



MONEY LAUNDERING

AND TERRORIST ACTIVITY FINANCING WATCH

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Money Laundering and Terrorist Activity Financing Watch:

- Summarizes relevant group-based, activity-based and country-based money laundering (ML) and terrorist activity financing (TF) issues;
- Alerts readers to new developments that could possibly be exploited for money laundering or terrorist activity financing purposes in Canada.

The ML/TF Watch is a quarterly review of news articles compiled by FINTRAC's Macro-Analysis and Research unit. The articles provided in this issue range from July 2012 to September 2012.

Caveat

The content presented herein is a summary of news articles and does not include any FINTRAC analysis. The views expressed are those of the original authors. FINTRAC is not responsible for the accuracy, currency or the reliability of the content. References to the respective articles are provided at the end of this document.

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Money Laundering

GROUP-BASED

Los Zetas drug cartel reported to use increasingly sophisticated techniques to launder money: On August 29th, 2012, *Moneylaundering.com* reported that the Mexican drug cartel Los Zetas is using increasingly sophisticated techniques to launder proceeds of crime. In addition to exploiting the U.S. financial system, the cartel is also resorting to trade-based schemes to vary its methods of laundering illicit funds and make them more complex. For instance, on August 29, 2012, the U.S. Department of Treasury's Office of Foreign Assets designated ADT Petroservicios, S.A. De C.V. under the Kingpin Act for its role in a Los Zetas scheme. As reported by *Moneylaundering.com*, the company is owned by Francis Antonio Colorado Cessa, an alleged narcotics trafficker and Los Zetas associate. Cessa allegedly used ADT Petroservicios as a front company in the Los Zetas-linked racehorse operation reported in international media earlier in 2012 (summarized in the *ML/TF Watch: April to June 2012*). According to *Moneylaundering.com*, in February 2012, Cessa wired US\$228,000 through ADT Petroservicios to purchase racehorses as part of a broader Los Zetas scheme to launder millions of dollars of drug proceeds through the purchase, training and breeding of American Quarter horses in the United States. According to the report, the use of commodities such as horses, and the use of oil services companies as fronts for money

laundering schemes are sophisticated techniques because they may help disguise proceeds of crime due to the high volumes of transactions and the fluctuating prices of the commodities. Following the designation of ADT under the Kingpin Act, some financial institutions have reportedly re-evaluated the risk of banking with Mexican oil services companies. *Moneylaundering.com* noted that the designation, which blocks U.S. banks and persons from engaging in transactions with ADT Petroservicios, may compel U.S. banks to close similar accounts in efforts to stop illicit money flows from entering the U.S. financial system. The trial for eight people arrested in connection with the Los Zetas money laundering scheme involving U.S. racehorses was originally set for October 22, 2012, but has been postponed until March 4, 2013 at the request of the defendants.¹

FINANCIAL ACTIVITY-BASED

Two Toronto men arrested after trying to launder over C\$520,000 in cash: On September 24, 2012, the *National Post* reported that two men were arrested in Toronto after one of them allegedly tried to launder C\$520,250 in cash through a Scarborough loan centre. According to the article, Ainsley Drakes went to "Money Money Cash" on June 14, 2012, with three duffel bags containing C\$520,250 in \$20, \$50 and \$100 bills. Drakes allegedly asked the loan centre to wire the cash to Los Angeles through an account at the loan centre held under the false identity of "Peter Charles Williams"; however, the business called him on June 15, 2012, to say that it could not

complete the transaction. The loan centre returned an undisclosed amount of cash to the defendant but did not return the remaining balance until July, after Drakes and co-defendant Andrew Wilson had allegedly harassed and threatened the business owners. Drakes has been charged with two counts of uttering a forged document, attempted laundering of the proceeds of crime, possession of the proceeds of crime, uttering a forged passport and conspiracy. Wilson has been charged with conspiracy in connection with the investigation. As reported by the *National Post*, Drakes was previously charged for money laundering and fraud in 2001 for his role in an advance fee letter fraud scheme that targeted individuals and corporations around the world and defrauded victims of between C\$52,000 and C\$5 million in 2001.²

Quebec corruption probe resumes after three month break: On September 17th, 2012, the Charbonneau Commission resumed its inquiry into allegations of corruption within Quebec's construction industry after a three-month break. According to the *Montreal Gazette*, allegations were first made by former police chief Jacques Duchesneau, who produced a report in 2011 presenting his findings regarding collusion in public construction contracts and claiming that 70% of political financing in Quebec was "illegal." In opening remarks on September 17th, 2012, Superior Court Justice France Charbonneau announced that most of the inquiry taking place during the fall of 2012 would investigate the infiltration of organized crime into the construction industry, and links between those

schemes and the funding of political parties in the province. In particular, the focus will be on the presence of corruption in the awarding and management of public contracts, particularly in the areas of Montreal and Laval, and the financing of municipal political parties. The commission has shared limited information with the public about the inquiry, only making its witness list available 24 to 48 hours before the people are due to testify. According to the *Globe and Mail*, the court will hear testimonies from both national and international law-enforcement agents and experts, specializing in criminal biker gangs and the Mafia. Fifty witnesses are expected to testify, some of whom are facing charges and will testify behind closed doors or under a publication ban. The Charbonneau Commission has until October 19, 2013, to report the findings of its inquiry.³

Ten defendants charged for illegal gambling and money laundering in the United States: On September 24, 2012, an 81-count federal indictment was unsealed charging ten defendants for their alleged involvement in an illegal gambling and money laundering operation. According to the U.S. Attorney's Office, the defendants operated "low stakes" and "high stakes" poker games from a residence in Oklahoma City; took bets and wagers on sporting events on behalf of clients; used an illegal internet gambling website in interstate and foreign commerce for the benefit of clients; laundered the proceeds of illegal gambling activities; and committed various crimes related to the operation of illegal gaming activities. Teddy Mitchell, who allegedly organized the poker games, enlisted

professionals from local casinos, associates and family members to operate both “low stakes” and “high stakes” poker tables. The group took a percentage commission from the amount of money bet in each hand of poker, also known as a “rake,” generating income from at least 400 games played each week. In addition to the poker games, Teddy Mitchell acted as a “traditional bookmaker” and took bets for sports events. According to a press release issued by the U.S. Attorney’s Office, Teddy Mitchell and Dryden Mitchell allegedly recruited, enlisted and managed sports betting clients on behalf of Gortation Management, a legal Costa Rican corporation that acts as a clearing house for bookmakers throughout the United States. They also allegedly provided a percentage of money collected from clients using their illegal Internet sports betting website to the corporation. The press release also indicated that Teddy and Dryden Mitchell, Gortation Management and co-defendants David Loveland, Richard Hancock and Gary Gibb conspired to launder over US\$8.1 million in proceeds from the gambling operation through cheques payable to the corporation. The co-defendants allegedly received the cheques from clients who had lost bets. These cheques were negotiated at California cheque-cashing facilities and were also deposited to Gibb’s accounts. Gibb had signing authority on domestic financial accounts related to Gortation Management. The U.S. Attorney’s Office claims that Teddy Mitchell, who owns multiple companies, used business accounts to launder the proceeds of the gambling operation. He deposited the illicit funds to the accounts under the headings

“Gambling Income,” “Vending Games” and “Poker,” and used the money to purchase high value goods such as vehicles and real estate. The trial is set for April 2013.⁴

Kimberly Rothstein charged with laundering proceeds of Ponzi scheme: On Thursday, September 6, 2012, the wife of convicted Ponzi schemer Scott Rothstein was charged with money laundering for attempting to conceal assets worth US\$1 million from federal authorities. *Thomson Reuters* reports that Kimberly Rothstein, along with Stacie Weisman and Scott Saidel, allegedly conspired to hide and sell jewelry that was purchased with the proceeds of her husband’s US\$1.2 billion Ponzi scheme. When pleading guilty in 2010, Scott Rothstein agreed to forfeit all assets purchased through his Ponzi scheme, including real estate, vehicles, vessels, business interests, luxury watches, jewellery and sports memorabilia. However, according to the *Associated Press*, Rothstein, Weisman and Saidel hid certain high value items, including a 12 carat-carat diamond ring, to avoid losing them. Weisman and Saidel later sold some of the jewellery, and allegedly deposited cash and cheques into various banks, including a law firm trust account at Wachovia Bank, often in amounts of less than US\$10,000. If convicted, Rothstein, Weisman and Saidel each face up to five years in prison.⁵

Money launderers target United Kingdom law firms: On August 28th, 2012, *Thomson Reuters* reported that, according to the United Kingdom’s Law Society, money launderers are now targeting UK law firms that engage in

litigation. As it becomes increasingly difficult to move large sums of money through the financial system without a plausible explanation, criminals are reportedly attempting to use law firms to launder money because a lawyer's involvement in a payment adds "much needed legitimacy" to the transaction. In a briefing sent to its members, the Law Society made note of several reoccurring money laundering schemes aimed at law firms. One such scheme, which also defrauds lawyers, involves launderers overpaying fees to the law firm in advance with fraudulent or stolen cheques, then requesting the balance before the cheque can clear. In another scenario, launderers will email small or medium-sized law firms requesting assistance in recovering a debt. The debtor will then contact the law firm, offering to pay the firm his or her debt with a cheque. Once the law firm receives the cheque, it will deposit the sum, minus a fee, into its client's account, potentially moving proceeds of crime through the financial system. According to *Thomson Reuters*, despite numerous warnings, the Serious Organized Crime Agency continues to receive reports of the aforementioned schemes.⁶

COUNTRY-BASED

U.S. Senate Permanent Subcommittee on Investigations determines that HSBC exposed the U.S. financial system to ML and TF risks: On July 17th, 2012, the U.S. Senate Permanent Subcommittee on Investigations released a 330-page report that examined current money laundering, drug trafficking, and terrorist financing threats

associated with correspondent banking. It used HSBC as a case study because it is one of the largest financial institutions in the world and had "weak" anti-money laundering (AML) controls, according to the Committee's report. The Subcommittee identified five key AML and terrorist financing issues facing correspondent banking in the United States: a lack of due diligence when opening correspondent accounts for high risk affiliates; facilitating transactions that oppose U.S. efforts to stop unwanted actors from accessing the financial system; providing correspondent services to banks linked to terrorism; clearing suspicious bulk U.S. dollar travellers cheques; and offering high risk bearer share corporate accounts. After a year-long investigation into the bank's operations, the Subcommittee found that HSBC's U.S. affiliate HBUS had multiple AML deficiencies that exposed the U.S. financial system to various threats, including transactions from Mexican drug cartels, suspicious travellers cheques, bearer share corporations and "rogue jurisdictions." In addition, HSBC circumvented U.S. sanctions prohibiting dealings with Iran, North Korea and Sudan by disguising the origin of financial transfers. It also allegedly provided banking services to some banks in Saudi Arabia and Bangladesh believed to have helped fund Al Qaida and other terrorist groups. An internal audit commissioned by the bank found that HBUS conducted 28,000 undisclosed sensitive transactions between 2001 and 2007, with approximately US\$19.7 billion worth of transactions involving Iran. Moreover, HSBC Mexico (HSMX) allegedly sent approximately

US\$7 billion in cash to HBUS between 2007 and 2008, despite both Mexican and American authorities expressing concerns that drug cartels would try to avoid AML controls by “transporting U.S. dollars to Mexico” where they would arrange bulk cash deposits and then transfer the funds to HBUS via HSMX. On July 26th, *Reuters* reported that Mexico’s National Banking and Securities Commission fined HSMX US\$27.5 million for lax AML controls. However, that fine is reportedly separate from any settlement the bank might reach with the United States Department of Justice, which is conducting its own investigation into HSBC and its affiliates. According to the *Associated Press*, HSBC issued an apology to its shareholders on July 30th and revealed it has set aside a provision of US\$700 million to settle the allegations made against it by regulators in the United States.⁷

Standard Chartered Bank settles after accusation of systematically concealing US\$250 billion in transactions linked to Iran: On August 14, 2012, the New York State Department of Financial Services (DFS) and Standard Chartered Bank (SCB) reached an agreement to settle the accusations summarized in an “Order Pursuant to Banking Law § 39” released by DFS on August 6, 2012. SCB was accused of leaving the United States financial system vulnerable to terrorists, criminals and corrupt regimes, and of withholding critical information from law enforcement investigators. The document outlined how, from 2001 to 2010, SCB engaged in deceptive misconduct in order to process 60,000 secret “U-turn” transactions

for Iranian clients. The transactions amounted to approximately US\$250 billion, earning millions of dollars in fees for SCB. U-turn transactions are transactions initiated on behalf of Iranian clients by non-Iranian foreign banks that only pass through the U.S. financial system on the way to other non-Iranian foreign banks. Although Iran has been subject to economic sanctions since 1979, U.S. financial institutions were still able to process “U-turn” transactions for Iranian banks, individuals and other entities. According to the Order, the U.S. Treasury department revoked the license for “U-turn” transactions in November 2008, citing concerns that Iranian banks such as CBI/Markazi, Bank Saderat and Bank Melli were being used to finance Iran’s nuclear weapons and missiles programs, in addition to supporting terrorist organizations such as Hizballah, Hamas and the Palestinian Islamic Jihad. Earlier in 2008, OFAC had imposed new standards, putting the onus on the banks to determine if the U-turn transactions they received were compliant with U.S. law, closing the last general entry point for Iran to the U.S. financial system. In violation of these imposed regulations, SCB is charged with concealing and processing nearly 60,000 transactions for Iranian clients from 2001 to 2010 using the U-turn loophole. The Order alleged that SCB’s New York branch cleared transactions in U.S. dollars ultimately destined for Iran, which originated and terminated in banks in the United Kingdom and the Middle East. According to *Thomson Reuters*, SCB concealed transactions to Iranian state-owned banks, including Bank Saderat and Bank

Melli, by removing codes on the transactions and manipulating message fields by inputting phrases such as “NO NAME GIVEN.” As reported by *Moneylaundering.com*, internal emails that were included in the DFS investigation suggested that executives were aware that the bank’s relationship with its Iranian clients could lead to regulatory action but nevertheless continued their business relationship. For instance, in 2001, SCB’s group legal advisor allegedly provided instructions describing how to avoid identifying clients when providing payments for the Bank Markazi, Iran’s Central Bank. According to a DFS press release, the final settlement requires SCB to pay a civil penalty of US\$340 million to DFS, in addition to employing a monitor who will report to DFS for a minimum of two years. SCB’s New York Branch must also put permanent personnel in place to oversee compliance with anti-money laundering standards.⁸

United States Department of Justice announces a new anti-money laundering offensive: On August 31st, 2012, *Reuters* reported that the United States Department of Justice (DOJ) is implementing a new anti-money laundering offensive by criminally charging financial institutions with weak compliance systems that fail to stop illicit money flows. Although the direct regulators of financial firms, including the Office of the Comptroller of the Currency, traditionally monitor compliance programs, the DOJ wants to increase the number of criminal cases it charges under the Bank Secrecy Act, which requires financial institutions and their employees to put in safeguards to combat

money laundering. Cases brought under the Bank Secrecy Act by the DOJ will have potential financial penalties equivalent to the amount of illicit funds moved through the financial institution and prison sentences ranging between five and ten years for individuals within those institutions. According to *Reuters*, the DOJ charged cheque-cashing businesses in Brooklyn and Los Angeles with failing to file certain transaction reports and failing to employ an effective anti-money laundering program in June 2012. This was the first time that individuals, in this case the owners of the businesses, were also charged with failing to have an effective anti-money laundering program. *Reuters* reports that in response to the DOJ’s new money laundering offensive, banks and financial institutions in the United States may need to reassess their anti-money laundering programs to ensure they are not liable to criminal charges of money laundering, in addition to satisfying the existing requirements of banking regulators. The DOJ’s new money laundering offensive has included the creation of a specialized unit in 2010 to address money laundering and bank integrity, with a focus on current misconduct by banks and financial institutions rather than conducting a historic review of past offences. *Reuters* also notes that the DOJ is increasing its attention to charging “professional money-launderers” rather than adding money laundering charges to an existing drug or corruption case.⁹

Terrorist Activity Financing

GROUP-BASED

United States seizes US\$150 million in Hizballah-linked funds: On August 20th, 2012, the U.S. Attorney's Office reported that the United States seized US\$150 million from the Lebanese Canadian Bank (LCB) for its involvement in an international money laundering scheme previously linked to Hizballah, a listed terrorist organization. On December 15, 2011, the United States Attorney's Office issued a press release announcing the filing of a civil money laundering and forfeiture suit seeking over US\$480 million from entities that facilitated an alleged Hizballah money laundering scheme. The press release announced that between January 2007 and early 2011, approximately US\$329 million was wired from the LCB and other financial institutions to the United States for the purchase of used cars, which were then shipped to West Africa and sold. Proceeds from the car sales and from narcotics trafficking were then laundered through Hizballah-linked channels through West Africa and sent back into Lebanon. On February 10, 2011, the United States Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) issued a finding and proposed rule under provisions of the USA PATRIOT Act labelling LCB as a financial institution of primary money laundering concern. According to *Examiner.com*, another Lebanese financial institution, the Société Générale de Banque au Liban (SGBL) then agreed to purchase most of the assets and liabilities belonging to

the now-defunct LCB in September 2011 for US\$580 million. Of the US\$580 million acquired by the SGBL, US\$150 million was held in escrow at a third Lebanese-based financial institution, the Banque Libano Française SAL (BLF). The U.S. Attorney's Office reports that while the funds held in the escrow account at BLF are traceable to the LCB, they are not subject to forfeiture under United States law because they are held in an account in Lebanon. However, under U.S. law, funds can be seized if there is "probable cause to believe that funds subject to forfeiture are on deposit with that bank overseas." As a result, pursuant to seizure warrants issued on August 15, 2012, the United States seized US\$150 million from the BLF's correspondent account at a bank in the United States, which it uses for transactions involving U.S. currency. According to the August 20, 2012, press release, the funds will be transferred to a seized assets account maintained by the U.S. Marshals Service pending resolution of the forfeiture action.¹⁰

FINANCIAL ACTIVITY-BASED

U.S. Judge rules man can sue Arab Bank for providing material support to Hamas:

On September 12th, 2012, U.S. District Judge Jack Weinstein ruled that Mati Gill, a dual citizen of the United States and Israel, could sue the Jordan-based Arab Bank for providing material support to Hamas, a Palestinian terrorist group. Gill, who was wounded in 2008 by gunshots fired from Gaza into Israel, is seeking to hold Arab Bank liable under the U.S. Anti-Terrorism Act, alleging that the bank provided material support to the group and

conspired with Hamas to commit acts of violence. *Thomson Reuters* reports that in order for Gill to proceed with his case, he will have to prove that the bank knew the funds it made available to Hamas' political branch were used for military operations; that Hamas used the money to fund the attack in which Gill was injured; and that the bank was aware the funds could be used to harm American citizens. An alleged representative of Hamas has claimed credit for the 2008 shooting, but Arab Bank has denied Gill's claims, arguing that Gill was shot in the crossfire between two military forces. If the Arab Bank's motion for summary judgment is not awarded, the case will go to trial on November 19th.¹¹

Two men sentenced to three years in UK prison for fundraising for terrorism: On August 1, 2012, the *Canadian Press* reported that London's Central Criminal Court sentenced twin brothers, Mohammed Shabir Ali and Mohammed Shafik Ali, to three years in prison after they admitted to raising and sending funds to Somalia in support of terrorist activities. According to an article in the *Guardian*, prosecutor Timothy Cray alleged that the two men had conspired to raise money from the public through a religious stall in order to send it to a third brother, Mohammed Shamim Ali, who was in Somalia receiving terrorist training. The prosecutor also alleges that the twin brothers were in possession of a document written by Anwar al Awlaki, who led Al Qaida in the Arabian Peninsula before he was killed in 2011 by a drone strike. The document, entitled "44 Ways to Support Jihad," had sections describing how to raise money for

terrorism. In his sentencing remarks, Mr. Justice Fulford stated that the two men admitted to sending 3,000 pounds (C\$4,700) from England to Mohammed Shamim Ali in Somalia between August 2008 and October 2010. The prosecution accepted that the funds were sent primarily due to concerns for the mental and physical health of Mohammed Shamim Ali; however, in his sentencing, Justice Fulford noted that the concern was within the context of their brother's planned involvement in terrorism. Mohammed Shabir Ali and Mohammed Shafik Ali pleaded guilty in a plea bargain to one count of fundraising contrary to section 15 under the United Kingdom's *Terrorism Act 2000*, which states that an offence is committed when money is provided for known or suspected terrorist use.¹²

Tunisian suspected of financing Al Qaida arrested in France: On Tuesday, July 3, 2012, French authorities arrested a Tunisian administrator of an extremist French website on preliminary terrorism charges. According to the *Associated Press*, the man is suspected of acting as both a financier and recruiter for a wide range of groups, which include Al Qaida, Al Qaida in the Islamic Maghreb, Fatah al Islam and the Islamic State of Iraq. Upon the arrest, the Paris prosecutor's office cited evidence indicating that the suspect "sent material from his computer to terrorist groups," and collected funds, estimated to be in the thousands of euros, for the terrorist groups to purchase weapons. According to prosecutors cited in the *Associated Press*, the suspect allegedly played a central role in financing foreign terrorist groups and using the Internet

to support terrorism. Although the suspect was based in Toulon, France, the website was hosted outside of the country and included an encrypted private messaging system that allegedly allowed the suspect to communicate with foreign terrorist groups. The *Associated Press* reported the man's arrest on preliminary charges after a year-long investigation. Under French law, preliminary charges indicate that there is strong reason to believe a crime was committed. This preliminary status allows more time for an investigation before a final decision is made on whether to send the case to trial. The suspect's name has not yet been released.¹³

Anders Behring Breivik found sane and sentenced to 21 years in prison: On August 24th, 2012, a Norwegian court ruled Anders Behring Breivik to be sane and sentenced him to 21 years in prison. Breivik admitted killing 77 people and wounding 242 others on July 22, 2011 when he bombed a government building in central Oslo and opened fire at the Labour Party's annual summer camp on Utøya Island. *ERR Estonia Public Broadcasting* reported that Breivik allegedly financed his attacks through the sale of forged university diplomas over the Internet. According to the same source, Breivik would withdraw small amounts of cash from ATMs in Oslo, which his mother would then deposit into one of her three accounts before transferring them to one of Breivik's 14 offshore accounts. As reported by *BBC News*, Breivik was convicted of terrorism and premeditated murder, and will have to serve a minimum of 10 years in prison. Although the maximum prison sentence in Norway is 21

years, the *Associated Press* reported that Breivik will likely spend his life in prison since he was sentenced under "preventive detention," which allows his sentence to be extended as long as he is considered too dangerous for release. The article published by the *Associated Press* notes that neither Breivik nor the prosecutors are willing to appeal the sentence.¹⁴

COUNTRY-BASED

Canada lists Iran and Syria as state sponsors of terrorism and suspends diplomatic ties with Iran: On September 7, 2012, Foreign Affairs Minister John Baird issued a statement announcing the closure of the Canadian embassy in Iran and expelling all remaining Iranian diplomats in Canada. In his statement, Baird declared Iran to be "the most significant threat to global peace and security in the world today," and announced the Government of Canada's formal designation of Iran as a state sponsor of terrorism under the Justice for Victims of Terrorism Act. The Act came into force on March 13, 2012, and stipulated that the Canadian government must release a list of designated state sponsors of terrorism by September 13, 2012. Canada has also formally listed Syria as a state sponsor of terrorism, making Iran and Syria the first countries to be listed under the Act. Under the Justice for Victims of Terrorism Act, victims of terrorism may sue designated states for loss or damage resulting from an act of terrorism anywhere in the world as long as the victims are Canadian citizens or permanent residents, or if there is a substantial connection between

their claim and Canada. *Canada.com* reports that the law is similar to legislation in the United States, where it has proven difficult to successfully sue a foreign state accused of supporting terrorist activity. A July 2009 report conducted by the Library of Parliament revealed that nations sued in U.S. courts for supporting terrorism refused to defend themselves or pay when found liable. *Canada.com* writes that designated states, such as Iran and Syria, have limited assets in Canada and the United States that can be given to victims of terrorism. Furthermore, as reported by *Canada.com*, fears of retaliation and potential violations of international law on state immunity have made it difficult to turn over Iranian and Syrian assets frozen by the United States government when they do exist. In addition to listing Iran and Syria as state sponsors of terrorism, the Government of Canada suspended all diplomatic ties with Iran, citing Tehran's support of the Assad regime in Syria, its nuclear weapons program and its threats against Israel as reasons behind its decision. The Canadian embassy in Tehran has subsequently been closed. In his statement, Baird declared all Iranian diplomatic personnel in Canada as "personae non gratae," instructing them to leave the country within five days of the announcement.¹⁵

United States designates Haqqani network as terrorist organization: On September 7, the United States Secretary of State Hillary Clinton formally designated the Haqqani network as a foreign terrorist organization. According to an article published by *BBC News*, the Haqqani network has been linked

to both Al Qaida and the Taliban, and is responsible for several high-profile attacks against foreign troops in Afghanistan. The *Canadian Press* reported that although the United States had previously sanctioned leaders of the group, including founder Jalauddin Haqqani and his sons, it had not previously designated the group as a terrorist group out of fear it would jeopardize reconciliation efforts between the government of the United States and insurgents in Afghanistan. The designation stems from action taken by the United States Congress in July 2012, establishing a deadline of September 9, 2012, for the administration to impose sanctions on the Haqqani network. The designation bans Americans from conducting business with members of the group and freezes the group's assets held in the United States.¹⁶

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