaway is believed to have returned to the UK from Rome before Christmas, and to have continued running the family crime empire from her home in Lancashire. 88 people have already been arrested in the Sicily-based operation, and police have seized more than £14 million in family assets including two building companies, a supermarket, a pizzeria and two haulage firms as part of the operation - codenamed Operation Choice Cuts because one of the family's alleged money laundering fronts was a meat wholesaler.

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### **IMF publishes detailed assessment of Denmark's AML regime - 5 January 2007**

The International Monetary Fund has published Country Report 07/2 - "Denmark: Detailed Assessment of Anti-Money Laundering and Combating the Financing of Terrorism". The executive summary suggests that although Denmark has a generally good AML/CFT regime, new legislation that came into force in March 2006 needs more time to bed in, with some key provisions still not implemented. Concern is expressed about the low level of submission of SARs by all sectors. There is also further work to be done on improving the regimes in Greenland and the Faroe Islands.

To download the full 252-page report, [click here](#).