



# **MONEY LAUNDERING**

## **AND TERRORIST ACTIVITY FINANCING WATCH**

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Financial Transactions and  
Reports Analysis Centre  
of Canada

Centre d'analyse des opérations  
et déclarations financières  
du Canada

Canada 

## Money Laundering and Terrorist Activity Financing Watch:

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

ML/TF Watch is a quarterly review of news articles and is compiled by FINTRAC's Macro-Analysis and Research unit. It provides links to more detailed information sources (all references mentioned are hyperlinked to their sources). The articles provided in this issue range from July 2009 to September 2009.

### Caveat

The views expressed herein are those of the original authors except where specifically noted.

## Money Laundering

### → Group-based (p.2)

- Hells Angels and the Quebec construction sector (p.2)
- The Avenues and the Mexican Mafia (p.2)
- The Oficina de Envigado and Hizballah (p. 2)
- The Organization (p.3)
- The Italian Camorra and Sacra Corona Unita (p.3)

### → Financial Activity-based (p.3)

- Bertram Earl Jones – Ponzi scheme (p.3)
- Vincent Lacroix – investment fraud (p.4)
- Milowe Brost and Gary Sorenson – Ponzi scheme (p.4)
- Laundering of illegal gaming proceeds (p.4)
- ML through precious metals (p.5)
- ML through vehicle dealerships (p.5)
- ML through charities (p.5)
- ML through complicit MSBs (p.6)
- ML through comic books (p.6)
- ML through offshore accounts, music and club events (p.6)
- ML through football (soccer) (p.7)
- ML through digital currencies (p.7)

### → Country-based (p.8)

- Quebec strengthens white collar crime police units (p.8)
- FSA fines Barclays PLC \$4US million (p.8)
- FinCEN issues warning advisory to casinos (p.8)
- Tax evasion to become predicate offence of ML for the U.S. and FATF (p.8)
- U.S. vs. UBS Case (p.9)
- Iranian businessman wants his US\$18.5 billion back from Turkey (p.10)
- Bermuda AML initiatives (p.10)
- Philippines to improve AML/CTF laws (p.10)
- New Zealand's AML/CTF Bill (p.11)

## Terrorist Activity Financing

### → Group-based (p.11)

- FARC operatives indicted and affiliated companies designated (p.11)
- Al-Qaida funding disrupted (p.11)
- Financier Salah Ezzedine and Hizballah (p.12)
- Turkish men in Germany charged for aiding Al-Qaida (p.12)
- Kata'ib Hizballah and IRGC-Qods Force (p.12)
- LeT financial networks target India from Gulf-states (p.13)
- American businessman allegedly funded Al Qaida-linked organizations (p.13)
- Syrian man charged with aiding FARC (p.13)

### → Financial Activity-based (p.14)

- TF through robberies in Europe; money laundered through Moroccan tourism industry (p.14)
- Saudi Arabia progress report on countering terrorism (p.14)
- Taliban funding related to Gulf states, the drug trade and/or other criminal activity (p.14)

### → Country-based (p.16)

- U.S. Muslim charities now erase speculation through BBB accreditation (p.16)
- U.S. targets four Pakistanis' for TF (p.16)
- U.S. and EU agree to renew bank data sharing agreement (p.16)
- SEC now requires issuers to disclose dealings with terrorist-sponsoring nations (p.17)
- Court ruling could affect OFAC's ability to freeze assets of terrorist cases (p.17)
- UBS civil lawsuit for contributing to TF dismissed (p.17)
- New bank in Gaza Strip with Hamas ties may be blacklisted (p.18)

## Money Laundering

### GROUP-BASED

**Hells Angels and the Quebec construction sector:** Six people linked to Normand Marvin (Casper) Ouimet, an alleged member of Hells Angels, were arrested on September 17 by the Sûreté du Québec (SQ) for allegedly assisting the biker to launder money. The SQ had been investigating Ouimet's money laundering activities, which they believed he was conducting through Quebec's construction industry. The arrests were part of the SQ's "Operation Diligence", an investigation into the money laundering (ML) activity and the infiltration of the economy by outlaw motorcycle gangs. Last March the SQ raided the offices of nearly a dozen of Quebec construction companies in order to obtain documents related to an alleged money laundering scheme. The SQ targeted Guay Inc. (Canada's biggest crane builder), and Jocelyn Dupuis (former director general of FTQ-Construction) who were both long-time friends of Ouimet. Last June, CBC Radio Canada interviewed Paul Sauvé, a masonry contractor whose company was allegedly infiltrated by the Hells Angels. In 2006, when Sauvé's company was in deep financial trouble and needed cash to finish building a project, he was advised to hire Ouimet. Within weeks Ouimet took control of the firm and oversaw all financial transactions, signed all correspondence and had employees report to him directly. Ouimet paid employees in cash (believed to be the proceeds of illegal activity) and gave false invoices to Sauvé, who issued cheques to Ouimet's numbered company. While the relationship between Sauvé and Ouimet has now ended, Ouimet, along with other members of the Hells Angels, are still believed to be linked to Quebec's construction industry.<sup>1</sup>

**The Avenues and the Mexican Mafia:** On September 23, 88 alleged members and associates of a street gang known as "the Avenues" were indicted by a federal grand jury in California for various charges, including money laundering. Officials believe that the gang is associated with the "Mexican Mafia", a Mexican-American prison gang and that the leaders of both groups met to discuss gang business and procedures for conducting criminal activity. The Avenues were engaged in the street-level distribution of crack cocaine, methamphetamine, and heroin. The drugs were distributed to a number of other gangs and extortion payments, dubbed "taxes", were collected by the Avenues distributors. The criminally-derived "tax" payments were deposited into "canteen accounts"—bank accounts offered by U.S. prisons, which are funded by inmates and meant to be used for recreational, vocational and medical purposes. The funds were allegedly used by incarcerated gang members and leaders to pay for narcotics, firearms, cellular phones and attorneys.<sup>2</sup>

**The Oficina de Envigado and Hizballah:** The Office of Foreign Assets Control of the U.S. Treasury Department blacklisted Colombian Francisco Antonio Florez Upegui, as well as 18 people and six entities linked to him on July 10. Florez Upegui and his associates have close ties to the Oficina de Envigado, a violent Medellín-based organized crime group that engages in large-scale drug trafficking and money laundering activities in Colombia. In October 2008, Florez Upegui and many of his senior associates were captured in Colombia, including Chekri Mahmoud Harb, a significant money launderer originally from Lebanon. The arrests were a result of U.S. and Colombian police investigations that uncovered financial links between Harb and Hizballah. Prosecutors claim that 12% of the drug proceeds from the Colombian cartel were laundered by Harb

through front companies and sent to Hizballah. Other “significant money launderers” in the organization’s extensive network include Robinson Duvan and Oscar Alonso Acosta Serna. The Francisco Antonio Florez Upegui organization is involved in trafficking narcotics to the United States, Mexico, Guatemala, Panama, and even to regions such as Africa, Europe, and the Middle East.<sup>3</sup>

**The Organization:** Jesus Eduardo Valencia-Arbelaez, was extradited from Romania on September 3 to face cocaine trafficking and money laundering charges in New York. Valencia-Arbelaez is the leader of the “Organization”, an international cocaine trafficking organization which is based in Colombia and Venezuela, but operates worldwide. The events leading to Valencia-Arbelaez’s arrest began in 2007, when members of the Organization sought to purchase a cargo plane in order to transport metric tons of cocaine from Venezuela to West Africa. The financing for the plane was arranged through a corporation based in Cyprus and registered in Sierra Leone. In October 2007, €1.25 million in cash was delivered to the Organization’s European contacts, and in January 2009 a further €250,000 in cash was also delivered. These deliveries, believed to be the proceeds of drug-trafficking activity, represented payments towards the plane. Organization members deposited the money into different bank accounts in the United States. Evidence also indicates that the Organization had between €30 and 60 million in Spain which also needed to be laundered.<sup>4</sup>

**The Italian Camorra and Sacra Corona Unita:** In Switzerland’s biggest organized crime trial, seven out of nine defendants accused of supporting the Italian Camorra and Sacra Corona Unita organizations were acquitted on July 8 due to lack of evidence.

The remaining defendants, Paolo Savino and Pietro Virgilio, were charged with participating in and supporting a criminal organization, by helping to smuggle over 2 billion packs of cigarettes and laundering more than US\$1 billion over 10 years. The defendants deposited large sums of money, originating in Italy, into Swiss bank accounts in order to purchase untaxed cigarettes in the United States and Latin America. Afterwards, the cigarettes were smuggled into Italy, where they were sold at prices that undercut legitimately taxed cigarettes. According to the indictment filed by Switzerland’s attorney general, the criminal operation generated as much as US\$2 million per week. These profits were couriered across the Italian-Switzerland border, and laundered through Swiss banks.<sup>5</sup>

## FINANCIAL ACTIVITY-BASED

**Bertram Earl Jones – Ponzi scheme:** Bertram Earl Jones, a Canadian financial advisor, was arrested and charged with four counts of theft and four counts of fraud in July 2009. Jones was alleged to have swindled as much as \$75 million out of nearly 150 investors in a Ponzi scheme that used funds from one investor to pay guaranteed minimum returns to another. The scheme came to light in late June when victims learned that the monthly cheques issued by Jones had bounced, expenses normally paid by Jones on behalf of his clients were overdue, and Jones himself could not be reached nor found. Regulators froze Jones’ accounts, which had little money left, and the Supreme Court of Canada declared Earl Jones Consultant and Administration Corp bankrupt. Earl Jones had not been registered as a financial advisor in Québec, but acquired his clients through word of mouth. Senior home residents and/or hospital patients were targeted by the financier who claimed he had

been in the business for 35 years. His clients surrendered control of their finances to Jones who, on their behalf, made investments, completed tax returns and took care of mortgage payments and monthly nursing home fees. The investigation revealed that Jones and his wife appeared to have spent at least \$12 million of their client's money since the mid-1980s. Although there was a large gap in bank records, documents from 1987-1999 and 2008-2009 showed \$4.6 million in cheques to the benefit of Jones and his wife, of which more than \$900,000 was spent on real estate, almost \$900,000 was withdrawn in cash, \$500,000 was transferred to a bank in Bermuda, and \$600,000 was spent on children's schooling. The Montreal financier, whose victims were mainly from Quebec, turned himself in to Quebec police in late July and was awaiting trial, scheduled for October 2009.<sup>6</sup>

**Vincent Lacroix – investment fraud:** On September 21, Vincent Lacroix of Montréal pleaded guilty to nearly 200 charges of fraud, conspiracy to defraud, conspiracy to commit forgery, fabricating documents and money laundering. The failed financier deceived 9,200 investors out of \$115 million through his now-bankrupt Norbourg Group of mutual funds. The plea came as a surprise and was a disappointment for his victims, many of whom believe that Lacroix is avoiding a trial by jury which would ultimately require him to reveal details of what he did with investors' money and whether it still remains hidden. Quebec authorities have taken the \$6 million in taxes paid by Lacroix and divided it up among the 9,200 victims—totalling \$730 each. Between 2003-2005 Lacroix and five other alleged accomplices manipulated mutual fund values, and used Norbourg's funds for personal expenses. False receipts and documents were forged in order to hide the company's losses. Nearly \$10 million was diverted from mutual fund investors to a "ghost account"; \$4 million

was subsequently transferred to the personal accounts of Lacroix and his wife. In addition, Norbourg hired a computer specialist, who had access to all the financial data of the company, to falsify reports. It has been reported that Lacroix filed up to 115 false reports with securities regulators.<sup>7</sup>

**Milowe Brost and Gary Sorenson – Ponzi scheme:** Two Alberta men, Milowe Brost and Gary Sorenson, were charged on September 15 with orchestrating one of the biggest investment scams in Canadian history. The Ponzi scheme is estimated to have defrauded as many as 3,000 Canadian and U.S. victims out of \$400 million. The RCMP's Integrated Market Enforcement Team arrested Brost, yet could not arrest Sorenson as he was in Honduras. In an effort to clear his name, Sorenson later flew back to Calgary where he was arrested by the RCMP. The scheme promised investors annual returns as high as 40% and RRSP tax shelters. The two men are accused of running a series of phony shell companies and a front company called Merendon Mining Corp. Ltd. The front company was promoted through firms called Capital Alternatives Inc. and The Institute for Financial Learning Group of Companies. The Institute instructed potential investors to pay an initiation fee of \$1,700 and would then offer them the opportunity to make offshore investments with promised annual returns of 35-40%. Investors' money was sent to accounts overseas but was no longer accessible by investors. Like most classic Ponzi schemes, money provided by new investors was used to pay dividends to old investors. Investors are normally discouraged from withdrawing cash for as long as possible, since excessive withdrawals cause the scheme to collapse.<sup>8</sup>

**Laundering of illegal gaming proceeds:** A Canadian man faces fraud and money laundering charges in the United States after

he allegedly processed more than US\$350 million in online gambling payments. It is alleged that Douglas Rennick, who lives in Canada, tried to disguise transactions in order to distribute gambling winnings to U.S. residents. From 2007 to June 2009, Rennick allegedly opened bank accounts under five corporate names and falsely represented that the accounts would be used for the purposes of issuing rebate cheques, refund cheques, sponsorship cheques, affiliate cheques, and to perform minor payroll processing. Rennick used the accounts to receive funds from offshore Internet gambling companies. The winning payments were then dispersed via cheques to U.S. residents. Millions of dollars were also funnelled from a Cyprus bank to two bank accounts in California. Unlike in Canada, processing transactions for the purpose of online gambling is illegal in the United States. Rennick has been ordered to forfeit monies obtained through the gambling plot, which represent the highest amount ever tied to an illegal online gambling business.<sup>9</sup>

**ML through precious metals:** A Miami man, Audie Watson, was convicted on fraud, money laundering and immigration charges on September 24 after selling identification documents that granted memberships to the Native American “Pembina Nation Little Shell” tribe. Memberships were sold at US\$1,500 per individual and US\$2,000 per couple, earning Watson a total over US\$2 million. Watson deposited a part of the money into the account of his non-profit corporation called “Universal Service Dedicated to God Inc.” at the Bank of America. Payments for other memberships were transferred to his personal accounts by PayPal, EverBank (a deposit-taking institution specializing in mortgages), and by Kitco (a Canadian precious metals broker). With the funds from his Kitco account, Watson bought 100 gold Krugerrands worth nearly US\$100,000.<sup>10</sup>

**ML through vehicle dealerships:** Two brothers and former vehicle dealership operators in the United States, Damon and Larry Young, pled guilty on September 21<sup>st</sup> to money laundering charges and admitted they failed to report large cash transactions involving criminal proceeds. In 2004, the Drug Enforcement Administration (DEA) seized a 2003 Range Rover from a heroin dealer. The Vehicle was registered under Platinum Motors, a dealership operated by the Young brothers, with the drug dealer’s mother as the listed buyer. The Young brothers presented a letter to the DEA claiming that the dealership held a lien on the vehicle of US\$18,263 and that they were not aware that the vehicle would be used for drug trafficking. Once the DEA released the vehicle back to them, the Young brothers contacted the mother of the drug dealer and paid her for the vehicle. The DEA began an investigation on the Young brothers and conducted a sting operation which caught them red-handed. The brothers sold a vehicle to a DEA undercover agent for US\$19,000 cash which, they were told, was proceeds of criminal activity. The brothers then filed paperwork indicating that only US\$9,000 was provided as a down payment, and filed a phony lien for US\$10,000, representing the amount “financed” by the dealership. In the event that the vehicle was seized by the government, the dealership could submit a claim to have the car returned since they still hold a lien. This scheme helped conceal the cash sale and protect the assets of criminals against forfeiture by the government. The brothers were also charged with failing to file a currency transaction report when accepting more than US\$10,000 in cash.<sup>11</sup>

**ML through charities:** On July 23, police arrested 44 suspects, including two state assemblymen, three mayors, and over a dozen U.S.-based rabbis for various corruption charges and an international money

laundering scheme that used charities to launder at least tens of millions of dollars. The investigation initially focused on a money laundering network that operated in Deal (N.J.), Brooklyn (N.Y.), and Israel. Investigators were assisted by a “cooperating witness” named Solomon Dwek, a real estate entrepreneur who was arrested in 2006 for bank fraud. Between 2007 and 2009, the Federal Bureau of Investigations gave Dwek US\$3 million to “launder” and had him claim that the money was the proceeds of bank fraud and a counterfeit accessory operation. The rabbis would accept illicit profits under the pretence of charitable donations through synagogues and charities every week. The rabbis would then return 90% of the money in cash or cheques and kept the remaining 10% as their own commission. One source of cash for the rabbis was to wire funds to a broker in Israel who would make cash available through a number of “cash houses” operating in Brooklyn, for a 1.5% fee. In another scheme, a rabbi would accept cheques and wire the money to businesses or groups controlled by Dwek. Five rabbis in total were involved in laundering the US\$3 million. The investigation resulted in money laundering charges against Edmund Nahum, Eliahu Ben Haim, Saul Kassin, Mordchai Fish and his brother, Albert (Lavel) Schwartz.<sup>12</sup>

**ML through complicit MSBs:** Dong Dang Huynh, the owner of a Texas-based remittance company was sentenced on September 14 to 22 years in prison for laundering drug money and failing to file currency transaction reports. Huynh’s firm, U.S. Tours and Remittance Inc., was used to move more than US\$24 million from “ecstasy” sales in the United States, through Vietnam, and onward to Canadian-based drug traffickers. Huynh instructed an employee to accept large amounts of cash (as much as US\$500,000 at a time) from members of the drug trafficking ring without filing currency

transaction reports. Huynh ordered an employee to break down these piles of cash into amounts less than US\$3,000, the record keeping threshold for money services businesses (MSBs) in the United States, and assign fictitious names to the funds transfer requests. Structured deposits of the funds were made to a Bank of America account. The employee was also instructed to create and maintain false receipts for the transfers in the event that U.S. Tours would be audited by the Internal Revenue Service (IRS) or the Texas Department of Banking. Huynh then wired the funds from the Bank of America accounts to a money remitting agency in Ho Chi Minh City, Vietnam, which his brother owned and operated. Huynh’s brother later forwarded the funds to Canada. The amount of money Huynh and his brother kept in exchange for their services is not known.<sup>13</sup>

**ML using comic books sales:** Denver police made 41 arrests on August 24 and dismantled a large and sophisticated methamphetamine ring that brought “crystal meth” into Colorado on a weekly basis. Investigators believe that the meth was being made in a “super lab” in Mexico and smuggled to Colorado through Phoenix, Arizona. Brothers Aaron and Alfonzo Castro were convicted for being ring leaders of the operation. Police also seized 100 boxes of collector comic books from the Castro brothers worth about US\$500,000. Investigators claim that the comic books were used to launder the drug proceeds; given the value of many first or early editions, and the fact that they can easily be converted into cash. The comic books were found in protective plastic wrapping and included first-edition Batman and Superman comics worth thousands of dollars.<sup>14</sup>

**ML through offshore accounts, music and club events:** The United Kingdom’s Serious Organized Crime Agency (SOCA) has released two alerts to firms regarding money

laundering trends through company formation, music tours and events at night clubs. SOCA noted that money launderers form companies that have little or no client base solely for the purpose of laundering money; pubs and nail bars are commonly used. A common practice is to supplement the shell companies with other companies to enable criminals to hide the sources of funds. According to SOCA, music and nightclub events are also used by criminals as a vehicle to launder drug money. The business model used by criminals is essentially the same as legitimate event promoters. The difference being that criminally derived profits are combined with legitimate earnings in order to make it harder for banks and law enforcement agencies to detect their origin. For example, criminals can manipulate ticket sales to reflect high profit, where the difference between the actual profit and the declared profit can be inflated by criminal proceeds. Criminals can use excuses that are common in the industry, such as ‘many tickets were sold but people failed to show up.’ Records of concession sales can also be falsified to reflect increased sales. Criminals may also collude with/or even hire associates from other countries, and pretend to sponsor events abroad in order to transfer money overseas without suspicion.<sup>15</sup>

**ML through football (soccer):** The Financial Action Task Force (FATF) has released a report on money laundering schemes found in the football (soccer) sector, focusing on the structure, financing, and culture for laundering criminal proceeds. The football industry constitutes 0.1% of the European Union’s GDP (an estimated €13.8 billion) with one third of the money spent solely on salaries of the big five European leagues. Football is the most popular sport in the world, yet countries with large, long-standing football cultures face the greatest vulnerability to money laundering. This is because the market is easy to penetrate, the sector is complex with opaque

networks of stakeholders and there is a considerable amount of cash flowing through multiple financial centres around the world. Pricing in the football sector for the purchasing of clubs and contracts of players can also appear irrational, over-valued and is difficult to control. Football clubs which are in poor financial shape are particularly vulnerable to accepting funds from suspect parties. Most of the ML cases so far in football have involved techniques that are not unique to the sport or the entire sporting industry. These methods include the use of cash, cross border transfers, tax havens, front companies, non-financial professionals and politically exposed persons. Money laundering in football is related to activities such as the purchasing and ownership of clubs or players, the player transfer market, betting, image rights and sponsorship or advertising arrangements.<sup>16</sup>

**ML through digital currencies:** Five Eastern European men have been indicted on September 3 in New York for their alleged roles in the theft of 95,000 credit card numbers, and laundering more than US\$4 million via “anonymous digital currencies, such as Egold and Webmoney”. Viatcheslav Vasilyev, Vladimir Kramarenko, Egor Shevelev, Dzimitry Burak, and Oleg Covelin, all participated in an Internet-based criminal enterprise known as the “Western Express Cybercrime Group”. The group bought and sold large volumes of stolen credit card numbers and stolen identity information using Egold and Webmoney. It has also been reported that the group used a New York-based corporation named Western Express International Inc. to coordinate the ring’s Internet-based payments. The corporation was used to convert more than US\$600,000 of criminal proceeds in Egold digital currency and then exchanged into Webmoney digital currency. Western Express also used conventional banks and money transmitters to anonymously move large sums of money. The



group used nicknames, false identities, anonymous instant messenger, email, and digital currency accounts to conceal their involvement in the scheme.<sup>17</sup>

## COUNTRY-BASED

**Quebec strengthens white collar crime police units:** The Quebec government has announced a series of initiatives to crack down on fraud, embezzlement, and money laundering in the province. Public Security Minister Jacques Dupuis said that \$6 million will go to initiatives that include two police squads; a six-member financial crimes squad and a 20-member investigative squad to focus on corruption in the construction industry and municipalities. In addition to these efforts, Justice Minister Kathleen Weil said she plans to ask the federal government to amend the *Criminal Code* to impose stiffer penalties for white-collar crimes.<sup>18</sup>

**FSA fines Barclays PLC US\$4 million:** The U.K. Financial Services Authority (FSA) has fined the London-based financial institution Barclays PLC, more than US\$4 million for major weaknesses in its securities transaction monitoring reporting. The fine is the largest penalty issued by the FSA, and was imposed on the basis that Barclays failed to accurately report or identify 57.5 million transactions from November 2007 to October 2008. These deficiencies in reporting could seriously “impact the agency’s ability to detect and investigate financial crime”. The FSA noted that this is not the first instance where Barclays was found to be lax in its compliance monitoring. In a 2006 review the agency found several cases of inaccurate transaction reporting and warned the institution to apply key changes in its reporting procedures.<sup>19</sup>

**FinCEN issues warning advisory to casinos:** In July 2009, FinCEN issued an advisory warning casinos to take necessary steps to ensure their employees are not aiding gamblers who want to structure financial transactions. Such structuring scenarios include: a premium player who persuades casino personnel to break up a single transaction into multiple transactions in order to fall below the US\$10,000 reporting threshold; a patron who persuades casino personnel to alter or omit transaction information or identification information on casino records; a cage cashier who advises a player with chips amounting to more than US\$10,000 to split the redemption to avoid reporting; and a pit boss who advises a patron to coordinate buy-ins, in order to split cash transactions among different days. Casinos are obliged to fill out a suspicious activity report when any of these activities are observed.<sup>20</sup>

**Tax evasion to become predicate offence for ML for the U.S. and the FATF:** A bill making tax evasion a predicate crime for money laundering will likely be introduced in the U.S. congress “very soon” despite concerns about criminal penalties, associated with money laundering charges, being imposed on tax evaders. U.S. officials believe that subjecting tax evaders to money laundering charges is inevitable and will be viewed by Congress as a much needed revenue stream. Currently under the U.S. criminal code, tax evasion carries a maximum sentence of five years in prison and a US\$100,000 fine. Money laundering, on the other hand, is punishable by up to 20 years in prison and a fine as large as US\$500,000 (or twice the transaction amount involved). There is debate as to whether or not such a bill would include provisions to charge banks that facilitate tax evasion, with money laundering. Former Assistant Secretary of State Jonathan Winer believes the burden of responsibility

should not be on banks but rather on tax evaders and facilitators. According to Winer, the application of a bill that charges banks with money laundering would have a strong effect on U.S. financial institutions due to the large volume of foreign transactions they handle from individuals who may be attempting to evade foreign taxes. Whether the law will be equally applied to foreign tax evaders using U.S. financial institutions is an additional concern tied to the passage of this bill.

The FATF is also considering adding a recommendation to make tax evasion as a predicate crime of money laundering. The initiative is a part of the 11 out of the 40 + 9 Recommendations that the FATF is looking to amend. According to former FATF president, Antonio Rodrigues, there are some issues with the wording of the recommendations and the plan is to fine tune them for further efficiency and clarity. The FATF will also look at the effectiveness of legislative proposals on customer due diligence, law enforcement powers, beneficial ownership disclosure, and international cooperation.<sup>21</sup>

**U.S. vs. UBS Case:** As mentioned in the previous *ML/TF Watch*, the U.S. Department of Justice filed a lawsuit against Switzerland's largest bank, UBS AG, in an attempt to gain information on 52,000 UBS accounts held by US citizens. The lawsuit was ultimately settled in August, with UBS agreeing to hand over client data on 4,450 accounts held by U.S. citizens, which are most likely to have been involved in offshore tax evasion. The IRS believes that the accounts held assets of up to US\$18 billion at one point in time, but they have since been closed. The agreement also notes that the Swiss government can release details on accounts held by U.S. citizens even if the IRS doesn't know the name of the bank client. According to a former IRS agent, the

workload faced by the IRS in analyzing the 4,450 accounts will ultimately impact its role in other money laundering investigations and other financial crimes.

As a result of the agreement, the U.S. has uncovered many tax evasion schemes undertaken by its citizens. In one case, a California man named John McCarthy admitted he maintained a clandestine account with UBS as a part of a US\$1 million tax evasion plot. According to prosecutors, McCarthy skimmed money from a Los Angeles business he owned and then funnelled the money through a U.S. bank account and wired it to the account in Switzerland. In total, he transferred more than US\$1 million to the Swiss account. According to McCarthy, UBS representatives and Swiss lawyers assisted him in his offshore investment activities.

The U.S. vs. UBS case also had an effect on Canadian tax evaders. The U.S. Case has led to 56 voluntary disclosures to the Canada Revenue Agency from Canadian clients who might have avoided paying taxes. Of the 56 disclosures, the account information of 20 have been analyzed and revealed \$7 million in unreported income. In one instance, a method of tax evasion involving UBS recruiters working in Montreal was uncovered. According to a banker in Montreal, in order to retain clients who were unsatisfied with their investment portfolio, a UBS recruiter was introduced to offer higher incentives. The UBS recruiter conducted checks to ensure the money was clean and that the client was not a criminal. The recruiter then accepted on average, up to \$50,000 at a time from each client and charged 3% for each deposit he made and a 2% annual brokerage fee. The money however, never left Canada. Instead it was deposited back into Canadian banks under numbered accounts held by UBS.<sup>22</sup>

**Iranian businessman wants his US\$18.5 billion back from Turkey:** In an effort to mitigate the effects of the global financial crisis, Turkey has introduced a “Suitcase Law” that allows any individual to take any amount of foreign currency into the country without being scrutinized. Following the introduction of this regulation, an Iranian businessman couriered a container loaded with \$18.5 billion in U.S. dollars and gold, the origin of which was unknown. The Turkish Prime Minister cited the transfer as an indication of his government’s success in attracting foreign investment despite the global economic downturn. However, the Iranian businessman has since requested the return of these funds which, if repatriated by the Central Bank, would ultimately leave a big hole in Turkey’s balance sheet.<sup>23</sup>

#### **Bermuda AML initiatives:**

On September 28 and 29, Bermuda held its second Compliance Summit to bring Bermuda’s compliance officers up to speed on the latest anti-money laundering and counter-terrorism financing (AML/CTF) developments. Keynote speakers at the Summit however held different opinions on the efficiency of Bermuda’s compliance standards. According to Kenneth Rijock, a financial crimes expert who spoke at the Summit, although Bermuda may be regarded as a potential target for money launderers, it has better tax compliance standards than many other countries. Rijock, who now is a financial crime consultant for World-Check, was once involved in illegal cash smuggling and worked as a money launderer and advisor to narcotics trafficking organizations. Overall, Rijock believes Bermuda’s compliance officers are successful at performing the difficult role of keeping “dirty money” out and maintaining the country’s reputation as a global business leader. According to Rijock, Bermuda has a highly regarded AML compliance regime compared to other countries and upholds

“know your customer” (KYC) standards well. On the contrary, the CEO of the Bermuda Monetary Authority (BMA), Matthew Elderfield, declared that site visits at financial institutions by his staff uncovered “patterns of unacceptable practise” and improvements are required. During the Bermuda Compliance Summit, Matthew Elderfield told delegates that improvements were required on KYC standards, along with updating procedures to reflect new legislative frameworks, training on AML, and monitoring Suspicious Activity Reports. Elderfield plans to give the BMA “more teeth” by introducing enhanced codes of conduct for companies selling financial services to the public and improving financial literacy within the local community.<sup>24</sup>

**Philippines to improve AML/CTF laws:** The Philippines’ AML Council plans on improving the country’s money laundering laws to meet international standards. The council will present proposals to Congress based on the Detailed Assessment Report prepared by the World Bank and the Asia Pacific Group (APG) that identified AML/CTF gaps in the country. The deficiencies include the need to treat terrorist financing as a crime itself, the need to increase the number of predicate crimes related to money laundering, and the need to require non-financial businesses and professions to report suspicious transactions and uphold customer due diligence. This means that, should the bill be passed, the list of institutions and persons being monitored by the council will be expanded to include casinos, lawyers, accountants, real estate, and jewellery dealers. Although making amendments to the country’s AML/CTF framework is not on the Senate’s agenda, failure to meet recommendations outlined in the report may result in increased political pressure against the Philippines’ and hinder its ability to receive financial aid.<sup>25</sup>

**New Zealand's AML/CTF Bill:** New Zealand has set out to draft an AML and CTF bill that will enable the country to comply with FATF regulations. The bill will bring New Zealand in line with international standards and put the onus on organizations, businesses, and banks to verify customer identity. Although better systems to track suspicious activity are planned, banks can expect the initial proposed cost of NZD\$57.8 million for compliance system changes to be trimmed. The bill has passed a second hearing in the New Zealand parliament and will cover not only the financial sector, but casinos and professions such as lawyers, accountants and real estate agents. While the New Zealand laws are largely derived from the Australian AML/CTF act, New Zealand plans to adopt a supervisory model different from the Australian Transaction Reports Analysis Centre (AUSTRAC). Instead, New Zealand will opt for a multi-supervisory model, creating four heads to oversee reporting entities: the Reserve Bank, the Securities Commission, the Department of Internal Affairs, and the New Zealand Police.<sup>26</sup>

## Terrorist Activity Financing

### GROUP-BASED

**FARC operatives indicted and affiliated companies designated:** Twelve members and associates of the Fuerzas Armadas Revolucionarias de Colombia (FARC) have been indicted on September 28 in the United States for conspiring to provide material support to a foreign terrorist organization and taking a U.S. citizen hostage. Luis Fernando Mora-Pestana, Julio Enrique Lemos-Moreno, have been charged along with associates Harold Ruben Segura Alvarez, Juanito Cordoba-Bermudez, and Cecilio Costa, with conspiracy to provide material support to the

FARC. Authorities monitored multiple discussions among the defendants on the topic of FARC logistics, supplies and weapons—including those that have been seized by authorities. Some of the other defendants discussed plans to help five prisoners escape from a Panamanian prison, after they had been captured in a failed attempt to seize a Panamanian police patrol boat. They also threatened to kidnap Panamanian officials to exchange for hostages. The indictment also referenced the kidnapping of a U.S. citizen, who was released after a ransom was paid by a member of the victim's family.

In related news, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) designated Jose Cayetano Melo Perilla on August 20, 2009 for materially assisting the FARC in their narcotics trafficking activities. Melo Perilla, is also an important financial contact for the FARC. Also designated were four companies owned by Melo Perilla: *Carillanca Colombia Y Cia S en CS*, a Colombian company dedicated to hydroponic agriculture; *Carillanca S.A.*, a Costa Rican company that cultivates tomatoes; *Carillanca C.A.*, a Venezuelan company that focuses on real estate and construction; and *Parqueadero De La 25-13*, a commercial parking lot located in Bogota, Colombia. The designations fall under the *Foreign Narcotics Kingpin Designation Act (Kingpin Act)*, which freezes any assets designees may have under U.S. jurisdiction and "prohibit U.S. persons from conducting financial or commercial transactions with them".<sup>27</sup>

**Al-Qaida funding disrupted:** According to a September 2009 article published in *USA Today*, the U.S. Treasury Department stated that Al-Qaida is currently in the worst financial position it has experienced in the last three years. U.S.-led international efforts have

disrupted Al-Qaida's facilitation networks and sources of funding by designating hundreds of individuals and institutions as terrorists. The department has frozen their assets and forbidden Americans, private banks and governments from engaging in business relations with them. The Treasury Department has also enforced these measures against the Lashkar-e-Taiba (LeT), who were responsible for the Mumbai attacks as well as Abdul Haq who was accused for planning "unrealized" attacks against the 2008 Beijing Olympics. These measures were also applied against Abu Khalaf, an Al-Qaida member in Iraq and several other Al-Qaida members in Iran, such as Osama bin Laden's son, Sa'ad bin Laden. According to documents seized by U.S. forces, Osama bin Laden's deputy, Ayman al-Zawahri, wrote to terrorist Abu Musab al-Zarqawi in Iraq requesting US\$100,000 because "many of the lines have been cut off".<sup>28</sup>

**Financier Salah Ezzedine and Hizballah:** A Lebanese financier by the name of Salah Ezzedine declared bankruptcy and surrendered himself to Lebanese authorities in September 2009 for cheating investors out of hundreds of millions of dollars in a Mideast version of the Madoff scandal. Ezzedine was a prominent financier among Shiite circles in Lebanon. Allegations that Hizballah had business dealings with Ezzedine have reportedly shaken the organization's reputation in Lebanon. Hizballah has claimed that the organization, its leadership, nor its members have any link to this matter or any of the alleged funds. Nevertheless, the powerful Shiite military movement has resisted calls to bail out small investors. A parliamentary member of Hizballah also reportedly lost money with Ezzedine and is suing him. Many investors however initially put their trust in Ezzedine because of his financial connections to Hizballah and his reputation as a pious Shiite. Ezzedine convinced hundreds of

Lebanese investors to sell land, drain retirement savings, and invest their cash with Ezzedine who promised annual returns as high as 40%.<sup>29</sup>

**Turkish men in Germany charged for aiding Al-Qaida:** Two Turkish men, Omer Ozdemir and Sermet Ilgen, were charged on September 14 in Germany for violating export laws and belonging to Al-Qaida after allegedly procuring equipment and funds for the terrorist group. Prosecutors claim Ilgen, a German of Turkish origin, supplied range finders, night-vision equipment and an unspecified quantity of cash during three meetings between August 2004 and December 2006 to Aleem Nasir, a German of Pakistani origin. Nasir was convicted in July 2009 for delivering that equipment and money to Al-Qaida members along the Pakistan-Afghanistan border. Ozdemir is accused of providing cash and equipment, including body armour, a laptop and binoculars, to Nasir. Ozdemir is also accused of recruiting at least two potential Al-Qaida insurgents in Germany. One of those recruits is alleged to be Bekkay Harrach, who has threatened attacks on Germany in multiple videos dating back to October 2008. Investigators also believe Ozdemir trained in a terrorist camp at the Afghanistan-Pakistan border in 2006.<sup>30</sup>

**Kata'ib Hizballah and IRGC-Qods Force:** OFAC has blacklisted Abu Mahdi Al Muhandis, an Iraqi based in Iran, and the group "Kata'ib Hizballah", an Iran-backed organization in Iraq, for acts of violence against the Coalition and Iraqi Security Forces. According to OFAC, Al Muhandis is an advisor to Qasem Soleimani, the commander of Iran's Qods Force—the blacklisted arm of the Islamic Revolutionary Guard Corps (IRGC). The IRGC has been reported to support Hizballah, Hamas, and other terrorist organizations. OFAC affirms that the IRGC-Qods Force provides lethal

support to Kata'ib Hizballah in addition to other Shia militia groups that target coalition and Iraqi security forces. The sanction will freeze any assets designees may have under U.S. jurisdiction and forbid U.S. citizens from conducting financial or commercial transactions with them.<sup>31</sup>

**LeT financial networks target India from Gulf states:**

The Lashkar-e-Taiba's (LeT) Gulf-based networks are becoming the financial lifeline for LeT and its Jumaat-ud-Dawa (JuD) subsidiary in Pakistan and India. The recent arrest and interrogation of Muhammad Omar Madni revealed details about the group's financing methods. According to Madni, LeT has managed to build alternate courier routes through the borders of Nepal and Bangladesh while also establishing bases in Persian Gulf countries. Intelligence sources have confirmed that a new strategy for LeT involved using Dubai as the center of planning for future attacks against India. Terror investigations have repeatedly revealed a connection with Gulf countries as a major hub for financing and facilitating LeT terrorists in India. Investigations by Mumbai authorities have revealed that the 2008 Mumbai terror events were financed by LeT's Gulf cells. The twin blasts in Mumbai, in August 2003, were planned by LeT's Dubai operatives. The serial commuter train blasts of 2006 in Mumbai was also financed with approximately 37,000 Saudi Riyals from Mumbai-LeT cell chief, Faizal Ataur Rehman Sheikh. In that case, the money came in two instalments from Saudi Arabia via a hawala network managed by Faizal's London-based brother Rahil Sheikh, another member named Rizwan Ahmed Davre, and an unidentified information technology professional in Riyadh.

Investigations have also revealed a connection between financial networks in Muscat, Oman, and the 2008 urban terrorist

attacks in India. LeT operatives raised funds for the blast in Oman, the United Arab Emirates, and other countries of the Persian Gulf. The movement of money was then facilitated through hawala channels from the Gulf region to India. In response to the discovery of these links, the Indian government is now seeking a comprehensive anti-terrorism treaty with nations in the Persian Gulf.<sup>32</sup>

**American businessman allegedly funded Al-Qaida linked organizations:**

An American businessman of Lebanese origin is accused of funding the Taqaw Foundation which is allegedly linked to Al-Qaida. Naji Hamdan is also accused of funding and abetting three terror organizations: al Qaeda, Ansar Al Sunah and Arab Organization in Iraq. Hamdan was arrested on September 15 in the United Arab Emirates after officials received information from the U.S. that he had communicated directly with members of these organizations through the Internet. Hamdan claims that his visit to the Ansar Al Sunah group and Iraqi rebel group's Web sites was unintentional, and that the donations alleged to have financed rocket attacks against Israel was offered to an orphanage through his brother-in-law. Although Hamdan initially confessed to the charges, his lawyer questioned the validity of the confession, which he claims was given under duress. His house and car were also searched but no additional evidence was found.<sup>33</sup>

**Syrian man charged with aiding FARC:**

Jamal Yousef, a former member of the Syrian military, was charged on August 19 in New York for plotting to sell "high-powered weapons" to the FARC in exchange for more than 2,000 pounds of cocaine. The transaction never took place, since the men claiming to be FARC representatives were actually informants for the Drug Enforcement Administration, investigating Yousef since

July 2008. Yousef planned to supply the FARC with a large amount of weapons including 100 M-16 assault rifles, 100 AR-15 rifles, 2,500 hand grenades, C-4 explosives and anti-tank munitions. According to Yousef, the weapons had been stolen from Iraq with the help of his cousin who was a member of Hizballah. The FARC, one of the largest suppliers of cocaine in the world, is known for using drug proceeds to finance terrorist attacks in an effort to overthrow the Colombian government.<sup>34</sup>

## ACTIVITY-BASED

**TF through robberies in Europe; Money laundered through Moroccan Tourism industry:** Abdelkader Belliraj, a Moroccan-Belgian national, was sentenced on July 28 to life in prison for leading a terrorist network, plotting attacks in Morocco, armed robberies in Europe, as well as large-scale money laundering schemes and arms trafficking. Belliraji is further suspected of being involved in several assassinations in Belgium, combat training in Iran or Lebanon, and meeting with Osama Bin Laden in Afghanistan eight days before the September 11 attacks. Additionally, 34 associates of Belliraji were charged, including opposition Islamist politicians, a university professor, a police superintendent, and a Moroccan journalist working for a Hizballah-run television program. Belliraji is suspected of participating in a €17.5 million robbery in 2000 of an armoured truck company in Luxembourg. Reports indicate that the money was invested in tourism and real estate projects in Morocco, where Belliraji's relatives were suspected of laundering the cash through hotels in the tourist town of Marrakech. Throughout the trial, Belliraji denied the accusations against him and maintained his innocence.<sup>35</sup>

**Saudi Arabia Progress Report on Countering Terrorism:** The U.S. Government Accountability Office (GAO) has released a September 2009 report addressing the progress of countering terrorism and its financing in Saudi Arabia. Despite notable progress made by the Saudi government, U.S. officials remain concerned about the ability of Saudi individuals and multilateral charitable organizations, as well as non-Saudi citizens visiting the Kingdom, to finance terrorism. U.S. officials noted that terrorist financiers' use of cash couriers and the Saudi's limited enforcement capacity can create several challenges. According to the report, some individuals and multilateral charitable organizations have allegedly increased their use of more informal financial institutions, such as couriers across borders, in response to Saudi Arabia's tightening regulations in the formal financial sector. Officials noted that such regulations can be circumvented by moving amounts of cash that are below the legal declaration limits. Officials also cited that because cash is widely used by Saudis and by people in the Gulf region, an individual traveling with or declaring large amounts of cash may not raise suspicion. In addition to bulk cash, hawala networks have also been used in terrorist financing. The U.S. Treasury Department has reported that some Saudi charitable organizations have been a major source of financing for extremist and terrorist groups.<sup>36</sup>

**Taliban funding related to Gulf States, the drug trade and/or other criminal activity:** Western officials and analysts offer different views when determining whether funding from Gulf States, the drug trade, or criminal activities are the main fund-generating activity for the Taliban in Afghanistan and Pakistan. According to U.S. officials, the Taliban receives more funding from Persian Gulf countries than from the \$80 million estimated drug trade per year. This information has been

corroborated by U.S. special envoy to Afghanistan and Pakistan, Richard Holbrooke, who claims that Taliban militants receive the majority of their money from charities and sympathizers in the Gulf region than from Afghanistan's illegal drug trade. Pakistani police claim that, the Al-Haramain Foundation, a Saudi Arabian charity, has provided US\$15 million dollars to a pro Al-Qaida militant organization to carry out terror attacks in Pakistan. According to a report by the Crime Investigation Department in Pakistan, the majority of the funds raised by the Al-Haramain Foundation goes to fund terrorist activities carried out by the Tehrik-e-Taliban Pakistan. The report also claims that the Tehrik-e-Taliban Pakistan is likely to target Shia Muslims in strikes against major cities in Pakistan's Punjab region. The Al-Haramain Foundation has been banned by the UN Security Council for its links to Al-Qaida.

Other sources however indicate that the Taliban has turned towards the drug trade to generate nearly half of its funds. According to Pakistani security experts, profits from cigarette smuggling, generated by extorting "taxes" from owners of illegal and legal cigarette factories generate 20% of the Taliban's funding. Furthermore, nearly half of the funds available to the Afghani and Pakistani Taliban –estimated at approximately 300 million – is derived from the poppy trade. In August, Pakistani authorities arrested 13 Islamic extremists that were planning a major terrorist attack and unveiled clues as to how drug sales to Asia and the Gulf region help fund the Taliban. Police seized 2 kilograms of heroin, three suicide vests and 15 kilograms of explosives in the southern city of Karachi. Police investigations indicate that the gang shipped the heroin to China, Malaysia, Singapore and the United Arab Emirates, while the profits were ultimately returned to Pakistan. The money would then be sent to the Afghanistan border, which

supplies 93 per cent of the world's opium, one of the main sources of Taliban funding. According to police, parts of the profits were transferred to a Taliban commander named Abdul Samad.

Canada is experiencing a relatively rapid growth in its heroin market. It appears that Toronto has become a trading post for heroin smugglers after police conducted one of the largest heroin busts in Canadian history in July 2009. A total of 117 kilograms of heroin (a \$100-million street value), and more than \$645,000 in cash were seized after searching a Toronto address and storage unit. The heroin was either wrapped in paper or packaged in clear plastic bags placed into hollowed-out wooden pallets and stamped with "Islamic Republic of Afghanistan". The police suspected that the drugs came off the Montreal and Halifax docks, which are regarded as vulnerable to criminals due to the high number of shipping containers arriving daily.

Other officials have reason to believe that the Taliban receives a large portion of their funding from criminal activities, some of which are even facilitated by Westerners. According to Christopher Brook of the Telegraph U.K., Western taxpayers are helping fund and arm the Taliban through "a maze of criminal rackets". For example, a hydro-electric power station with power lines that feed to several towns controlled by the Taliban, was built by Russia. However, the Taliban charges money to Afghans in order to have the electricity reach them. Government-paid contractors who carry billions of dollars in supplies and building material to NATO troops and the Afghan government pay protection money to the Taliban to ensure that convoys are not attacked en route. The cost of these protection payments are reflected in inflated bills to governments, at times up to 20%, and ultimately paid by tax payers. In July, four U.S.



soldiers were killed near a German-funded road project after a local businessman had paid the Taliban \$15 million, using money from German taxpayers, to secure his own road building equipment. Furthermore, the thousands of tons of fertiliser donated to Afghanistan under Western aid programs in August included 25 kilogram bags of ammonium nitrate fertiliser, used for improvised explosive devices.

In addition to these income-generating criminal activities, the Pakistani Taliban is turning to illegal logging, kidnapping for ransom and mining for gems in order to secure funds, analysts claim. It is estimated that the Taliban made approximately US\$60 million through emerald mines after they took control of the Swat Valley. The Taliban also currently has control over the marble mines in Mohmand Agency, where they charge “taxes” on every marble load heading out of the area. Major General Michael Flynn of NATO thus explains that while \$70 million of the Taliban’s income is from the poppy trade alone, more money is now being derived from criminal activities.<sup>37</sup>

## COUNTRY-BASED

**U.S. Muslim charities now erase speculation through BBB accreditation:** Islamic charities have been under intense scrutiny since 9/11 over speculation that some were tied to financing terrorist groups. The Bush Administration closed nine Muslim charities, raided six others, and froze the assets of one. Since then, Islamic charities have struggled to find ways to ease the suspicion and speculation coming from the U.S. government. Last year, a legal organization named Muslim Advocates joined with the Better Business Bureau (BBB) to create the Muslim Advocates Accreditation Program, which has 20 standards that organizations must meet to be accredited. The

program, which requires charities to have regular board meetings, detailed financial statements, and performance assessment of officers, also provides training for leaders on how to comply with legal and financial rules of the government. In August 2009, the UMMA Community Clinic, the Islamic Networks Group, and a group run by Chicago resident Rami Nashashibi, were the first to pass through the program’s rigorous review to receive accreditation. Approximately 17 other Islamic charities are in different stages of the review process. The program offers an “additional layer of comfort” to donors and is gaining an increased interest from a wider geographical area through the online donation networks of the three charities who have been accredited.<sup>38</sup>

**U.S. targets four in Pakistan for TF:** The U.S. Department of Treasury froze the assets of four people on July 1<sup>st</sup> who are suspected of supporting Al-Qaida and LeT: Fazeel-A-Tul Shaykh Abu Mohammed Ameen Al-Peshawari, Arif Qasmani, Mohammed Yahya Mujahid and Nasir Javid. According to the Treasury Department, Al-Peshawari provided funds and recruits for militants in Afghanistan and Pakistan, and Qasmani raised funds and helped facilitate attacks, including the 2006 Mumbai train bombings. Mujahid has been the LeT spokesperson since 2001 while Javid served as a LeT commander and trainer in Pakistan. With the addition of these individuals to the U.N. 1267 sanctions list, all U.N. member states are now also obliged to freeze the funds of the four individuals.<sup>39</sup>

**U.S. and EU agree to renew bank data sharing agreement:** The renewal of a bank data sharing program agreement between the U.S. and the EU was supported unanimously on July 28 in a meeting of EU foreign ministers. The current agreement allows U.S. anti-terrorist investigators to subpoena

European bank transactions that are suspected to be tied to terrorist activity. The subpoena can only be granted if the targeted account holder is informed of the request and can seek an injunction to block it. Although the program is efficient and is well received, there are concerns as to why the U.S. government is not subject to EU privacy rules. In response to inquiries, an EU judge carefully assessed the protection of, handling, use, and dissemination of Swift records by the U.S. Treasury Department and concluded that the controls and safeguards implemented were significant. Swift helps facilitate bank transaction communications for over 8,300 financial institutions and corporations in more than 200 countries. The EU also stated that any new permanent data-sharing agreement could contain new guarantees on limits of the access, use, sharing and retention of the data.<sup>40</sup>

#### **SEC now requires issuers to disclose dealings with terrorist-sponsoring nations:**

The U.S. Securities and Exchange Commission now requires all public companies to disclose any operations with Cuba, Iran, Sudan, and Syria—countries which the State Department has cited for sponsoring terrorism. The committee also approved a \$1.036 billion budget for SEC to allow the agency to hire 140 more investigators, lawyers, and analysts.<sup>41</sup>

#### **Court ruling could affect OFAC's ability to freeze assets of terrorist cases:**

A recent court ruling could ultimately prohibit the Office of Foreign Assets Control (OFAC) from freezing the assets of entities on its designated list without a warrant or court approval. A federal judge declared that the Treasury Department acted "unconstitutionally" three years ago when it froze the assets of Ohio-based charity KindHearts for providing financial support to Hamas. While the organization was never

prosecuted, \$1 million of its funds were frozen. The court felt that the action infringed on the charity's right to be informed of the grounds on which the government deprived it of its assets and shut down its operations. The judge also stated that limited information was provided by the Treasury Department for the reasoning behind the designation. This will likely undercut the U.S. government's authority and one of its primary tools in countering terrorism. Also, OFAC's use of "classified evidence" may no longer be upheld by judges because defendants will not have the ability to defend themselves against alleged proof that cannot be disclosed. The decision also negates a common argument from U.S. officials that such seizures are legal in cases of national security. In the last eight years, the Treasury Department has frozen assets of eight U.S. charities and hundreds of individuals and groups outside the U.S. without warrants or court approval.<sup>42</sup>

#### **UBS civil lawsuit for contributing to TF dismissed:**

The August 24 dismissal of a \$500 million civil lawsuit against UBS AG for allegedly contributing to terrorist attacks will not impact rulings on similar lawsuits against other banks. UBS was sued for allegedly trading U.S. currency with Iran, who used the money to support at least eight terrorist attacks carried out by Hamas and Hizballah between July 1997 and July 2006. The dismissal came as a result of failure to show a direct link between UBS and terrorist organizations. As a result of the extra step of the money going from a bank to a third party (Iran) before going to the terrorist group the case was too clouded for causation. An Israeli law firm however believes that the U.S. *Anti-Terrorism Act* was not interpreted correctly and that UBS knowingly provided aid to Hamas and terrorist attacks in Israel. As it stands, there are currently six other lawsuits against banks which were also brought under the *U.S. Anti-Terrorism Act* which allows

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individuals to sue entities that support and provide services to terrorist organizations.<sup>43</sup>

**New Bank in Gaza Strip with Hamas ties may be blacklisted:** A new bank that recently opened in the Gaza Strip will likely be blacklisted by the U.S. Department of Treasury for its relations with Hamas members. The National Islamic Bank, whose Board of Directors is composed mainly of Hamas officials, plans to hold accounts for 6,000 employees of Hamas. The head of the bank, Alaa al-Rafati, claims that the institution is private and not associated with Hamas or the Gaza government. Hamas has operated “virtually bank-less” since Israel imposed an economic blockade on the Gaza Strip in June 2007, and it is feared that the National Islamic Bank may be used to circumvent those restrictions. The bank will operate with \$20 million in capital, most of which came from an unnamed investor. Even if there is no official sanction from the Treasury Department, U.S. banks are unlikely to accept transactions from the Gaza bank given ‘know your customer’ and customer identification policies which would prohibit such transactions.<sup>44</sup>

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