

HOW ALGERIAN CUSTOMS COMBAT MONEY LAUNDERING

By

Soufiane Hamaili

THESIS

Submitted to
KDI School of Public Policy and Management
in partial fulfillment of the requirements
for the degree of

MASTER OF PUBLIC POLICY

2011

Professor Seung-Joo Lee

HOW ALGERIAN CUSTOMS COMBAT MONEY LAUNDERING

By

Soufiane Hamaili

THESIS

Submitted to

KDI School of Public Policy and Management
in partial fulfillment of the requirements

for the degree of

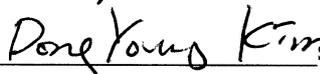
MASTER OF PUBLIC POLICY

Committee in charge:

Professor Lee, Seung Joo Supervisor


_____ signed

Professor Kim, Dong-Young


_____ signed

Professor Moon, Seounguk


_____ signed

Approval as of July , 2011

HOW ALGERIAN CUSTOMS COMBAT MONEY LAUNDERING

By

Soufiane Hamaili

THESIS

Submitted to
KDI School of Public Policy and Management
in partial fulfillment of the requirements
for the degree of

MASTER OF PUBLIC POLICY

2011

Professor Seung-Joo Lee

ABSTRACT

HOW ALGERIAN CUSTOMS COMBAT MONEY LAUNDERING

By

Soufiane Hamaili

Although during last few years customs missions expanded and have become more efficient, those in the developing world are still suffering from the lack of adequate equipment and infrastructure .Therefore it is very hard to control the flow of goods in and out of the border especially when it comes to the illegal transfer of money. This deficiency makes the country susceptible to money laundering. Some frequent sources of illegitimate earning in Algeria are narcotics trafficking (Unger 2006), corruption, income tax evasion etc. Combating money laundering is the most important task for the financial sector mainly customs administration.

For Algeria, to uproot informal money transfer channels, it needs to be provided by sophisticated tools and equipment. There is also a need to reinforce the collaboration between all the anti-money laundry sectors such as: Police, Gendarme and Banks to create coordination channels between all of them to exchange information.

In addition, the cooperation with international anti-money laundering organizations like the Financial Action Task Force on money launderings FATF is also essential to reduce the bad effects of this phenomenon on national economy as well as country's stability.

ACKNOWLEDGEMENTS

It is my pleasure to acknowledge all the people who have helped me in my preparation of the thesis. I am particularly grateful to my supervisor. Professor Seung - Joo Lee who has shared his precious time, excellent insight and generous heart with me throughout the entire process. I also want to express my gratitude to Dean Sang-Woo Nam and all the other professor of the school of public policy and management specially professor Kim, Dong-Young, who has enlightened me with his valuable lecture and remarkable personality. KDI school provided me with financial support as well as wonderful programs of understanding Korean culture when I stayed in Korea.

Finally, I would like to thank my great parents (Mohamed and Dalila) and all my friends specially my future partner Soumiya Mokdad, my close friend and advisor Sakhri Messaoud as well as my brothers and sisters (Tarek, Ahlam , Samah , Nour, Imad, Youcef , Bariza , Ramzi, Momo ,Mouh tounsi) who have given me generous help and encouragement for my thesis writing during this process.

TABLE OF CONTENTS

Chapter 1: Introduction

1.1-Purpose of the study.....	2
1.2-Significance of the study.....	2
1.3-Research questions and hypotheses.....	2
1.4- Scope and limitations.....	3

Chapter 2: Literature Review

1- Historical Evolution.....	4
2 - Definition and Principal Sources of Money Laundering.....	5
2.1 Definitions.....	5
2.1.1 Economic definition.....	5
2.1.2 Legal definition.....	6
2.2 Principal sources of money Laundering	6
2.2.1 Drug trafficking and financial crime.....	6
2.2.2 Organized crime.....	6
2.2.3 Bribery.....	6
2.2.4 Tax evasion.....	6
3- Stages of Money Laundering	10
3.1step 1: Placement	10
3.2step 2: layering	11
3.3step 3: Integration.....	12
4- Impacts of Money Laundering on Country	13
4.1 Terrorism	13
4.2 Threat to banking system	14
4.3 Threat to economic and political stability	14
4.4 Unfair competitions	15
4.5 Change in imports and exports	15
4.6 Change in foreign direct investment	15
4.7 Distorting economic statistics	16
5- Some Techniques of Money Laundering	16
5.1 Hawala	16

5.2 Structuring deposits	16
5.3 Third – party cheques	17
5.4 Credit cards	17
5.5 Peso broker	17

Chapter 3: Money Laundering in Algeria

1 Algeria Background.....	18
1.1 Basic information	18
1.2 Fact sheet	19
1.3 Economic statistics	20
1.4 Number of reason underlying the magnitude of the phenomena.....	21
1.1.1 A new public phenomenon	21
1.1.2 Institutional and organizational gaps.....	21
1.1.3 Competition and business ethics	21
1.1.4 A banking system outside the expectations and needs of Algerian economy.....	22
1.1.5 Poverty	22
1.1.6 Various causes of a cultural nature	22
1.1.7 Corruption of public officers	23
1.1.8 Smuggling	23
1.1.9 Unawareness about the problem	23
2- Organizations Involved in Money Laundry Combat	23
2.1 The Central Bank of Algeria	24
2.2 The National Gendarmerie	24
2.3 The Department Of Police	25
2.4 The Customs Organization	25
2.4.1 Customs missions and strategy	25
2.4.2 A standard customs clearance procedure	27
3- Method of Combating Money Launderers Used by Customs	28
3.1 The power of examination, control and investigation	28
3.1.1 The right of examination and inspection	28
3.1.2 The right of control	28
3.1.3 The right of investigation	28
3.2 The power of imposing sanctions.....	28
3.3 Some examples of illegal cases arrested by Algerian customs	29
3.3.1 Ghazaouet	29

3.3.2 Ain Temouchent	29
3.3.3 Bir el Ater	29
3.3.4 Bejaia	29
4-The International Money Laundering Agreements and Organization To Which Algeria is Signatory	31
4.1 The Convention of The United Nations Against The Illicit Traffic of Drugs and Psychotropic Substances	31
4.2 GPML .The Global Programme against Money Laundering	31
4.3 Council of Europe Convention On Laundering	32
4.4 Egmont Group of Financial Intelligence Units	32
4.5 The Financial Action Task Force (FATF).....	33
4.6 Possible future organizations with Algeria membership.....	34
4.6.1 International Money Laundering Information Network	34
4.6.2 Wolfsberg AML principles	35
4.6.3 Asia –Pacific Group on Money Laundering (APG)	35
5- Obstacles-The Principal Problems Faced by Customs Organization	35
5.1 The Major Problem of Customs Organization.....	35
5.1.1 Regulations	35
5.1.2 Human resources management	35
5.1.3 Insufficient service and control	35
5.1.4 Public relations and communication	35
5.1.5 Port capacity	36
5.1.6 Lack of automation and insignificant use of information technology	36
5.1.7 Non availability of adequate infrastructure and equipment in customs	36
5.1.8 Organization and management	36
5.1.9 Customs cooperation	36
5.1.10 Corruption	36
5.2. Other problem faced from bank and other sectors	37
5.3 The difficulties that Algerian customs specifically have (most concrete)	38
6- Suggestions and Actions to Be Adopted	38
6.1 Proposed measure to be taken	39
6.2 Anti-money laundering efforts that are being deployed and already have taken by the government.....	44
6.3 The solutions that may seem too concrete in Algeria case	45

Chapter 4: Summary and Conclusion

1-Summary	46
2-Conclusion.....	48
3-Bibliography	51

1-Annexes

a- FATF Special Recommendations on Terrorist Financing	53
b- International Convention for the Suppression of the Financing of Terrorism	54
c- United Nations Convention against Transnational Organized Crime.....	56
d- United Nations Convention against Corruption.....	58
f- The Forty Recommendation of the Financial Action Task Force on Money Laundering	60

5-Boxes

1.2 Fact sheet	19
1.3 Economic statistics	20
3.3 Goods seized object of the main current of fraud	30
5.1 Major problem of customs organization	36
6.1 Customs reform proposal	39

6-Figures

2.2 Number of organized crime offences	7
2.3 Organized crime –main field (central Europe).....	8
2.4 Organized crime and their main areas in central Europe	9
3.2 The three steps of money Laundering	12

1-Introduction

In recent years, crime has become increasingly international in scope, and the financial aspects of crime have become more complex due to the rapid advances in technology and the globalization of the financial services industry. Modern financial systems permit criminals to transfer millions of dollars instantly through personal computers and satellite dishes since organized criminals are motivated by profit. Greed drives the criminal, huge sums of money are generated through drug trafficking, arms smuggling, white collar crime, human trafficking, terrorism, and corruption and the end result is that organized crime moves billions of illegally-gained dollars into our nation's legitimate financial systems so that money laundering still constitutes a significant risk to the safety of our communities, the integrity of our financial institutions, and our national security (**Richard Weber** 2007). In order to effectively address this serious threat, the best efforts need to be applied and coordination all of the available resources of the government, along with those of state and local authorities, as well as international assistance, needs to be made.

In fact Algerian customs organization play a vital role in order to combat this phenomenon since customs being the first line of defense against money launderers. However, those who transfer huge sum of money through inland or airport border are hardly to be detected since Algerian customs are suffering from lack of automation and insignificant use of information technology, non availability of adequate infrastructure and equipment as well as insufficient service and control. For these reasons many efforts and efficient coordination with the concerned sectors are required in order to enhance and enlarge the source of information, for instance, security sectors, financial institutions (public and private bank) and fiscal administration.

1.1-Purpose of the study:

- The purpose of the study is to understand what money laundering is, how it happens in Algeria and to clarify the different sources and stages of money laundering as well as its impact on the country and to provide policy recommendations to reduce this menace because it is very critical as well as complicated to eliminate money laundering.

1.2-Significance of the study:

- The significance of the study is its relevance to effectively apply methods to strengthen the values of customs organization and for explaining the different tools used to fight money launders, especially in the case of Algeria.

-Also, the importance of cooperation between other security sectors as well as financial institutions, for instance, public and private bank in terms of exchange of information, also give value to this study.

1.3-Research questions and hypothesis:

- How can customs organization combat and reduce money laundering phenomenon?
- It is hypothesized that:
- Enhancing the human resources and offering training can reduce the money laundering.
- Provision of automation and significant use of information technology can reduce the illegal transfer of money through the borders
- Provision of adequate infrastructure and equipment can empower the organization.
- Improvement and increased collaboration between different sectors can provide accurate data which help to reduce this phenomenon

1.4 – Scope and limitations:

- This study will focus on the role of customs organization in terms of fighting money laundering. However, this study faces some limitations, firstly there is a lack of recent statistics and secondly there are few sources that make specific reference to Algerian case.

The paper will be developed in four chapters:

The first chapter will address the purpose and the significance of the study.

The second chapter will focus on money laundering in general, I will provide a short literature review, exclusively dealing with the historical evolution and definitions, sources and stages of money laundering, its impact on a country etc.

The third chapter will address the organizations involved in combating money laundering at the domestic and international level. Also, the paper will identify the principal problems faced by the customs organization and will indicate suggestions for enhanced effectiveness in the combat and prevention of money laundering.

Finally the last chapter will conclude with summary and conclusion with some appendixes

.

.

Chapter 2: literature review

1-Historical evolution:

‘Money Laundering’ as an expression is one of fairly recent origin. The original sighting was in the newspapers reporting the Watergate Scandal in the United States in 1973. The expression first appeared in a judicial or legal context in 1982 in America in the case of US vs. \$ 4,255,625.39. The term “money laundering” is said to originate from Mafia ownership of Laundromats in the United States. Gangsters there were earning huge sums in cash from extortion, prostitution, gambling and bootleg liquor (agency s.d.). They needed to show a legitimate source for this money. One of the ways in which they were able to do this was by purchasing outwardly legitimate businesses and to mix their illicit earnings with the legitimate earnings they received from these businesses. Laundromats were chosen by these gangsters because they were cash businesses and this was an undoubted advantage to people like Al Capone who purchased them (SinghVijay 2009). Al Capone was prosecuted, though not for money laundering but for tax evasion. However, the conviction of Al Capone may have triggered the money laundering business off the ground. But other historians differ from this inasmuch as they are of the view that money laundering is called so because it perfectly describes what takes place when illegal or dirty money is put through a cycle of transactions, or washed, so that it comes out at the other end as legal or clean money. In other words, the source of illegally obtained funds is obscured through a succession of transfers and deals, in order that those same funds can eventually be made to appear as legitimately earned income.

Another celebrated mode of doing money laundering what was done by Swiss Bank. Gangster Meyer Lansky used the number of Swiss Bank accounts to hide his illegal money.

He used the 'loan-back' concept, which meant that the hitherto illegal money could now be disguised as 'loans' provided by compliant foreign banks, which could be declared as their 'revenue' if necessary, and a tax-deduction obtained in the bargain.

2-Definition and principal sources of money laundering:

2.1-Definition: there is no specific definition and standard about money laundering. According to the multiplicity of perspectives and points of view. I am attempting to give an economic definition and a legal definition.

2.1.1-Economic definitions : Money laundering is generally regarded as the practice of engaging in financial transactions to conceal the identity, source, and/or destination of illegally gained money by which the proceeds of crime are converted into assets which appear to have a legitimate origin. (http://en.wikipedia.org/wiki/Money_laundering)

2.1.2Legal definitions: Based on US approaches a supranational definition of money laundering was coined by the United Nations Convention on Drug and EU- council directives. According to this. Money laundering means the following conduct when committed intentionally (SchneiderFriedrich 2010):

1-The conversion or transfer of property, knowing that such property is derived from criminal activity or from an act of participation in such activity, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in the commission of such activity to evade the legal consequences of his action,

2-The concealment or disguise of the true nature, source, location, disposition, movement, right with respect to, or ownership of property , knowing that such property is derived from criminal activity or from an act of participation in such activity,

3-The acquisition, possession or use of property, knowing that such property is derived from criminal activity or from an act of participation in such activity,

4-Participation in, association to commit, attempts to commit and aiding, abetting, facilitating and counseling the commission of any of the actions mentioned in the foregoing paragraphs. Also, the financial action task force on money laundering (FATF), which is recognized as the international standard setter for anti-money laundering efforts , define the terms – money laundering – succinctly as the processing of ...criminal proceeds to disguise their illegal origin in order to legitimize the oil-gotten gains of crime. (www.fatf.gafi.org)

2.2- Principal sources of money laundering

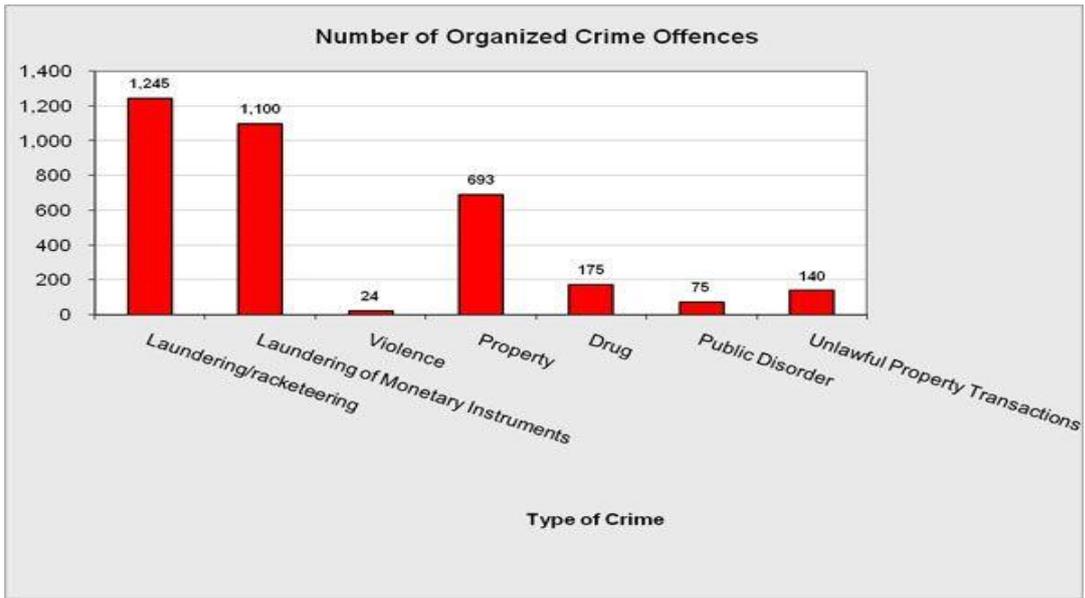
2.2.1-Drug trafficking and financial crime (bank fraud, credit card fraud, investment fraud, advance fee fraud, embezzlement and the like) remain the most frequently mentioned sources of illegal proceeds. On the whole, drug trafficking is still considered the largest single generator of tainted funds, but the scale of laundering linked to financial crime is growing rapidly (Laundering financial 1997).

2.2.2-Organized crime continues to be responsible for a large proportion of the dirty money flowing through financial channels. The Italian Mafia, the Japanese yakuza, the Colombian cartels, Russian and Eastern European criminal enterprises, American ethnic gangs, and other, similarly structured groups are involved in a wide range of criminal activities. (Laundering financial 1997).

2.2.3-Bribery: Bribery is more of the crimes that lead to get large sums of money illegally.

2.2.4-Tax evasion: wholly or partially to get rid of the payment of taxes through fraud and forgery and violation of the laws and tax systems. Tax evasion is considered (especially customs) one of the most important sources to make a big money illegally.

In addition to these sources, these enterprises generate funds from loan sharking, illegal gambling, fraud, embezzlement, extortion, prostitution, illegal trafficking in arms and human beings, and a host of other offences.



Source: U.S. Department of Justice, Bureau of Justice Statistics, National Crime Victimization Survey

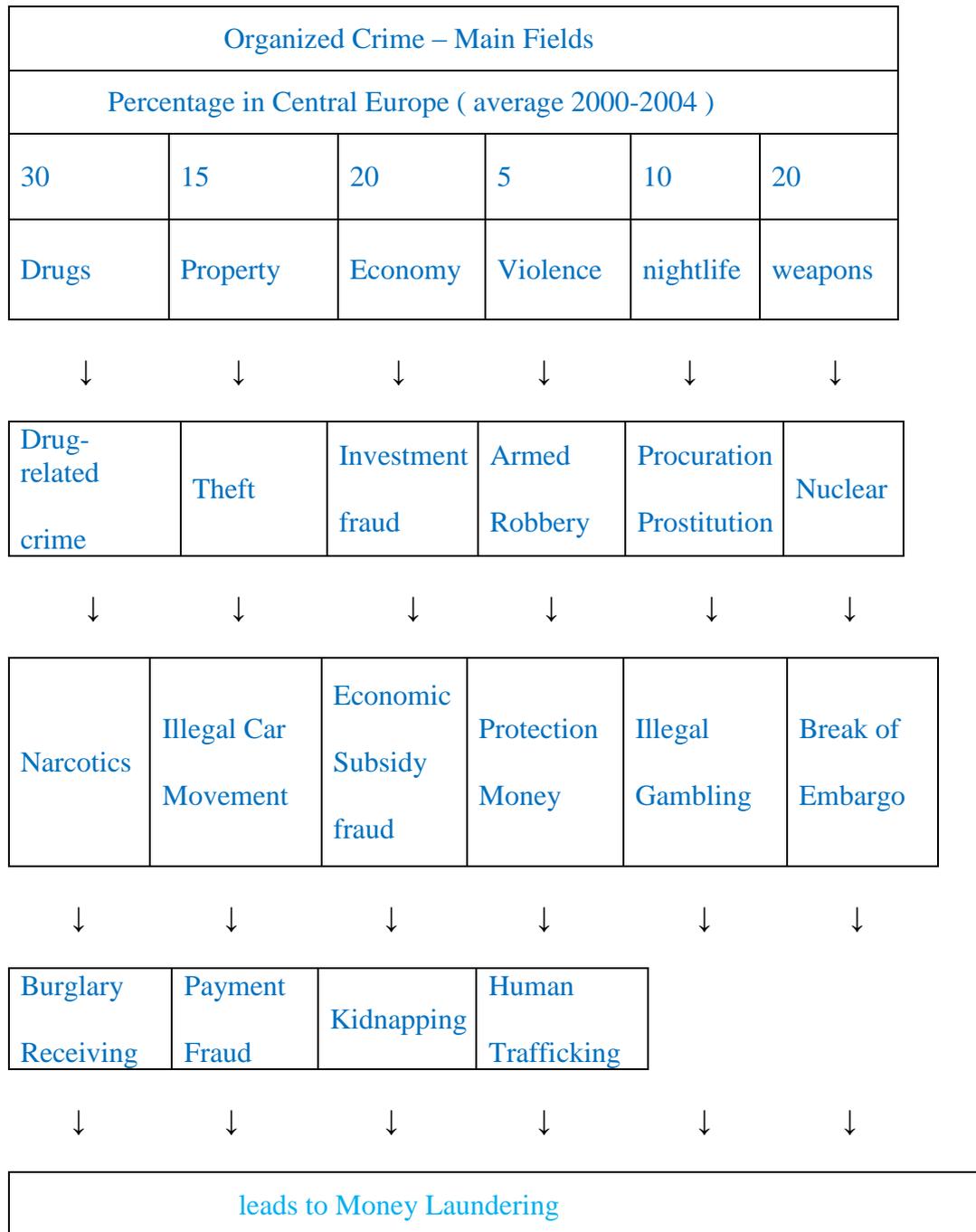
Federal prosecutors were indicted with 38-counts of racketeering and other offenses, including violent extortion of individuals and businesses, loan sharking, narcotics trafficking and operation of illegal gambling businesses. Also, the FBI issued an indictment that charged Thomas Tassiello, an associate of one family, with a string of racketeering, conspiracy to make and collect extortionate loans, operating an unlawful gambling business and interstate transportation of stolen property. The FBI stated that the investigations are continuing. The FBI works with 31,676 employees—12,977 Special Agents and 18,699 support staff-and on a budget of \$ 6.8 billion that includes \$ 410 million for technological enhancements (www.project.org/blog/?m=200902&paged).



Organized Crime – Main Fields (Central Europe, av. 2000-2003) (SchneiderFriedrich,

<http://www.econ.jku.at/Schneider>)

Figure 2.1: Organized Crime and their main areas in Central Europe



Source : **Main Fields (Central Europe, av. 2000-2003)** (SchneiderFriedrich, <http://www.econ.jku.at/Schneider>)

3-Stages of moneylaundering:

Money laundering takes place in the following three steps or stages: in step one, illegal profits are placed – the placement -, which means the physical infiltration of cash – coming from crime – into the financial system. In step two, this, money is then converted into book money, which is finally flowed by a layering process – stacking of illegal funds – these sophisticated steps or acts are used to hide the origin of the money by creating complex financing transactions between different states and piling up several layers of dealings. Reintegration and parking of this illegal money, which shows no connection to organized crime and is converted into visible asset and make up the third step through investment in a business, industrial enterprises, tourism projects, etc.

3.1-Step 1: the placement

Termed – placement -, profit from criminal activities are infiltrated into a legal bank economic system. At this stage there is an increased risk of being revealed or detected. Method of placement tries to influence the control mechanism of the institutes of the financial sector in terms of purchasing existing banks or starting –up new banks in offshore countries – company havens or bank havens. Moreover to bribe the bank employees, is a commonly used – illegal – instrument to place criminal money. Many attempts are made to bribe bank employees in order to allow a direct infiltration of criminal money without attraction attention of supervisory authority .Depositing criminal currency to bank accounts abroad provides another opportunity to enter the legal financial or economic system (KeplerJohannes).

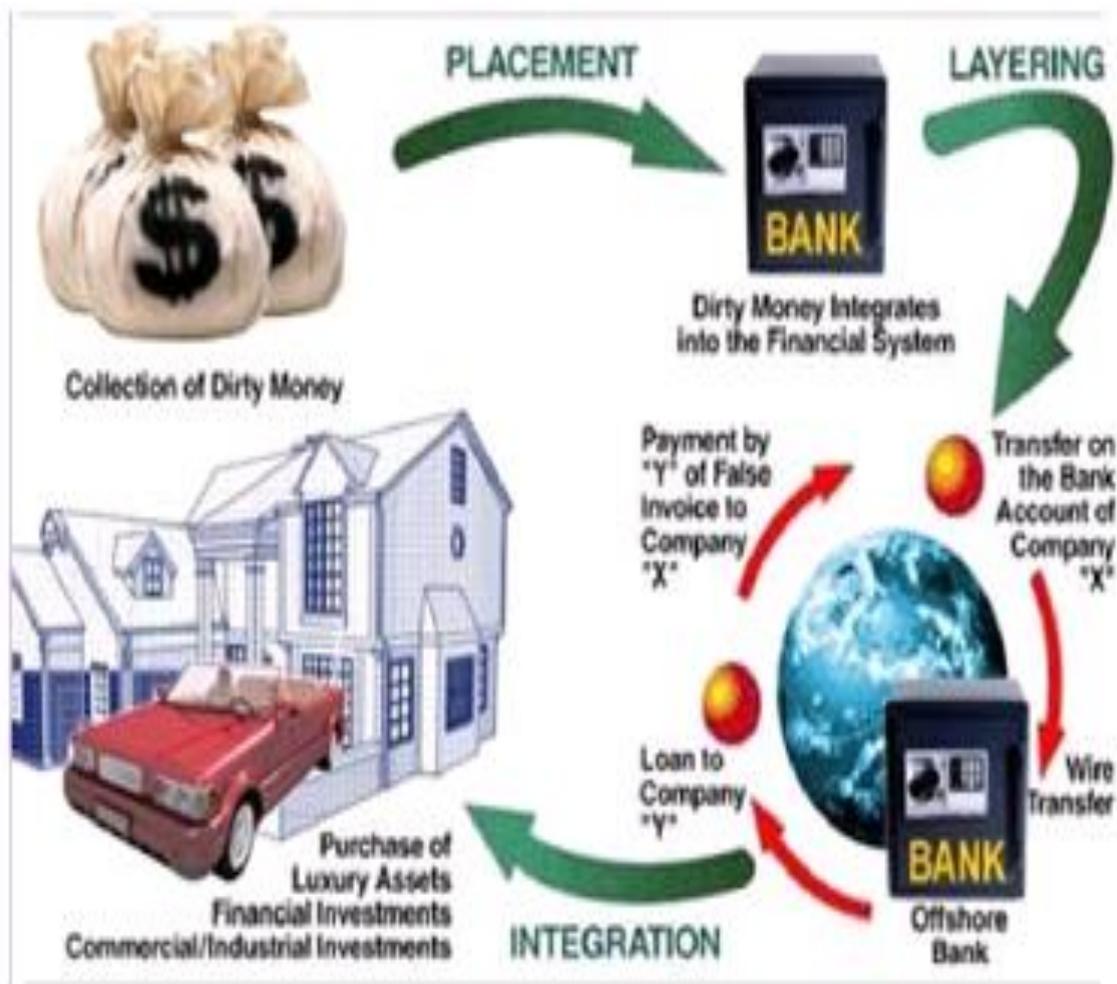
3.2- Step 2: layering

In the second stage the money, which is now in the form of electronic funds, is distributed through the financial system. This is done by layering one transaction involving these funds on top of another by means of electronic transfers, shell companies, false invoices, etc. The result of these transactions is that the laundered money becomes indistinguishable from "legitimate" money. (Money Laundering And Related Matters 1996)

3.3- Step 3: integration

In the integration stage the money that was diffused into the commercial sphere is collected and made available to the offender under the guise of being legitimate earnings.

This description of the money-laundering process illustrates the vital connection and importance of the financial system to the money launderer. It is used as a device to transfer his or her proceeds of crime and to alter the appearance of such proceeds. (Money Laundering And Related Matters 1996)



The three steps of money laundry placement, layering and integration
 (<http://stashbox.org/953567/11061521840-My-Desktop.png>)

4-Impacts of money laundering on country:

In a detailed study by Unger et al. about money laundering literature they were able to identify 25 different effects of money laundering. The effects of money laundering on the basis of its gestation period within which it surfaces, under two broad heads, i.e. short term effects of money laundering and long term effects of money laundering .Money Laundering threatens national governments and international relations between them through corruption of officials and legal systems. It undermines free enterprise and threatens financial stability by crowding out the private sector, because legitimate businesses cannot compete with the lower prices for goods and services that businesses using laundered funds can offer. There are few specific challenges which is posed by money -laundering activities throughout the world (Singh 2009).

4.1- Terrorism – Terrorism is an evil which affects each and everybody. Now and then we can find terrorist attacks being made by terrorists. These attacks definitely cannot be done without the help of money. Money Laundering serves as an important mode of terrorism financing. Terrorists have shown adaptability and opportunism in meeting their funding requirements. Terrorist organizations raise funding from legitimate sources, including the abuse of charitable entities or legitimate businesses or self financing by the terrorists themselves. Terrorists also derive funding from a variety of criminal activities ranging in scale and sophistication from low-level crime to organized fraud or narcotics smuggling, or from state sponsors and activities in failed states and other safe havens. Terrorists use a wide variety of methods to move money within and between organizations, including the financial sector, the physical movement of cash by couriers, and the movement of goods through the trade system. Charities and alternative remittance systems have also been used to disguise terrorist

movement of funds (SinghVijay, Controlling Money Laundering in India –Problems and Perspectives 2009).

4.2- Threat to Banking System – Across the world, banks have become a major target of Money Laundering operations and financial crime because they provide a variety of services and instruments that can be used to conceal the source of money. With their polished, articulate and disarming behavior, Money Launderers attempt to make bankers lower their guard so as to achieve their objective. Though norms for record keeping, reporting, account opening and transaction monitoring are being introduced by central banks across the globe for checking the incidence of Money Laundering and the employees of banks are also being trained to recognize suspicious transactions, the dilemma of the banker in the context of Money Laundering is to sift the transactions representing legitimate business and banking activity from the irregular / suspicious transactions. Launderers generally use this channel in two stages to disguise the origin of the funds.

First, when they place their ill gotten money into financial system to legitimize the funds and introduce these funds in the financial system and second, once these funds have entered the banking system, through a series of transactions, they distance the funds from illegal source. The banks and financial institutions through whom the ‘dirt money’ is laundered become unwitting victims of this crime. (SinghVijay, Controlling Money Laundering in India – Problems and Perspectives 2009).

4.3- Threat to Economic and Political Stability – the infiltration and sometimes saturation of dirty money into legitimate financial sectors and national accounts can threaten economic and political stability. An IMF working paper concludes that money laundering impacts financial behavior and macro-economic performance in a variety of ways including policy mistakes due to measurement errors in national account statistics; volatility in exchange and

interest rates due to unanticipated cross border transfer of funds; the threat of monetary instability due to unsound asset structures; effects on tax collection and public expenditure allocation due to misreporting of income and many more such ways. (SinghVijay, Controlling Money Laundering in India –Problems and Perspectives 2009).

4.4-Unfair competition: Gresham’s law that ‘bad money drives out good money’ seems to apply also to money laundering. Holding on to illicitly obtained cash is incriminating for offenders. Consequently, they will attempt to convert it into assets (i.e. real Estate, business), which are less conspicuous and can give the appearance of Legitimate wealth. To achieve this aim, money launderers engage in extensive purchases and due to their large availability of funds, they will be able to outbid potential honest buyers. (Donoto MasciandamoElod 2007)

4.5- Changes in imports and exports Money laundering activities can also bring about a distortion of a country’s imports and exports. As mentioned above, money launderers tend to engage in (Often imported) luxury consumption. As a consequence, there will be balance of payments problems. Such imports do not generate domestic economic activity or employment and can depress domestic prices. (Donoto MasciandamoElod 2007)

4.6-Changes in foreign direct investment: The damaged integrity of the financial sector as a result of its association with money laundering and the entrenched presence of organized crime can negatively impact foreign direct investment. Once a country’s commercial and financial systems are perceived as being under the influence of criminal elements, this may compromise the jurisdiction’s reputation and undermine investor’s trust.

4.7- Distorting economic statistics: Furthermore, money-laundering activities could bring about errors in macroeconomic statistics, which can subsequently give rise to errors in policy making.

5-Some techniques of money laundering:

At each of the three stages of money laundering various techniques can be utilized. It is really not possible to enlist all the techniques of Money Laundering exercise; however, some techniques are illustrated for the sake of understanding.

5.1-Hawala – Hawala is an alternative or parallel remittance system. It exists and operates outside of, or parallel to 'traditional' banking or financial channels. It was developed in India, before the introduction of western banking practices, and is currently a major remittance (LAL 2003) system used around the world. In hawala networks the money is not moved physically. A typical hawala transaction would be like a resident in USA of Indian origin doing some business wants to send some money to his relatives in India. The person has option either to send the money through formal channel of banking system or through the hawala system. The commission in hawala is less than the bankcharges and is without any complications for opening account or visit the bank, etc. The money reaches in to the doorstep of the person's relative and the process is speedier and cheaper. (JostPatrick)

5.2-Structuring Deposits – Also known as *smurfing*, this method entails breaking up large amounts of money into smaller, less-suspicious amounts. In the United States, this smaller amount has to be below \$ 10,000 the dollar amount at which U.S. banks have to report the transaction to the government. The money is then deposited into one or more bank accounts either by multiple people (smurfs) or by a single person over an extended period of time. (SinghVijay 2009)

5.3- Third –party Cheques – Utilizing counter cheques or banker's drafts drawn on different institutions and clearing them via various third-party accounts. Third party cheques and traveler's cheques are often purchased using proceeds of crime. Since these are negotiable in many countries, the nexus with the source money is difficult to establish. (SinghVijay 2009)

5.4-Credit Cards – Clearing credit and charge card balances at the counters of different banks.

Such cards have a number of uses and can be used across international borders. For example, to purchase assets, for payment of services or goods received or in a global network of cash-dispensing machines. (SinghVijay 2009)

5.5-Peso Broker - A drug trafficker turns over dirty U.S. dollars to a peso broker in Colombia.

The peso broker then uses those drug dollars to purchase goods in the United States for Colombian importers. When the importers receive those goods (below government radar) and sell them for pesos in Colombia, they pay back the peso broker from the proceeds. The peso broker then gives the drug trafficker the equivalent in pesos minus a commission) of the original, dirty U.S. dollars that began the process. (SinghVijay 2009)

The list is endless and quite a lot of techniques are not easily attributed to one laundering phase alone. With each reporting of crime, the modus operandi changes keeping in view the earlier detection. The money-launderers appear to be serious researchers and the officials appear to be mere readers of research reports.

Chapter 3: Money laundering in Algeria

1-Algerian background:

1.1-Basic information: After more than a century of rule by France, Algerians fought through much of the 1950s to achieve independence in 1962. Algeria's primary political party, the National Liberation Front (FLN), has dominated politics ever since. Many Algerians in the subsequent generation were not satisfied, however, and moved to counter the FLN's hegemony in Algerian politics. The surprising first round success of the Islamic Salvation Front (FIS) in December 1991 balloting spurred the Algerian army to intervene and postpone the second round of elections to prevent what the secular elite feared would be an extremist-led government from assuming power. The army began a crackdown on the FIS that spurred FIS supporters to begin attacking government targets. (www.eoearth.org 2009)

The army placed Abdelaziz BOUTEFLIKA in the presidency in 1999 in a fraudulent election but claimed neutrality in his 2004 landslide reelection victory. Longstanding problems continue to face BOUTEFLIKA in his second term, including large-scale unemployment, a shortage of housing, unreliable electrical and water supplies, government inefficiencies and corruption, and the money launders

1.2- Fact sheet:

Location:	North Africa with the Mediterranean Sea to the north (1200 km of coastline), Morocco to the west, Tunisia to the east, Libya to the south-east, Mauritania and Western Sahara to the south-west, Mali and Niger to the south.
Area:	At 2 381 741 km ² the second largest country in Africa. The Sahara covers 84 percent of the total surface area, the steppes 8.5 percent and the coastal area (mountains and plains) 7.5 percent.
Population:	38.8 million inhabitants as at 1 January 2010 Life expectancy at birth: Men 74 years; women 76 years; average 75 years
Major cities:	Algiers (capital), Sétif, Oran, Constantine, Annaba, Batna, Tlemcen, Tizi-Ouzou, Ghardhaïa, Adrar, Tamanrasset
Land use:	Algeria is a mountainous country with an average altitude of 800 m. The Sahara covers over 2 million km ² (84 per cent of the total surface area of the country); forests and scrub cover 4.1 million hectares (the percentage forestation is 16.4 for the north of Algeria and only 1.7 for the remainder of the country). In 2002, only 8.27 million hectares of the 40 million hectares of arable land were under cultivation, largely concentrated in the northern region. Almost 0.5 million hectares of steppes are in the process of total desertification and more than 7 million hectares are at risk.
Independence:	5 July 1962: Proclamation of the independence of Algeria 25 September 1962: Proclamation of Democratic People's Republic of Algeria; 1 November 1954: National Day–Revolution Day
Constitution:	Constitutions of 1963, 1976 and 1989 Revised, adapted by referendum on 28 November 1996
Administrative structure	1541 communes within 48 wilayas (provinces), 535 daïras and 13 administrative divisions headed by a deputy Wali in the wilayas of Algiers
Political governance:	A multiparty democracy with a Presidential system and a bicameral parliament: Popular National Assembly (APN); and National Council (the Senate). Major political party: Front de Liberation National (National

	Liberation Front) (FLN)
Macro-economic indicators:	Gross domestic product (2006): US\$114.2 billion Gross national product per capita (2006): US\$3403
Trade:	Exports (2004): US\$54.1 billion <i>Goods according to sector of activity (%):</i> Hydrocarbons; chemistry, rubber, plastics; iron metal, mechanical, electrical industries (0.66); agricultural and food industries, tobacco, matches (0.15); agriculture, fishing, hunting (0.11); mines and quarries (0.09); timber, cork, paper, leather and shoe industries; leather and shoe industries; textile, hosiery and clothing industries <i>Major trading partners (exports) :</i> United States; Italy; France; Spain; The Netherlands; Canada; Brazil; Turkey; Portugal; Belgium. <i>Import (2006): US\$21.1 billion</i> <i>Principal products according to major user groups:</i> Industrial equipment; semi-finished products; good, drink, tobacco; consumer goods; raw materials; energy and lubricants; agricultural equipment; unfinished products <i>Major trading partners (imports):</i> France; Italy; Germany; United States; China; Spain; Japan; Argentina; Turkey; Belgium

Sources: National Bureau of Statistics; Algerian Office for the Promotion of Foreign Trade (PROMEX), Division for the Development of Land and Water – United Nations Food and Agricultural Organization, Algerian Permanent Mission at the United Nations; www.algeria-un.org/default.asp?doc=-contact&lang=2; www.ipu.org/parline-f/reports/1004_B.htm.

1.3 Economic statistics:

GDP and GDP per head:

GDP (purchasing power parity)	\$240.2 billion
GDP (official exchange rate)	\$171.3 billion
GDP - real growth rate	3.4%
GDP - per capita (PPP)	\$7,100

GDP by sector:

Agriculture	8.1%
Industry:	62.5%
Services	29.4%
Hydrocarbons industry	60% of budget revenues, 30% of GDP, and over 95% of export earnings.
Unemployment rate	12.9%
Inflation rate (consumer price):	3.6%

Source: the central bank of Algeria. (www.bank-of-algeria.dz 2009)

1.4- There are a number of reasons underlying the magnitude of the phenomenon:

1.4.1- A new public phenomenon: The transition from a centralized economy to a market economy often coincides with the passage from a government that is the patron of society to a situation where the latter is helpless (because it is not accustomed to these) in the face of uncontrolled forces of agents or groups. The multidimensional crisis experienced by the country in the 1990s created an environment that was conducive to the spread of money launders. This situation was characterized, in particular, by the crisis of confidence experienced by institutions, the priority given by the government to the fight against terrorism, and the fragility of institutions in a transitional phase. (Country review report of the people's democratic of Algeria , july 2007 2007)

1.4.2-Institutional and organizational gaps: lack of institution building served which could have citizens and have enabled them to enjoy certain rights, are the main breeding grounds for corruption which in turn is the major source of money laundry in Algeria. They facilitate the confiscation of property rights by some and breed favoritism. The economy of corruption is largely an economy of services rendered, of rights that become favors, and of public services being exploited for personal interests in one form or another. There are those that resort to corruption simply to benefit from "intermediation" with a view to gaining time, avoiding the maze of bureaucracy or exploiting the flaws of the latter. (Country review report of the people's democratic of Algeria , july 2007 2007)

1.4.3- Competition and business ethics: The CRM observed deterioration in the business environment and a number of anticompetitive practices. In the young market economy emerging from centralized socialist planning, a number of business owners are of the opinion that corruption can speed up and facilitate their business operations despite the additional costs. So they "play the game" as they wait for the practice to be exposed by others and

effectively combated.

1.4.4- A banking system outside the expectations and needs of the Algerian economy:

One of the key causes of, or opportunities for, money laundry is that there is too much liquid cash changing hands in Algeria.

1.4.5-Poverty: Poverty alone provides an insufficient explanation for trafficking: Trafficking fees are too high for the very poor and many trafficked women and children do not originate from the poorest regions of the developing world. However, poverty in rural areas can lead the villagers to sell their daughters; desperation in urban areas can draw young girls into prostitution as a means of survival. In many poor regions of the world, the sale of a woman or a child provides food and clothing for the family. Poverty is linked with single parent families, unemployment, low salaries and social expenditure as well as tax policy in each country.

1.4.6-Various causes of a cultural nature affect trafficking. Very limited opportunities for education and marginalization which affects many women make them easy targets for professionally organized networks that recruit women and assist them in their migration. It also stems from women's dependence on men and from the lack of awareness of potential victims of the dangers. Cultural attitudes also play an important part in the prosperity of the sex business. In many societies, women and children are still viewed as second-class citizens or even inferior beings who do not deserve the same rights and liberties. Discriminatory attitudes and patriarchal perspectives extend to the belief that one of the main purposes of the female is to please the male, especially sexually. Sexism and gender roles are taught from childhood and in some countries are intensified by traditional religious doctrine.

1.4.7-Corruption of public officials and especially of customs officers: In many instances, corruption of public officials helps the traffickers and renders anti-trafficking legislation

virtually ineffectual.

1.4.8-Smuggling: especially of alcoholic beverages, arms, tobacco and weapons

1.4.9-Unawareness about the Problem

Unawareness about the problem of money-laundering among the common people. People in Algeria, especially among the poor and illiterate, do not trust banks and prefer to avoid the lengthy paperwork required to complete a money transfer through a financial institution.

2-Organizations involved in money laundering combat: The Money Laundering Law established several precautionary measures, in order to prevent that sectors of the national economy are used in the money laundering process.

Its principal target is to make the criminal organization financially impracticable and not profitable to the practice of crimes, consequently reducing the incidence of this criminality and of the preceding crimes. Several tools adopted by the country and the agreements of international cooperation take into account his purpose and look basically for the apprehension of the goods and values of the gangs, making difficult its maintenance.

These are the principal national organizations of Money Laundering combat. However, I will focus only on customs organization since it is my work job area.

- ✓ The Central bank of Algeria
- ✓ The National Gendarmerie
- ✓ The Department of Police
- ✓ The Customs Organization

2.1-The Central Bank of Algeria: The value of the Algerian Dinar is determined in the interbank foreign exchange market where the central bank (Bank of Algeria) is the main buyer and seller. The Bank of Algeria regulates the foreign exchange market according to the foreign exchange policy decided by the Council and in compliance with Algeria's international commitments. The dinar cannot be a subject to multiple exchange rates.

The Bank of Algeria is responsible for regulating the money supply, directing and supervising the distribution of credit, supervising the proper management of financial commitments with regards to foreign countries and regulating the foreign exchange market.

The Bank establishes the norms that each and every bank must conform to such as the liquidity ratios, the authorized use of banks' funds or risk management. (www.bis.org/cbanks. 2010)

2.2-The National Gendarmerie: The Gendarmerie National (Arabic: "El Dark El Watani"), is the national rural police force of Algeria. As part of the Algerian Armed Forces is commanded by a Major General who reports directly to the Minister of National Defense. In 2007 the gendarmerie consists of 60,000 troops. Although generally regarded as a versatile and competent paramilitary force, the gendarmerie has been severely tested in dealing with civil disorder since 1988. It frequently has lacked sufficient manpower at the scene of disorder and its units have been inadequately trained and equipped for riot control. The gendarmerie, however, has demonstrated the ability to root out terrorist groups operating from mountain hideouts. The current commander is Major-General Ahmed Boustila. (www.ask.com/wiki/Gendarmerie_Nationale_Algeria 2010)

2.3-The Department of Police : the police are expected to maintain order, enforce the law and provide services as they seek to prevent crime .However, they perform other tasks as well , many of them having title to do with community service .

In Algeria, these institutions (Central Bank, National Gendarmerie and Department of Police) have not sufficient structure to deal with this type of criminality. The numbers of penal actions for money laundering crimes are reduced in the Courts. This is because has insufficient structure to face a criminal organization with its spacious branching and to obtain sufficient proof to start a penal action.

The money laundering crime demands a strenuous work of investigation and great score of informations, that very often the institutions are not prepared to carryout of obtain. The delay in the retrieval of this information, the lack of specialized people to analyse the received data and to cross with others, very often, can frustrate an operation, because the criminal organizations are much more prepared and equipped and make difficult the work of the investigation.

2.4-The Customs Organization: First, before talking about the effective tool used by customs to combat money laundering, I am attempting to give some information regarding customs missions and strategy.

2.4.1-Customs missions and strategy: First Customs is an authority in a country responsible for collecting and safeguarding customs duties and for the controlling the flow of goods including animals, personal effects and hazardous items in and out of a country.

All countries have in place some customs controls for revenue generation, domestic economic interests, and national security purposes. While there are similarities between countries .there are local, specific requirements that have to be addressed. Broadly, customs missions will be defined as in order (www.douane.gov.dz)

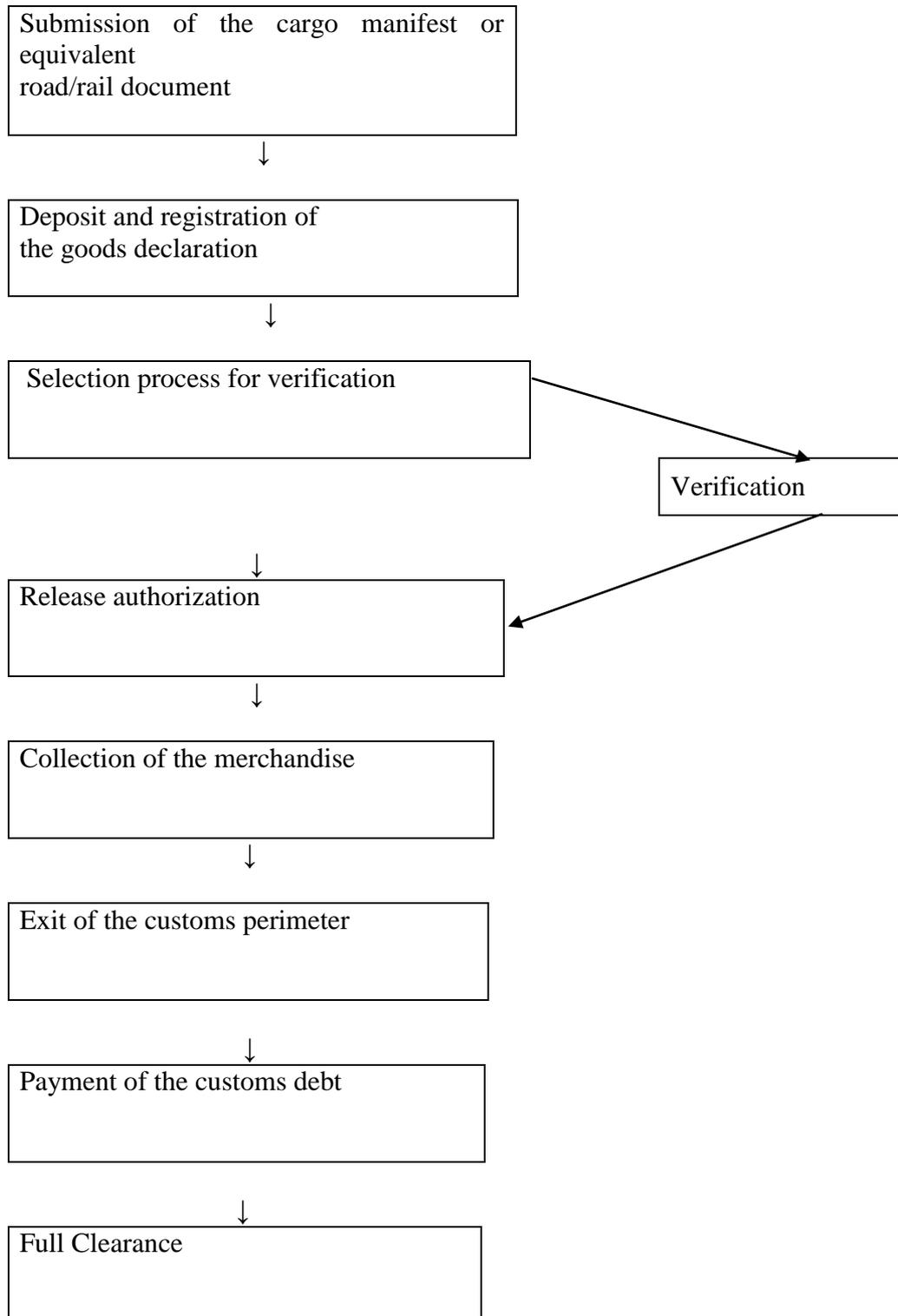
- Processing of import, export, and transit declarations,
- Assessment of origin, value, and classification of goods,
- Collection and processing of duties and fees,
- Physical inspection, examination, and release of cargo,
- Conduct of post-clearance audits,
- Processing of urgent consignments,
- The fight against the smuggling of drugs and organized crime,
- Ensure the public security,
- Ensure the public Health protection.

Customs strategy: (www.douane.gov.dz)

Enhancing the use of Information Technology,

- Streamlining Customs and Excise duty,
- Procedures Encouraging voluntary compliance,
- Evolving Cooperative Initiatives,
- Assisting in the Formulation of Tariff policies,
- Combating Revenue Evasion, commercial Frauds and social menace,
- Measuring conformance to service delivery standards,
- Developing professionalism and responsibility.

2.4.2A Standard Customs Clearance Procedure (HorsIrene 2001)



3- Method of combating money launderers used by customs

The different Power and Privileges:

The powers granted to the customs administration are the authorities of examination and control, investigation, besides the authority of imposing sanctions.

3.1-The power of examination, control and investigation:

3.1.1- The right of examination and inspection:

Allowed to the customs officer by law to do the inspection and examination and this right includes inspection of goods have been declared or transferred within the customs zone as well as the possibility of searching houses for goods shop fraud , also the authority to inspect persons . (The Algerian customs code)

3.1.2- The right of control:

Law granted to the customs administration the right to exercise control of various documents at all level, which is an important power to detect the illegal practice.

3.1.3-The right of investigation:

The law allowed to customs to detect the fraud through investigation in the context post-audit exercise which has become an effective means to combat fraud.

3.2-The power of imposing sanctions:

We have two kinds of sanctions, financial sanctions fine and confiscation and personnel sanctions imprisonment. (The Algerian customs code)

3.3- Some examples of illegal cases arrested by customs:

3.3.1-Ghazaouet : Seedlings of Narcotics Seized.

Acting on intelligence, customs services have managed to Ghazni after search of home, not far from Route Tiante, capture, dated 01 October 2009, planting of drugs (hashish). This seizure represents a total weight of 03 kg and 390 grams and equivalent to a total value of 135,600.00 DA . (Algerian customs magazine: douane info 2007)

3.3.2-Ain Temouchent : Seizure of 300 kg of Kif.

The elements of Customs of Ain Temouchent, after a chase, reached on Oct .7. 2009, at a place called "Area Group 4 Track 'in the locality of Sidi Ben Adda, to neutralize a vehicle and grab 599 board's kif, representing a total weight of 300 kg. (Algerian customs magazine: douane info 2007)

3.3.3-Bir el Ater: Seizure of 289,870 Euros and \$ 47,300.

The services of the Inspectorate Division of the Customs of Bir El Ater succeeded, September 30, 2009, at approximately 6:30 minutes, take 289,870 euros and 47,300 dollars is the value of cons 34,116,215.00 DA. This operation came after an intelligence reached the Customs Service who immediately prepared an ambush for smugglers along the national road N°10 connecting the Wilaya of Tebessa that of Oum El Bouaghi at a place called 'Ain El Fodda. These large sums in foreign currency were concealed in hiding places carefully arranged at the air filter door and trunk of the vehicle . (Algerian customs magazine: douane info 2007)

3.3.4-Bejaia: seizure of 30,000 Euros.

A seizure of 30,000 Euros was made, October 29, 2009, by the Brigade Visit to Airport Travelers Abbane Ramdane, Bejaia. The offender was aboard the flight from Paris. (Algerian customs magazine: douane info 2007)

Goods seized objects of the main currents of fraud

Seized goods	Quantity	Value (DA)
Narcotics	64,425.40 KGS + 904,498 psychotropic pills	1.829.567.075,00
Cigarettes	3,562,809 units 2530 cartons	369.979.878,50
Fuel	Diesel: 2,800,062 liters Fuel: 147,085 liters	29,844,037.00
Means of transport	20 vehicles, 01 trucks and 28 donkeys	7.691.000,00 DA
Alcohol	RICARD 40 bottles and 37 bottles WHISKY	115.500,00 DA
Transfer illegal of money	150,000 Euros	1500000000 DA

Source: magazine info douane 2007

4- The international money laundering agreements and organizations to which Algerian is signatory:

4.1-The Convention of the United Nations Against the Illicit Traffic of Drugs and Psychotropic Substances, in Vienna, This UN Convention was one of the historic conventions inasmuch as the parties to the Convention recognized the links between illicit drug traffic and other related organized criminal activities which undermine the legitimate economies and threaten the stability security and sovereignty of States and that illicit drug trafficking is an international criminal activity that generates large profits and wealth (Single Convention on Narcotic Drugs 2006), enabling transnational, criminal organizations to penetrate, contaminate and corrupt the structures of government, legitimate commercial and financial businesses and society at all levels. The treaty required the signatories to criminalize the laundering of drug money, and to confiscate it where found. All countries ratifying agree to introduce a comprehensive criminal law against laundering, the proceeds of drug trafficking and to introduce measures to identify, trace, and freeze or seize the proceeds of drug trafficking. Based on the convention many countries have framed their national legislations. Council of Europe Convention on Laundering is motivated by this convention as well as this convention gave a framework for FATF to work and Algeria is signatory of this Convention. (www.dipublico.com 2010)

4.2-GPML – The Global Programme against Money Laundering was established in 1997 in response to the mandate given to UNODC by the 1988 UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. GPML mandate was strengthened in 1998 by the United Nations General Assembly Special Session (UNGASS) Political Declaration and Action Plan against Money. (www.unodc.org/unodc/en/money-laundering) Laundering which broadened its remit beyond drug offences to all serious crime.

Three further Conventions have been adopted / specify provisions for AML/CFT related crimes:

- International Convention for the Suppression of the Financing of Terrorism (1999),
- UN Convention against Transnational Organized Crime (2000),
- UN Convention against Corruption (2003).

4.3- Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds of Crime: Popularly known as Strasbourg Convention⁷⁸ was intended to extend the provisions of international cooperation against the activities of international organized criminality in general beyond the area of drug trafficking. Further the EC Directive on Prevention of the use of the Financial System for the Purpose of Money Laundering in 1991 is a legal regulation of mandatory force requiring member states to incorporate the rules contained therein in their own legal systems by a certain date.
(<http://conventions.coe.int/treaty/en/Treaties>)

4.4-Egmont Group of Financial Intelligence Units.

The Egmont Group is the coordinating body for the international group of Financial Intelligence Units (FIUs) formed in 1995 to promote and enhance international cooperation in anti-money laundering and counter-terrorist financing. The Egmont Group consists of 108 financial intelligence units (FIUs) from across the world. Financial intelligence units are responsible for following the money trail, to counter money laundering and terrorism financing. FIUs are an essential component of the international fight against money laundering, the financing of terrorism, and related crime. Their ability to transform data into financial intelligence is a key element in the fight against money laundering and the financing of terrorism. The FIUs participating in the Egmont Group affirm their commitment to encourage the development of FIUs and co-operation among and between them in the interest

(Singh, Controlling Money Laundering in India _Problems and Perspectives 2009)

of combating money laundering and in assisting with the global fight against terrorism financing. (www.egmontgroup.org)

4.5 The Financial Action Task Force (FATF)

The Financial Action Task Force (FATF) is an inter-governmental body founded by G7 Countries (Canada, France, Germany, Italy, Japan, United Kingdom), in 1989, whose purpose is the development and promotion of national and international policies to combat money laundering and terrorist financing. The Forty Recommendations of the Financial Action Task Force on Money Laundering (FATF) have been established as the international standard for effective antimoney laundering measures. FATF regularly reviews its members to check their compliance with these Forty Recommendations and to suggest areas for improvement. It does this through annual self-assessment exercise and periodic mutual evaluations of its members. The FATF also identifies emerging trends in methods used to launder money and suggests measures to combat them.

In addition to the existing 40 recommendations FATF has come up with 9 special recommendations on terrorist financing. As per the recommendations of the task force, all countries have to ensure that offences such as financing of terrorism, terrorist acts and terrorist organizations are designated as 'money laundering predicate offences'.

The 40 Recommendations provide a complete set of counter-measures against money laundering (ML) covering the criminal justice system and law enforcement, the financial system and its regulation, and international co-operation. They set out the principles for action and allow countries a measure of flexibility in implementing these principles according to their particular circumstances and constitutional frameworks. Though not a binding international convention, many countries in the world have made a political commitment to

combat money laundering by implementing the 40 Recommendations.

Moreover, FATF's recommendations have UN Support. Initially developed in 1990, the Recommendations were revised for the first time in 1996 to take into account changes in money laundering trends and to anticipate potential future threats. More recently, the FATF has completed a thorough review and update of the 40 Recommendations (2003). In 2004. (<http://www.fatf-gafi.org>)

4.6- Possible future organizations with Algeria membership:

4.6.1 International Money Laundering Information Network (IMoLIN): IMoLIN is an internet-based network assisting governments, organizations and individuals in the fight against money laundering and the financing of terrorism administered by UN office on Drugs and Crime. IMoLIN has been developed with the cooperation of the world's leading anti-money laundering organizations. It provides with an international database called anti-money Laundering International Database (AMLID) that analyses jurisdictions' national anti-money laundering legislation. It is intended as a tool for practitioners to assist them in their international cooperation and exchange of information efforts. Currently, the anti-money Laundering International Database (AMLID) 2nd Round of Legal Analysis has been launched by UNODC on 27 February 2006, IMoLIN has twelve participating organization, four international organizations, and five international financial institutions⁸⁶ on its website. (<http://www.imolin.org/imolin/index.html>).

4.6.2-Wolfsberg AML Principles:

This gives eleven principles as an important step in the fight against money laundering, corruption and other related serious crimes. Transparency International (TI), a Berlin based NGO in collaboration with 11 International Private Banks⁸⁹ under the expert participation of Stanley Morris and Prof. Mark Pieth came out with these principles as important global

guidance for sound business conduct in international private banking.

The importance of these principles is due to the fact that it comes from initiative by private sector. Normally, most initiatives to date have been public sector led by governments and their regulatory and law enforcement agencies, or by government representatives acting through international forms such as the Financial Action Task Force (FATF) and the Basel Committee of Bank Supervisors. The Wolfsberg Principles are a non-binding set of best practice guidelines governing the establishment and maintenance of relationships between private bankers and clients. (<http://www.wolfsberg-principles.com>)

4.6.3- Asia-Pacific Group on Money Laundering (APG)

The Asia/Pacific Group on Money Laundering (APG) is an international organization consisting of 38 member countries/jurisdictions and a number of international and regional observers including the United Nations, IMF and World Bank. The APG is closely affiliated with the FATF based in the OECD Headquarters at Paris, France. All APG members commit to effectively implement the FATF's international standards for anti-money laundering and combating financing of terrorism referred to as the 40+9 Recommendations. (<http://www.apgml.org>)

5-Obstacles, the principal problems faced by customs organization

I will divide these obstacles in two parts, first I will attempt to explain obstacles within the customs organization and the second part I will clarify the obstacles with other sectors bank, police and national gendarmerie.

5.1-The major problems of customs organization:

- ▶ Regulations,
- ▶ Human resources management,
- ▶ Insufficient service and control,
- ▶ Public relations and communication,
- ▶ Port capacity,

- ▶ Lack of automation and insignificant use of information technology,
- ▶ Non availability of adequate infrastructure and equipment in customs,
- ▶ Organization and management,
- ▶ Customs cooperation,
- ▶ Corruption.

The problem	The problem identification
5.1.1-Regulations	<ul style="list-style-type: none"> ● It is unstable and not clear. ● Customs officers powers are to be used are not defined. ● Communications issue and bureaucracy delays.
5.1.2-Human resources management	<ul style="list-style-type: none"> ● Lack of incentives ● Ability problem. ● Instability in position ● Lack of training ● Lack of number of agents
5.1.3-Insufficient service and control	<ul style="list-style-type: none"> ● Slow working process ● Bureaucracy working system ● Lack of net working system
5.1.4-Public relations and communication	<p>People have no confidence in customs , they think that we are against their interest when we fight smuggling , money launders and fraud, they don't know this kind of practices have bad impact on the national economy :for example shadow economy</p>
5.1.5-Port capacity	<ul style="list-style-type: none"> ● Customs is not necessarily the only source of import clearance delays, or even the most important one. ● Delays in port or airport often occur because of handling and transportations issues that are outside the customs clearance process. ● The amount of time a container spends in port is affected by the lack of port organization; equipment and poor inland transportation like trucks and sometimes rail.
5.1.6-Lack of automation and insignificant	<p>Customs clearance in Algeria has so</p>

use of information technology

far been based on physical control manual system as a result our clearance time at port or airport , still far from the best international practices delays increase not only the cost of compliance , the other adverse effects are corruption and congestion in the port .

5.1.7-Non availability of adequate infrastructure and equipment in customs

- Poor technology
- Old fashion technology
- Misused of technology : declaration of goods

5.1.8-Organization and management

- An internal communication problem: customs regulations and internal rules are not correctly and uniformly applied throughout the organization.
- Unclear definition of the roles, tasks, responsibilities.
- Problem of links between the centre of the administration and regional offices

5.1.9Customs cooperation

- Lack of partnership between the customs administration and other authorities.
- Lack of regular meeting between the different government authorities.
- There is no legal basis allowing efficient customs cooperation with all neighboring countries regarding information exchange

5.1.10Corruption

- Corruption is a major cause of concern for many public and private organization globally, customs organization are more prone to corruption due to problems like: high discretion powers and law accountability.
 - That is why corruption framework :
Corruption = monopoly + discretion – accountability
-

5.2- Other problems faced from bank:

-Problematic of confidentiality of bank accounts: The bank principal is not to disclose banking secrets, regarding placement and withdrawals operations in order to attract more clients. Even though many meetings have been organized in order to enhance the cooperation between security sectors and financial sectors mainly bank. However, they still not disclose about some customers account bank.

- Lack of commitment to the bank monitoring and verification: The first role and contribution must being from banks, which can monitor the deposits and withdrawals, but the fact is the banks are not cooperating with justice and security sectors in terms of information exchanged In order to detect suspicious transactions .

-The lack of an appropriate training for financial institutions and other government bodies' employees is another problem contributing to the improper qualification of the law and the misreporting of transactions.

5.3- Other problem faced from police and national gendarmerie: both of two sectors are hardly collaborate with customs although there was convention which approved from each top manager (Customs, police and gendarme).

5.4- The difficulties that Algerian customs specifically have (The most concrete)

Alegria, like any other north African country faces certain number of difficulties among of which are the following:

-Absence of cooperation with neighbouring countries,

-Obscure method of staff recruitment(nepotism and favouritism in selecting customs officers and agents),

-Negative behaviour(customs officers are interested exclusively in immediate profit and material wealth since they occasionally condescend to take bribes,

- Customs officers wink at wealthy smugglers and money launderers' activities,
- Lack of good will and responsibility assuming,
- Difficulty of controlling borders given the size of the country,
- complicity and corruption at all levels,
- Lack of sophisticated equipment and well trained customs officers,
- Indecent salaries offered to the staff of this sector which lead to unavoidable strike from time to time and finally goods are heavily taxed in such a way that trafficking can no longer be avoided whatever happens.

6-Suggestions and actions to be adopted.

6.1-Proposed measures to be taken

1 – Customs organization should make reform according to this table.

The problem	The aim	Implementing strategy
Regulations:	<ul style="list-style-type: none">-To build a stable and comprehensive legal system which ensures that proper, uniform and/or harmonized application of national customs-related legislation.-Enhances the powers and penalties available to customs officers.-Sets out the obligations and rights of customs officers, economic operators and the public in a transparent way.	<ul style="list-style-type: none">-Put the right person in right position-Create competitions-Create committee charge of controlling uniformity of application of national customs-related legislation.-Establish code of conduct
Human resource management	<ul style="list-style-type: none">-To develop an effective human resource management system which supports the achievement of the customs administration's objectives.- The customs administration structure, and functions within the structure, are clearly defined-Top management is both seen to be committed and is committed to securing the best possible pay and working conditions for all the administration's employees	<ul style="list-style-type: none">-To monitoring the implementation of decisions made by Department.-Provide incentives like increasing salary.Strategy for anti corruption and money laundry in the organization.-Training and seminar and also study tour with other sectors
Insufficient service and control	<ul style="list-style-type: none">-To improving the process of service in the office.-Quality of public service in the office.-To shift from manual system to automation one.-Enhance the capacity of employees	<ul style="list-style-type: none">-Facilitates the accessibility of the people to the services through clear and easy procedures.-To increase transparency efficiency and effectiveness.-Improve the employees skill through training and

	<ul style="list-style-type: none"> -Reduce the fraud -Adopt risk management 	<ul style="list-style-type: none"> exchange experience between the courtiers - Provide new technology to the employees -Increase control and vigilance
<p>Public relations and communication</p>	<p>Development of an external communication function with general public and stakeholders, which:</p> <ul style="list-style-type: none"> -Helps to make the unique and important role of customs better understood -Demonstrates that customs work makes a difference and provides added value by showing that many important functions can be carried out only by customs -Raises acceptance and contributes to the positive image of customs officers by showing that their work is essential and appropriate for public welfare and safety; 	<ul style="list-style-type: none"> -Training is provided for customs officers to improve their communication skills, where appropriate, and in particular for the spokespersons and management - The message of customs and information is prepared and constantly updated, and explains to stakeholders and citizens — in line with the mission and strategic objectives as defined in the business strategy — what the customs service is doing, and how and Why through meeting .
<p>Organization and management</p>	<ul style="list-style-type: none"> -To develop a modern customs administration which matches international standards and meets the needs of its stakeholders, through effective business planning, management and internal and external communication. - Clear definition of the roles, responsibilities and links between the centre of the administration and regional offices. -Development and implementation of an internal communication system which ensures that: <ul style="list-style-type: none"> -Customs legislation and internal rules are correctly 	<ul style="list-style-type: none"> -Make sure that The roles, responsibilities and links between the centre of the administration and its regional offices are clearly communicated to all staff. -Clear organization charts of structures and functions are established and published. -Top management is seen to be actively concerned with developing effective internal communication and external communication

	and uniformly applied throughout the organization	
Customs cooperation	<ul style="list-style-type: none"> -To develop sufficient operational capacity for cooperation with national and international partners and establish technical and operational measures to regulate and coordinate the functioning of integrated border controls. -To establish a strategy for cooperation with partners. -To create and develop a climate of partnership between the customs administration and other relevant authorities 	<ul style="list-style-type: none"> -National legislation allows cooperation between customs and other relevant authorities National legislation provides for efficient exchange of information between customs and other relevant governmental authorities. -Regular meetings are held to improve cooperation between the different governmental authorities involved in international trade. -There is a legal basis allowing efficient customs cooperation with all neighboring countries.
Corruption	To eliminate corruption.	<ul style="list-style-type: none"> -Develop Modern Infrastructure - Implement the Customs Law and Regulation -Uniformly in all Customs Territories -Raise Salary and Improve Incentive System - Improve Capacity -Improve Cooperation with Neighboring Countries
-Lack of automation and insignificant use of information technology	<ul style="list-style-type: none"> -Develop the tools of control -Recruit some engineers -Redouble training oversea 	<ul style="list-style-type: none"> -Redouble partnership with developed countries in order to exchange experience and information. -Create specialized brigade such brigade of scanner.

2-Money-laundering seems to be a victimless crime to most of the persons, however, in view of the harmful effects of the crime discussed in the earlier part of the discussion it is need of the day to educate people about such crimes and inculcate a sense of vigilance towards the instances of money laundering. Once the problem is visible to the eyes of people, it would contribute towards better law enforcement as it would be subject to public examination.

3-There is a need to sensitize the Private Sector about their role in anti-money laundering activities. An example would be the Wolfberg principles. Anti-money laundering should not be only the responsibility of the Government, but also the private players.

4- There is a requirement to have a convergence of different enforcement agencies, sharing of information is necessary.

5- Suggestions for bank sector:

Know Your Customer (KYC) - This mandates the bank to take reasonable efforts to determine their customer's true identity, and have effective procedures for verifying the benefit of a new customer. Compliance with Laws – Bank management should ensure high ethical standards in complying with laws and regulation and keep a vigil to not provide services when any money-laundering activity is suspected (Lewis 1996).

6- The laws should be implemented at the level of State Governments and it should not be only the responsibility of Central Government. The more decentralized the law would be better the reach it would have. However, there should be an effective coordination between the Central and State agencies.

7- Creation of teams in the States, involving State and Federal Public Presecution Office, military, civil and polices, ,Central Bank, Judicial System, , in order to exchange information and accelerate the proceedings.

8- Internal structuring of the institutions in order to improve the preparation, the exchange of information, etc., for the best efficiency in the money laundering combat.

9-The government should commission an independent, exhaustive study on the phenomenon of money laundry so as to obtain statistical data on its magnitude and characteristics in Algeria. The study should contribute to developing a coherent policy, identifying key institutions that should be created or strengthened, and organizing a national debate on the issue with a view to building consensus and the commitment of citizens in the fight against this problem. Within this framework, the government could review the most appropriate legal framework for this battle. (The county review report the People's Democratic Republic of Algeria 2007).

10- Legislative and judicial authorities should make reports of the Auditor-General's Office public, as well as any other report from government supervisory bodies, and ensure the enforcement of any legal effects.

11- The government should strengthen and consolidate the National Organ for the Prevention and Fight against money laundry by making the necessary resources available for its operations and success of its mission. (The county review report the People's Democratic Republic of Algeria 2007).

12-The government should ensure that the National Public Procurement Commission is indeed open to the public, and should include members of the civil society in its representation.

13-Acceleration and debureaucratization of bank secrecy break proceedings. For the detection of illicit origin of the values, most times it is necessary detailed analysis by the Central Bank of all the principal and secondary accounts of the investigated person. It will need to point to the whole way done by the financial values, which demands time and personal resources.

Implementation of the targets and recommendations of the ENCCLA76, such as:

- To prepare law to standardize and to accelerate the communication, by the organs of inspection and control of the Public Administration, about signs of illicit practices to the organs of investigation, intelligence and penal persecution.
- To prepare law to provide the exchange of secret informations among public organs and entities of control, prevention and combat of corruption and money laundering and of recuperation of assets.
- To prepare bill regulating the removal of the fiscal and bank secrecy of public agent in the penal, civil or administrative investigation involving illicits against the public administration.
- To adapt the Money Laundering Law to the most recent international recommendations, such as the elimination of the roll of the preceding crimes; substitution of the expression preceding crime for penal preceding imputation, more extensive.

6.2-Anti-money laundering efforts that are being deployed and already have taken by the government: (The county review report the People's Democratic Republic of Algeria 2007).

- Creating a financial information processing unit (Executive Decree 02-127of 7 April 2002);
- Incriminating money laundering through amendment of the Criminal Code in 2004;
- Promulgating the Framework Law on the Prevention of and Fight against Money Laundering and the Funding of Terrorism (Act 05-01 of 6 February2005).

Algeria also approved recommendations of the Financial Action Task Force on Money Laundering and the Funding of Terrorism. The Framework Law on the Prevention of and

Fight against Money Laundering and the Funding of Terrorism (Act 05-01 of February 2005) ensures:

- that national legislation is harmonized with international standards and the country's treaty engagements regarding money laundering and the funding of terrorism, including the United Nations Convention against the Illicit Trade of Narcotics and Psycho-chemicals, the International Convention on the Prevention of Funding of Terrorism, the International Convention on Organized Transnational Criminality, as well as the Arab and Africa Conventions on the Prevention and Fight against Terrorism; and the establishment of a legal arsenal for the detection, prevention and fight against new forms of crime with a view to protecting the national economy and the financial and banking system.

-the establishment of a legal arsenal for the detection, prevention and fight against new forms of crime with a view to protecting the national economy and the financial and banking system.

other actions to improve the effectiveness of the measures undertaken, such as:

- Improving coordination among administrations, some advisory institutions,
- Employer associations and trade unions;
- Bringing the administration's performance up to standard; and promoting business ethics through training seminars, one-day conferences and training sessions that are organized to encourage the requirements of integrity, transparency and responsibility in business transactions and management.

6-3 The solutions that may seem too concrete in Algeria:

Due to my own experience at work, eliminating financial crime is almost impossible but the rate of crime can be reduced considerably if only certain rules can be respected and followed .At the present time, this requires putting closed circuit video at borders and airports to keep watching officers' behavior as well as passengers. Also, creating vehicle identification

system and enforce the mechanism in place. These can help efficiently.

During my study in Korea at KDI School, i was so influenced by E- government system which makes the administration so strong and efficient, mainly the evaluation system.

Honestly speaking, we are still far away from this technology. So we can start applying the available solution as a first step for instance, raising salaries and promotions, less discretionary power, transparency in decisions and good selective recruitment based on psychological test and competency.

To be so honest, through my case study I found out not only will customs combat this phenomenon but police forces as well. I suggest educating people morally and recreating the ethics rules. Nowadays people in Algeria intend to make more money by giving up their principles to satisfy their basic needs even though this act will affect badly on national economy .Of this, they don't care at all.

Chapter 4: Summary and Conclusion

1-Summary

Money-laundering is a use of banking channels in a planned, premeditated high-tech crime. Therefore, development of appropriate prevention and control measures are of great significance.

Money laundering is, by definition is to clean dirty money, illegal funds to a veneer of legality. There are different interpretations, but by most of countries definitions of money laundering are compatible. International Financial Action Task Force believes that any concealment or disguise of property due to criminal acts to conceal the true nature, source, location and direction, or assist in any illegal activities of persons circumvent the law to be responsible, are money laundering.

Money laundering in Algeria is known to be part of drug-related crimes, terrorist crimes, smuggling, crime. The illegal proceeds of crime and the resulting benefits are disguised or concealed to assist in the transfer of property into cash or other financial instruments or through transfer of funds in the form of remittance of funds abroad.

Money-laundering offenses caused great harm to undermine economic development, affecting the healthy development of the financial sector. Firstly it provides source of funds for organized crime; secondly it encourages a criminal offense, endangering social stability. Money-laundering criminals are high profits and stimulate the desire to contribute to their arrogance which do harm to society; thirdly it is fueling official corruptions.

Money-laundering as a hidden crime will not be easily found. Therefore, to achieve the effectiveness of anti-money laundering, there is not only need to improve relevant legislation, but also to strengthen legal education for employees and the ideological and moral education, also we need develop the source of information between the different sectors.

In addition, we should provide sophisticated equipment such as, body scanners and container scanners, we also need to improve the international cooperation and try to learn from foreign experience how to combat with this phenomenon.

2-conclusion:

This work looked to analyse the vital role of Algerian customs organization in money laundry combat, the existent legislation, the existent agreements in international level and the work developed by the government.

In fact it is very critical as well as complicated to eliminate money laundering since money is the root cause of many evils like corruption, black marketing, smuggling, drug trafficking, tax evasion, and the buck does not stop here but it goes to the extent of sex tourism and human trafficking (a human selling another human in the era of human rights). People are crazy for money. Majority want to become rich and money has become the basic goal of education. The more developed the nation, the more the standard of living of the people. People want more money to cater to their needs and at a point of time they don't hesitate to have money from any source (black or white who cares). This is the available soft corner where the concept of money laundering enters and prospers. (Singh, Controlling Money Laundering in India_Problems and Perspectives 2009)

The influence of money on the people was appropriately portrayed by Henry Fielding as follows:

"Sir, money, money, the most charming of all things; money, which will say more in one moment than the most elegant lover can in years. Perhaps you will say a man is not young; I answer he is rich. He is not genteel, handsome, witty, brave, good-humoured, but he is rich, rich, rich, rich, and rich— that one word contradicts everything you can say against him". (www.famous-quotes.com)

Running after black and dirty money may causes great damages to the country, because of the great flows of capitals that circulates for unofficial ways, escaping the control of the institutions and destabilizing the economy. Different problems are caused by this criminality,

as the hyper-reaction of the financial markets, oscillation of the exchange rates, taxes and interest; risks of contamination to the free competition; decrease of the performance of the financial politics of the country, financial instability, increase of the corruption, and so forth.

Because of this, countries have started to join efforts for the restriction of this criminality, publishing the Conventions by the United Nations and other agreements. They have also created international anti-money laundering and financial intelligence units, in order to improve the international cooperation and exchange of informations. Mainly After the terrorist attacks on September 11th, 2001, the United States started to influence and to press positively the United Nations and other international organizations to adopt actions of anti-money laundering and terrorism financing programs. (POSANGELA 2007)

Regarding Algerian case, two years before we had an agreement with Tunisia Customs dealing with the exchange of information. For example the exchange of statistics of vehicles and passengers as well as the sum of money declared by the passenger. Then we compare our results to detect anomalies. During this year's (2008-2009) we found out the number of people who used to transfer illegal money through the border decreased. Besides the traffic of cars and illegal goods have reduced too, this agreement between two countries have influenced people mind because they know that authorities can how detect anomalies and find out the facts.

However, there are still several aspects to be improved, before Algeria becomes more effective in the combat to this criminality in accordance with international standards.

1) To structure the institutions that participates of the anti-money laundering program, in order to give them capability to effectively monitor the gangs, to track the valuables to gather the necessary proof and to propose the penal action;

2) To train the teams constantly, in order to be able to fight this criminality; they must be

updated about the methods and tendencies used by the criminals;

3) To make easier the exchange of secret informations between the institutions, and between the countries;

4) To emphasize the blockade and apprehension of goods and values of the gang, aiming to make it financially impracticable.

3-Bibliography:

- 1- Algerian customs magazine: Duane info. DGD, 2007.
- 2- Country review report of the people's democratic of Algeria, July 2007. African Peer Review Mechanism, 2007.
- 3- Donoto Masciandamo, Elod Takats and Brigitte Unger. The Black finance-the Economics of Money Laundering. Edward Elgar, 2007.
- 4- Force, members of the Financial Action Task. Report on Money Laundering Typologies. US: United States Department of the Treasury-Financial Crimes Enforcement Network, 1996.
- 5- Hors, Irène. Fighting corruption in customs. Oecd development centre, 2001.
- 6- <http://conventions.coe.int/treaty/en/Treaties/>. (Accessed 12 21, 2010).
- 7- http://en.wikipedia.org/wiki/Money_laundering.
- 8- <http://stashbox.org/953567/11061521840-My-Desktop.png>.
- 9- <http://www.apgml.org/>. (Accessed 12 21, 2010).
- 10- <http://www.fatf-gafi.org>. (Accessed 12 21, 2010).
- 11- <http://www.imolin.org/imolin/index.html>. (Accessed 12 21, 2010).
- 12- <http://www.wolfsberg-principles.com>. (Accessed 12 21, 2010).
- 13- Jost, Patrick M. The Hawala Alternative Remittance System and its Role in Money Laundering. United States Department of the Treasury.
- 14- Kepler, Johannes. "Tackling Money Laundering." University of Linz, Altenbergerstrasse. 29.
- 15- Laundering, financial action task force on money. Money laundering typologies. FATF, 1997.

- 16- Money laundering and related matters. The South African law commission, 1996.
- 17- Schneider, Friedrich. <http://www.econ.jku.at/Schneider>.
- 18- Schneider, Friedrich. Money Laundering and Financial Means of organized crime : some preliminary empirical findings. Berlin: the European Commission's Seventh Framework Programme, 2010.
- 19- Singh, Vijay Kumar. Controlling money laundering in India- Problems and Perspectives. Hidaytullah National law University Raipur, Chhattisgarh, 2009.
- 20- Controlling Money Laundering in India –Problems and Perspectives. Hidayatullah National Law University,Raipur, Chhattisgarh, 2009.
- 21- The Algerian customs code. DGD.
- 22- Richard, Weber, Money Laundry. US Department of justice, 2007.
- 23- [www.ask.com/wiki/Gendarmerie_Nationale_\(Algeria\)](http://www.ask.com/wiki/Gendarmerie_Nationale_(Algeria)). 09 23, 2010. (Accessed 12 21, 2010).
- 24- www.bank-of-algeria.dz. 2009. (accessed 12 21, 2010).
- 25- www.bis.org/cbanks. 11 1, 2010. (accessed 12 21, 2010).
- 26- www.dipublico.com. 10 18, 2010. (accessed 12 21, 2010).
- 27- www.douane.gov.dz. (accessed 12 21, 2010).
- 28- www.egmontgroup.org/. (accessed 12 21, 2010).
- 29- www.eoearth.org. 05 30, 2009. (accessed 12 21, 2010).
- 30- www.famous-quotes.com. (accessed 12 21, 2010).
- 31- www.project.org/blog/?m=200902&paged.

ANNEX. A

**FATF Special Recommendations on
Terrorist Financing**

IV. Reporting suspicious transactions related to terrorism

If financial institutions, or other businesses or entities subject to anti-money laundering obligations, suspect or have reasonable grounds to suspect that funds are linked or related to, or are to be used for terrorism, terrorist acts or by terrorist organizations, they should be required to report promptly their suspicions to the competent authorities.

V. International co-operation

Each country should afford another country, on the basis of a treaty, arrangement or other mechanism for mutual legal assistance or information exchange, the greatest possible measure of assistance in connection with criminal, civil enforcement, and administrative investigations, inquiries and proceedings relating to the financing of terrorism, terrorist acts and terrorist organizations. Countries should also take all possible measures to ensure that they do not provide safe havens for individuals charged with the financing of terrorism, terrorist acts or terrorist organizations, and should have procedures in place to extradite, where possible, such individuals. (Force 2008)

ANNEX. B

**International Convention for the Suppression of
The Financing of Terrorism**

Article 18

1. States Parties shall cooperate in the prevention of the offences set forth in article 2 by taking all practicable measures, inter alia, by adapting their domestic legislation, if necessary, to prevent and counter preparations in their respective territories for the commission of those offences within or outside their territories, including:(a) Measures to prohibit in their territories illegal activities of persons and organizations that knowingly encourage, instigate, organize or engage in the commission of offences set forth in article 2;(b) Measures requiring financial institutions and other professions involved in financial transactions to utilize the most efficient measures available for the identification of their usual or occasional customers, as well as customers in whose interest accounts are opened, and to pay special attention to unusual or suspicious transactions and report transactions suspected of stemming from a criminal activity. For this purpose, States Parties shall consider:(i) Adopting regulations prohibiting the opening of accounts the holders or beneficiaries of which are unidentified or unidentifiable, and measures to ensure that such institutions verify the identity of the real owners of such transactions;(ii) With respect to the identification of legal entities, requiring financial institutions, when necessary, to take measures to verify the legal existence and the structure of the customer by obtaining, either from public register or from the customer or both, proof of incorporation, including information concerning the customer's name, legal form, address, directors and provisions regulating the power to bind the entity;(iii) Adopting regulations imposing on financial institutions the obligation to report promptly to the competent authorities all complex, unusual large transactions and unusual patterns of

transactions, which have no apparent economic or obviously lawful purpose, without fear of assuming criminal or civil liability for breach of any restriction on disclosure of information if they report their suspicions in good faith;

(iv) Requiring financial institutions to maintain, for at least five years, all necessary records on transactions, both domestic or international.

2. States Parties shall further cooperate in the prevention of offences set forth in article 2 by considering:

(a) Measures for the supervision, including, for example, the licensing, of all money-transmission agencies;(b) Feasible measures to detect or monitor the physical cross-border transportation of cash and bearer negotiable instruments, subject to strict safeguards to ensure proper use of information and without impeding in any way the freedom of capital movements.

3. States Parties shall further cooperate in the prevention of the offences set forth in article 2 by exchanging accurate and verified information in accordance with their domestic law and coordinating administrative and other measures taken, as appropriate, to prevent the commission of offences set for thin article 2, in particular by:(a) Establishing and maintaining channels of communication between their competent agencies and services to facilitate the secure and rapid

exchange of information concerning all aspects of offences set forth in article 2;(b) Cooperating with one another in conducting inquiries, with respect to the offences set forth in article 2, concerning:(i) The identity, whereabouts and activities of persons in respect of whom reasonable suspicion exists that they are involved in such offences;(ii) The movement of funds relating to the commission of such offences.

4. States Parties may exchange information through the International Criminal Police Organization (Interpol). (Nations 1999)

ANNEX.C

United Nations Convention Against Transnational Organized Crime

Article 7

Measures to combat money-laundering

1. Each State Party:

(a) Shall institute a comprehensive domestic regulatory and supervisory regime for banks and non-bank financial institutions and, where appropriate, other bodies particularly susceptible to money-laundering, within its competence, in order to deter and detect all forms of money-laundering, which regime shall

emphasize requirements for customer identification, record-keeping and reporting of suspicious transactions;(b) Shall, without prejudice to articles 18 and 27 of this Convention, ensure that administrative, regulatory, law enforcement and other authorities dedicated to combating money-laundering (including, where appropriate under domestic law, judicial authorities) have the ability to cooperate and exchange information at the national and international levels within the conditions

prescribed by its domestic law and, to that end, shall consider the establishment of a financial intelligence unit to serve as a national centre for the collection, analysis and dissemination of information regarding potential money-laundering.

2. States Parties shall consider implementing feasible measures to detect and monitor the movement of cash and appropriate negotiable instruments across their borders, subject to safeguards to ensure proper use of information and without impeding in any way the movement of legitimate capital. Such measures may include a requirement that individuals and businesses report the cross-border transfer of substantial quantities of cash and appropriate negotiable instruments.
3. In establishing a domestic regulatory and supervisory regime under the terms of this article, and without prejudice to any other article of this Convention, States Parties are called upon to use as a guideline the relevant initiatives of regional, interregional and multilateral organizations against money-laundering.
4. States Parties shall endeavor to develop and promote global, regional, subregional and bilateral cooperation among judicial, law enforcement and financial regulatory authorities in order to combat money-laundering.

ANNEX .D

United Nations Convention against Corruption

Article 14

Measures to prevent money-laundering

1. Each State Party shall:

(a) Institute a comprehensive domestic regulatory and supervisory regime for banks and non-bank financial institutions, including natural or legal persons that provide formal or informal services for the transmission of money or value and, where appropriate, other bodies particularly susceptible to money laundering, within its competence, in order to deter and detect all forms of money-laundering, which regime shall emphasize requirements for customer and, where appropriate, beneficial owner identification, record-keeping and the reporting of suspicious transactions;(b) Without prejudice to article 46 of this Convention, ensure that administrative, regulatory, law enforcement and other authorities dedicated to combating money-laundering (including, where appropriate under domestic law, judicial authorities) have the ability to cooperate and exchange information at the national and international levels within the conditions prescribed by its domestic law and, to that end, shall consider the establishment of a financial intelligence unit to serve as a national centre for the collection, analysis and dissemination of information regarding potential money-laundering.

2. States Parties shall consider implementing feasible measures to detect and monitor the movement of cash and appropriate negotiable instruments across their borders, subject to safeguards to ensure proper use of information and without impeding in any way the movement of legitimate capital. Such measures may include a requirement that individuals and businesses report the cross-border transfer of substantial quantities of cash and appropriate negotiable instruments.

3. States Parties shall consider implementing appropriate and feasible measures to require financial institutions, including money remitters:(a) To include on forms for the electronic transfer of funds and related messages accurate and meaningful information on the originator;(b) To maintain such information throughout the payment chain; and United Nations Convention Against Corruption(c) To apply enhanced scrutiny to transfers of funds that do not contain complete information on the originator.

4. In establishing a domestic regulatory and supervisory regime under the terms of this article, and without prejudice to any other article of this Convention, States Parties are called upon to use as a guideline the relevant initiatives of regional, interregional and multilateral organizations against money-laundering.

5. States Parties shall endeavor to develop and promote global, regional, sub -regional and bilateral cooperation among judicial, law enforcement and financial regulatory authorities in order to combat money-laundering.

ANNEX.F

**FINANCIAL ACTION TASK FORCE ON MONEY LAUNDERING:
THE FORTY RECOMMENDATIONS
OF THE FINANCIAL ACTION TASK FORCE
ON MONEY LAUNDERING**

Introduction

1. The Financial Action Task Force on Money Laundering (FATF) is an inter-governmental body whose purpose is the development and promotion of policies to combat money laundering -- the processing of criminal proceeds in order to disguise their illegal origin. These policies aim to prevent such proceeds from being utilized in future criminal activities and from affecting legitimate economic activities.

2. The FATF currently consists of 26 countries and two international organizations. Its membership includes the major financial centre countries of Europe, North America and Asia. It is a multidisciplinary body as is essential in dealing with money laundering bringing together the policymaking power of legal, financial and law enforcement experts.

3. This need to cover all relevant aspects of the fight against money laundering is reflected in the scope of the forty FATF Recommendations -- the measures which the Task Force have agreed to implement and which all countries are encouraged to adopt. The Recommendations were originally drawn up in 1990. In 1996 the forty Recommendations were revised to take into account the experience gained over the last six years and to reflect the changes which have occurred in the money laundering problem.

4 system and law enforcement; the financial system and its regulation, and international cooperation.

5. It was recognized from the outset of the FATF that countries have diverse legal and financial systems and so all cannot take identical measures. The Recommendations are therefore the principles for action in this field, for countries to implement according to their particular circumstances and constitutional frameworks allowing countries a measure of flexibility rather than prescribing every detail. The measures are not particularly complex or difficult, provided there is the political will to act. Nor do they compromise the freedom to engage in legitimate transactions or threaten economic development.

6. FATF countries are clearly committed to accept the discipline of being subjected to multilateral surveillance and peer review. All member countries have their implementation of the forty Recommendations monitored through a two-pronged approach: an annual self-assessment exercise and the more detailed mutual evaluation process under which each member country is subject to an on-site examination. In addition, the FATF carries out cross-country reviews of measures taken to implement particular Recommendations.

7. These measures are essential for the creation of an effective anti -money laundering framework.

THE FORTY RECOMMENDATIONS OF THE FINANCIAL ACTION TASK FORCE ON MONEY LAUNDERING

A. GENERAL FRAMEWORK OF THE RECOMMENDATIONS

1. Each country should take immediate steps to ratify and to implement fully, the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (the Vienna Convention).
2. Financial institution secrecy laws should be conceived so as not to inhibit implementation of these recommendations.
3. An effective money laundering enforcement program should include increased multilateral cooperation and mutual legal assistance in money laundering investigations and prosecutions and extradition in money laundering cases, where possible.

B. ROLE OF NATIONAL LEGAL SYSTEMS IN COMBATING MONEY LAUNDERING

Scope of the Criminal Offence of Money Laundering

4. Each country should take such measures as may be necessary, including legislative ones, to enable it to criminalise money laundering as set forth in the Vienna Convention. Each country should extend the offence of drug money laundering to one based on serious offences. Each country would determine which serious crimes would be designated as money laundering predicate offences.
5. As provided in the Vienna Convention, the offence of money laundering should apply at least to knowing money laundering activity, including the concept that knowledge may be inferred from objective factual circumstances.
6. Where possible, corporations themselves - not only their employees - should be subject to criminal liability.

Provisional Measures and Confiscation

7. Countries should adopt measures similar to those set forth in the Vienna Convention, as may be necessary, including legislative ones, to enable their competent authorities to confiscate property laundered, proceeds from, instrumentalities used in or intended for use in the commission of any money laundering offence, or property of corresponding value, without prejudicing the rights of bona fide third parties. Such measures should include the authority to : 1) identify, trace and evaluate property which is subject to confiscation; 2) carry out provisional measures, such as freezing and seizing, to prevent any dealing, transfer or disposal of such property; and 3) take any appropriate investigative measures. In addition to confiscation and criminal sanctions, countries also should consider monetary and civil penalties, and/or proceedings including civil proceedings, to void contracts entered into by parties, where parties knew or should have known that as a result of the contract, the State would be prejudiced in its ability to recover financial claims, e.g. through confiscation or collection of fines and penalties.

C. ROLE OF THE FINANCIAL SYSTEM IN COMBATING MONEY LAUNDERING

8. Recommendations 10 to 29 should apply not only to banks, but also to non-bank financial institutions. Even for those non-bank financial institutions which are not subject to a formal prudential supervisory regime in all countries, for example bureaux de change, governments should ensure that these institutions are subject to the same anti-money laundering laws or regulations as all other financial institutions and that these laws or regulations are implemented effectively.

9. The appropriate national authorities should consider applying Recommendations 10 to 21 and 23 to the conduct of financial activities as a commercial undertaking by businesses or professions which are not financial institutions, where such conduct is allowed or not

prohibited. Financial activities include, but are not limited to, those listed in the attached annex. It is left to each country to decide whether special situations should be defined where the application of anti-money laundering measures is not necessary, for example, when a financial activity is carried out on an occasional or limited basis.

Customer Identification and Record-keeping Rules

10. Financial institutions should not keep anonymous accounts or accounts in obviously fictitious names: they should be required (by law, by regulations, by agreements between supervisory authorities and financial institutions or by self-regulatory agreements among financial institutions) to identify, on the basis of an official or other reliable identifying document, and record the identity of their clients, either occasional or usual, when establishing business relations or conducting transactions (in particular opening of accounts or passbooks, entering into fiduciary transactions, renting of safe deposit boxes, performing large cash transactions).

In order to fulfill identification requirements concerning legal entities, financial institutions should, when necessary, take measures:

(i) to verify the legal existence and structure of the customer by obtaining either from a public register or from the customer or both, proof of incorporation, including information concerning the customer's name, legal form, address, directors and provisions regulating the power to bind the entity.

(ii) to verify that any person purporting to act on behalf of the customer is so authorised and identify that person.

11. Financial institutions should take reasonable measures to obtain information about the true identity of the persons on whose behalf an account is opened or a transaction conducted if there are any doubts as to whether these clients or customers are acting on their own behalf,

for example, in the case of domiciliary companies (i.e. institutions, corporations, foundations, trusts, etc. that do not conduct any commercial or manufacturing business or any other form of commercial operation in the country where their registered office is located).

12. Financial institutions should maintain, for at least five years, all necessary records on transactions, both domestic or international, to enable them to comply swiftly with information requests from the competent authorities. Such records must be sufficient to permit reconstruction of individual transactions (including the amounts and types of currency involved if any) so as to provide, if necessary, evidence for prosecution of criminal behaviour. Financial institutions should keep records on customer identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence for at least five years after the account is closed.

These documents should be available to domestic competent authorities in the context of relevant criminal prosecutions and investigations.

13. Countries should pay special attention to money laundering threats inherent in new or developing technologies that might favour anonymity, and take measures, if needed, to prevent their use in money laundering schemes.

Increased Diligence of Financial Institutions

14. Financial institutions should pay special attention to all complex, unusual large transactions, and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose. The background and purpose of such transactions should, as far as possible, be examined, the findings established in writing, and be available to help supervisors, auditors and law enforcement agencies.

15. If financial institutions suspect that funds stem from a criminal activity, they should be required to report promptly their suspicions to the competent authorities.

16. Financial institutions, their directors, officers and employees should be protected by legal provisions from criminal or civil liability for breach of any restriction on disclosure of information imposed by contract or by any legislative, regulatory or administrative provision, if they report their suspicions in good faith to the competent authorities, even if they did not know precisely what the underlying criminal activity was, and regardless of whether illegal activity actually occurred.

17. Financial institutions, their directors, officers and employees, should not, or, where appropriate, should not be allowed to, warn their customers when information relating to them is being reported to the competent authorities.

18. Financial institutions reporting their suspicions should comply with instructions from the competent authorities.

19. Financial institutions should develop programs against money laundering. These programs should include, as a minimum :

1-the development of internal policies, procedures and controls, including the designation of compliance officers at management level, and adequate screening procedures to ensure high standards when hiring employees;1-an ongoing employee training programme; ,2-an audit function to test the system.

Measures to Cope with the Problem of Countries with No or Insufficient Anti-Money Laundering Measures

20. Financial institutions should ensure that the principles mentioned above are also applied to branches and majority owned subsidiaries located abroad, especially in countries which do not or insufficiently apply these Recommendations, to the extent that local applicable laws

and regulations permit. When local applicable laws and regulations prohibit this implementation, competent authorities in the country of the mother institution should be informed by the financial institutions that they cannot apply these Recommendations.

21. Financial institutions should give special attention to business relations and transactions with persons, including companies and financial institutions, from countries which do not or insufficiently apply these Recommendations. Whenever these transactions have no apparent economic or visible lawful purpose, their background and purpose should, as far as possible, be examined, the findings established in writing, and be available to help supervisors, auditors and law enforcement agencies.

Other Measures to Avoid Money Laundering

22. Countries should consider implementing feasible measures to detect or monitor the physical cross-border transportation of cash and bearer negotiable instruments, subject to strict safeguards to ensure proper use of information and without impeding in any way the freedom of capital movements.

23. Countries should consider the feasibility and utility of a system where banks and other financial institutions and intermediaries would report all domestic and international currency transactions above a fixed amount, to a national central agency with a computerized data base, available to competent authorities for use in money laundering cases, subject to strict safeguards to ensure proper use of the information.

24. Countries should further encourage in general the development of modern and secure techniques of money management, including increased use of checks, payment cards, direct deposit of salary checks, and book entry recording of securities, as a means to encourage the replacement of cash transfers.

25. Countries should take notice of the potential for abuse of shell corporations by money launderers and should consider whether additional measures are required to prevent unlawful use of such entities.

Implementation, and Role of Regulatory and other Administrative Authorities

26. The competent authorities supervising banks or other financial institutions or intermediaries, or other competent authorities, should ensure that the supervised institutions have adequate programs to guard against money laundering. These authorities should cooperate and lend expertise spontaneously or on request with other domestic judicial or law enforcement authorities in money laundering investigations and prosecutions.

27. Competent authorities should be designated to ensure an effective implementation of all these Recommendations, through administrative supervision and regulation, in other professions dealing with cash as defined by each country.

28. The competent authorities should establish guidelines which will assist financial institutions in detecting suspicious patterns of behavior by their customers. It is understood that such guidelines must develop over time, and will never be exhaustive. It is further understood that such guidelines will primarily serve as an educational tool for financial institutions' personnel.

29. The competent authorities regulating or supervising financial institutions should take the necessary legal or regulatory measures to guard against control or acquisition of a significant participation in financial institutions by criminals or their confederates.

D. STRENGTHENING OF INTERNATIONAL CO-OPERATION

Administrative Co-operation

Exchange of general information

30. National administrations should consider recording, at least in the aggregate, international flows of cash in whatever currency, so that estimates can be made of cash flows and reflows from various sources abroad, when this is combined with central bank information. Such information should be made available to the International Monetary Fund and the Bank for International Settlements to facilitate international studies.

31. International competent authorities, perhaps Interpol and the World Customs Organisation, should be given responsibility for gathering and disseminating information to competent authorities about the latest developments in money laundering and money laundering techniques. Central banks and bank regulators could do the same on their network. National authorities in various spheres, in consultation with trade associations, could then disseminate this to financial institutions in individual countries.

Exchange of information relating to suspicious transactions

32. Each country should make efforts to improve a spontaneous or "upon request" international information exchange relating to suspicious transactions, persons and corporations involved in those transactions between competent authorities. Strict safeguards should be established to ensure that this exchange of information is consistent with national and international provisions on privacy and data protection.

Other forms of Co-operation

Basis and means for co-operation in confiscation, mutual assistance and extradition

33. Countries should try to ensure, on a bilateral or multilateral basis, that different knowledge standards in national definitions - i.e. different standards concerning the intentional element of the infraction - do not affect the ability or willingness of countries to provide each other with mutual legal assistance.

34. International co-operation should be supported by a network of bilateral and multilateral agreements and arrangements based on generally shared legal concepts with the aim of providing practical measures to affect the widest possible range of mutual assistance.

35. Countries should be encouraged to ratify and implement relevant international conventions on money laundering such as the 1990 Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime.

Focus of improved mutual assistance on money laundering issues

36. Co-operative investigations among countries' appropriate competent authorities should be encouraged. One valid and effective investigative technique in this respect is controlled delivery related to assets known or suspected to be the proceeds of crime. Countries are encouraged to support this technique, where possible.

37. There should be procedures for mutual assistance in criminal matters regarding the use of compulsory measures including the production of records by financial institutions and other persons, the search of persons and premises, seizure and obtaining of evidence for use in money laundering investigations and prosecutions and in related actions in foreign jurisdictions.

38. There should be authority to take expeditious action in response to requests by foreign countries to identify, freeze, seize and confiscate proceeds or other property of corresponding value to such proceeds, based on money laundering or the crimes underlying the laundering

activity. There should also be arrangements for coordinating seizure and confiscation proceedings which may include the sharing of confiscated assets.

39. To avoid conflicts of jurisdiction, consideration should be given to devising and applying mechanisms for determining the best venue for prosecution of defendants in the interests of justice in cases that are subject to prosecution in more than one country. Similarly, there should be arrangements for coordinating seizure and confiscation proceedings which may include the sharing of confiscated assets.

40. Countries should have procedures in place to extradite, where possible, individuals charged with money laundering offence or related offences. With respect to its national legal system, each country should recognize money laundering as an extraditable offence. Subject to their legal frameworks, countries may consider simplifying extradition by allowing direct transmission of extradition requests between appropriate ministries, extraditing persons based only on warrants of arrests or judgments, extraditing their nationals, and/or introducing a simplified extradition of consenting persons who waive formal extradition proceedings.