



ANTI-MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM (AML/CFT) NEWSLETTER FOR CENTRAL ASIA

Issue 22, July-August 2007
Available online at <http://www.imolin.org>

Calendar

- 1 Full-day AML/CFT Training for Kazakhstani officials (Almaty, KZ): 5th of 6 sessions**

Date: 26 July, 2007
Organizer: World Bank/UNODC Mentor Program
Location: Almaty, Kazakhstan
Contact Information: Cari Votava, cvotava@worldbank.org

- 2 Full-day AML/CFT Training for Kyrgyz Supervisory Officials (Bishkek, KG): 6th of 6 sessions**

Date: 30 July, 2007
Organizer: World Bank/UNODC Mentor Program
Location: Bishkek, Kyrgyzstan
Contact Information: Cari Votava, cvotava@worldbank.org

- 3 Full-day AML/CFT Training for Kazakhstani officials (Astana, KZ): 3rd of 6 sessions**

Date: 2 August, 2007
Organizer: World Bank/UNODC Mentor Program
Location: Astana, Kazakhstan
Contact Information: Cari Votava, cvotava@worldbank.org

- 4 Workshop for Kyrgyz FIU on information exchange**

Date: 28 August, 2007
Organizer: IMF in conjunction with UNODC
Location: Bishkek, Kyrgyzstan
Contact Information: Giuseppe Lombardo, glombardo@imf.org
Simon Goddard, caractacus.consultancy@orange.net

- 5 Workshop for Kyrgyz FIU on data analysis**

Date: 29 August 2007
Organizers: IMF in conjunction with UNODC
Location: Bishkek, Kyrgyzstan
Contact Information: Giuseppe Lombardo, glombardo@imf.org
Simon Goddard, caractacus.consultancy@orange.net

- 6 Workshop for Kyrgyz investigators and prosecutors on investigation and prosecution of money laundering cases**

Dates: August 30, 2007
Organizer: IMF
Location: Bishkek, Kyrgyzstan
Contact Information: Giuseppe Lombardo, glombardo@imf.org

7 Workshop for Kyrgyz FIU and National Bank on interagency cooperation, supervision, and guidelines for suspicious activity reporting

Dates: September 3-4, 2007
Organizer: IMF
Location: Bishkek, Kyrgyzstan
Contact Information: Giuseppe Lombardo, glombardo@imf.org

8 Effective Investigation and Adjudication of Drug-Related Offences

Dates: September 2007
Organizer: Border management programme for Central Asia (BOMCA)
Location: Minsk, Belarus
Contact Information: To be determined

9 7-day study tour of Belarusian LEA to Italian Law enforcement agencies

Dates: September 23-29, 2007
Organizer: Anti-drug programme for Belarus, Ukraine and Moldova (BUMAD)
Location: Rome, Italy
Contact Information: Irina Zhygalko, irina.zhygalko@un.minsk.by

10 AML/CFT awareness-raising seminar for representatives of law enforcement agencies and prosecutor's office aiming at improving inter-agency cooperation

Date: September 24-30, 2007
Organizer: UNODC
Location: Cholpon-ata, Kyrgyzstan
Contact Information: Simon Goddard, caractacus.consultancy@orange.net

Contributions to this newsletter are welcome. To submit information for inclusion or to be added to or removed from the distribution list, please contact Ms. Aigerim Yesetova at aigerim.yesetova@unodc.org

AML/CFT Developments in Central Asia

Afghanistan



Afghanistan has enacted an AML/CFT law in 2004. The Financial Intelligence Unit, established in 2005, is operational. Afghanistan has commenced the application process for Egmont membership; its sponsors are the USA and Malaysia.

Afghanistan is scheduled to undergo an APG Mutual Evaluation in the 4th quarter of 2008.

Afghanistan is an observer member of the EurAsian Group (EAG), and a member of the Asia Pacific Group (APG).

Belarus



Belarus has an operational FIU and was accepted as a full member of the Egmont Group in May 2007. Belarus is scheduled to undergo a Mutual Evaluation by EAG in 2nd quarter of 2008.

Belarus is a member of EAG.

China



The AML/CFT law was adopted on 31 October 2006 and came into force 1 January 2007. China became a full member of FATF at the Plenary of June 27-29, 2007, following its first AML/CFT evaluation (<http://www.fatf-gafi.org/dataoecd/13/31/38877832.pdf>). The Summary of China's Mutual Evaluation Report can be found at: <http://www.fatf-gafi.org/dataoecd/33/11/38918804.pdf>. Full Evaluation Report will be posted on FATF website soon.

China is a member of EAG and FATF.

Kazakhstan



The AML/CFT law is currently in the Parliament, which plans to consider it for adoption in December 2007, The FIU will be established following the enactment of the AML/CFT law. Kazakhstan is scheduled to undergo an EAG Mutual Evaluation in 2nd quarter of 2009.

Kazakhstan is a member of EAG.

Kyrgyzstan



The FIU has been established and has commenced its application process for membership in Egmont, sponsored by the Russian Federation and Ukraine. EAG's 1st round Evaluation Report of Kyrgyzstan was adopted at the EAG Plenary in June 2007 and can be found at:

- Russian version: <http://www.eurasiangroup.org/rus/kyrgyz.htm>
- English version: <http://www.eurasiangroup.org/kyrgyz.htm>

Kyrgyzstan is a member of EAG, and Deputy Chair of EAG.

Russia



Russia will undergo a Mutual Evaluation by FATF, Moneyval and EAG in November 2007.

Russia is a member of FATF and Moneyval/Council of Europe, and Chairs EAG.

Tajikistan



The Agency for State Financial Control and Combating Corruption was established in Tajikistan in early 2007. An AML/CFT law is being drafted by the office of the President. A World Bank Evaluation Team conducted an on-site AML/CFT Evaluation of Tajikistan in June 2007, in the context of the Financial Sector Assessment Program. This Evaluation report will be considered for adoption by the EAG Plenary in December 2007.

Tajikistan is a member of EAG.

Turkmenistan



The current government action plans calls for the drafting of an AML/CFT law in the coming year.

Uzbekistan



Pursuant to Presidential Decrees issued in January, February and April 2007, implementation of the most substantive provisions of the AML/CFT law has been suspended until the year 2013. Uzbekistan is scheduled to undergo an EAG Mutual Evaluation in the 4th quarter of 2008. EAG plans to send a Technical Assistance Needs Assessment (TANA) mission to Uzbekistan in the 2nd half of 2007.

Uzbekistan is a member of EAG.

Technical Assistance Update

European Commission Anti-Drug Program

Within the framework of the EC funded Anti-drug Program BUMAD (for Belarus, Ukraine, and Moldova) organized jointly with UNDP and moderated two seminars on “Challenges in Investigation and Adjudication of Drug-related Offences” held in Chisinau, Moldova on 12-14 June and Kiev, Ukraine on 18-20 June, respectively. In each seminar about 30 national practitioners representing national agencies involved in drug-related casework (i.e. courts, prosecutors’ offices, ministries of interior, justice, health, national security, customs bodies, border guard bodies and specialized anti-corruption bodies) attended the seminar. Other participants were judges/prosecutors/legal experts from Austria, Denmark, France, Greece, Holland, Russian Federation, Scotland, Turkey, UK, US, Council of Europe and European Monitoring Centre for Drugs and Drug Addiction (EMCDDA).

Topics of these seminars included specifics of detection, investigation and adjudication of the offences related to personal consumption and of transnational drug offences. Discussions were focused on sanctions alternative to imprisonment, financial investigations, asset recovery and international legal cooperation. Both seminars contributed to strengthening of capacities of judges, prosecutors and law-enforcement officers in investigation and adjudication of drug-related offences, and promoted increased sentencing efficiency through review of international standards, legislation and practice of the participating countries, discussions and exchange of experience. The seminars supported creation of informal links among law-enforcement and judicial personnel of the participating countries. Participants gave a high evaluation of both seminars, having noted that the information delivered and experience shared were of a good practical value, that the seminars gave them an opportunity to establish very useful personal contacts and improve professional skills.

International Monetary Fund

An IMF staff mission visited the Republic of Uzbekistan from June 4 through June 13, 2007. The mission was headed by Ms. Sena Eken, Assistant Director in the Middle East and Central Asia Department of the IMF.

The purpose of the mission was to review recent economic developments and policies, update the projections for 2007, and continue the constructive policy dialogue with the Uzbek authorities. The IMF mission praised the performance of the Uzbek economy, which grew at a rate of more than 9 percent in the first quarter, and noted that inflation has eased and confidence in the banking system has improved. With prospects of continued high growth and a strong balance of payments position, the authorities and the mission agreed that the key priorities for Uzbekistan are to ensure continued decline in inflation and develop the financial sector to support growth in the medium term. The mission also encouraged authorities to consolidate the improved confidence in the banking system by discontinuing the role of banks in financial oversight and government treasury operations and ensuring that the anti-money laundering regime is in line with international standards.

EurAsian Group (EAG)

Schedule of EAG Country Evaluations:

Country	Evaluators	On-Site Evaluation	Plenary Discussion
China	FATF, EAG	2006 (completed)	June 2007 (FATF) December 2007 (EAG)

Belarus	EAG	2nd Quarter 2008	December 2008
Kazakhstan	EAG	2 nd Quarter 2009	November 2009
Kyrgyzstan	EAG	January 2007	June 2007
Russia	EAG, FATF, MONEYVAL	November 2007	June 2008 (FATF) December 2008 (EAG)
Tajikistan	World Bank	June 2007	December 2007
Uzbekistan	EAG	Fourth Quarter 2008	June 2009

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CARICC Update

Special meeting of Central Asia Regional Information and Coordination Center (CARICC) took place on July 10-11, 2007 in Tashkent, Uzbekistan. The main objective of the meeting was to discuss and endorse the concept of the Pilot phase of the CARICC to be launched in Kazakhstan in autumn 2007.

Since it is going to take some time (about 7-8 months) before all seven CARICC member states sign and at least four of them ratify the Agreement on CARICC establishment, which will make the CARICC legally existent, and before the renovation and equipping of the CARICC premises are completed, UNODC has developed and put forward for discussion and subsequent implementation a concept of the CARICC pilot phase.

A special meeting of the heads of the legal departments of the Ministry of Foreign Affairs (MFA) and high rank officers of the competent law enforcement agencies of the member states was held in Tashkent on July 10-11, 2007 to discuss and endorse the concept of the CARICC Pilot phase.

Some of the donor states conditioned their further support to the CARICC project on the successful implementation of the pilot phase or by the entrance of the Agreement on establishment of the CARICC into force.

Practical aspects of the pilot phase were discussed including the issue of intelligence exchange within the pilot phase and issues related to information protection; the status of the officers to be hired for the pilot phase; the status of the liaison officers dispatched by the member states; financial aspects of the pilot phase and other issues.

The Parties discussed the issues of the Presidential signatures to the Agreement on establishment of the CARICC and the ratification process in the member states after all the seven member states sign the Agreement.

UNODC informed the representatives of the member states on the tender process on renovation of the Centre. The member states were invited to consider joining the project's donor states and beginning contributing into the project's budget.

The Special meeting approved the concept of the CARICC Pilot phase and recommended that it begins by November 1, 2007 in Almaty, Kazakhstan.

Regulatory call for financial services by mobile phones

A new regulatory framework is needed to encourage financial transactions by mobile phones and transform access to financial services in developing countries, claims a new policy report by Vodafone in partnership with Nokia and Nokia Siemens Network.

The report, Vodafone's sixth policy paper, of which three focus on the social impact of mobile phones, details new, independent research by economists from Frontier Economics and Groupe d'Economie Mondiale as well as consultants to the World Bank.

The suggested changes will have wide spread impact on both the economic development of countries and the financial security of millions of people currently without access to banking services.

Lack of access to banking services is currently forcing people to rely on a cash-based economy with little security, a more casual informal labor market and a lower tax base for governments.

The report concludes that financial services are critical for economic development and inclusive financial services for the unbanked are essential for poverty reduction. Over the last two years, pilot programmes in Africa and Asia have highlighted the potential for mobile phones to deliver basic financial services in developing countries. The report shows how these services provide the first real opportunity for many poorer people to get on to a formal "banking ladder" with benefits including reduced threat of crime, time saving and secure savings opportunities. However, existing banking regulation is currently inappropriate for the growth of m-transaction schemes.

Vodafone, Nokia and Nokia Siemens Networks are calling for regulators to ensure they do not restrict commercial experimentation or limit the schemes to sub-economical scale.

Key suggested changes to regulation detail in the report include:

- ❖ Review of deposit taking

Current regulation of deposit taking is shaped around the needs of banks and at present mobile systems are limited in the size of transaction they can undertake. Deposit taking regulation needs to allow new entry on a larger scale by m-transactions operators.

- ❖ Access to the clearing system

As new entrants, m-transactions operators must be able to access the clearing system.

- ❖ Adaptation of 'know your customer' and anti-money laundering

'Know your customer' and anti-money laundering rules need to be adapted to conditions in developing markets where formal documentation and access to photocopiers is limited. The customer data held by mobile operators could, with appropriate safeguards, offer an alternative to existing forms of regulation.

- ❖ Interoperability of m-transaction schemes

Interoperability of m-transactions schemes must be carefully considered to enable operators to benefit from network effects but ensure that the intensity of competition in new markets and need for innovation is not stifled.

The development of m-transactions is also expected to introduce significant improvements in financial services, such as easier and cheaper international payments especially for remittances home, or reduced risk in domestic payments by near real-time transfers. Antonio Torres, Business Development Director, Nokia said: "The growth of mobile phone usage in remote and rural parts of the world is creating many positive opportunities to widen access in an affordable way to other social and economic services."

AML/CFT Case Study

Several individuals from an Eastern European country opened bank accounts at various financial institutions in Western Europe. They registered the accounts in their own names, or in the name of companies that they owned. Once the accounts were opened, the customers used them to circulate (layer) large sums of money. Roughly USD 6,000,000 shuttled to and from foreign countries through the various accounts, in an attempt to conceal the origin of the funds from external observers.

Despite the layering attempt, the financial institutions involved found the transactions suspicious and decided to disclose to their national FIUs. Several other institutions refused to enter into business relationships with these individuals due to initial concerns when account openings were attempted. These institutions also disclosed to the FIUs. However, the criminal actions of some of these individuals had already attracted the attention of various police departments. A police investigation revealed the existence of an international criminal operation for trafficking in stolen cars. The authorities opened a judicial file for fencing stolen goods, money laundering and conspiracy.

Meanwhile, the FIU in the country where the majority of the account openings had taken place analyzed the reported financial information. The analysis indicated that the same person had acted as introducer for all the holders of the accounts across a range of banking institutions. This person appeared to be a key facilitator within the laundering structure. The account holders were suspected to be just 'straw men', acting on behalf of others. The FIU also identified a variety of money laundering mechanisms to which the various transactions, sent by the financial institutions, could be connected. The link between these transactions, and the police information, made it possible to pass a report on to the judicial authorities. The intelligence highlighted organized crime and money laundering deriving from illicit trafficking in goods and merchandise. From the financial analysis by the FIU, the police investigators had a coherent overview of the money laundering system. They questioned ten suspects, and subsequently placed two of them under arrest and seized large sums of money found in safety deposit boxes at a bank.

Shortly after the arrests, international rogatory letters secured material evidence about the criminal origin of the funds and the membership of several of the front men in the criminal organization. The individuals involved were sentenced to prison terms ranging from one month to four years. A total amount of USD 300,000 was confiscated.



Indicators:

- ❖ Lack of underlying business rationale
- ❖ Multiple repeat movements of funds between accounts

This case has been adapted from the "FIU's in Action," a compilation of 100 sanitized cases from Egmont Group members. The full version is available at www.egmontgroup.org.

Media Summary

REGIONAL NEWS

Putin Wants Stiffer Money-Laundering Curbs in Russia

By Maria Levitov

July 13 (Bloomberg) -- Russian President Vladimir Putin instructed the Cabinet and the central bank to amend the law on money laundering and financing terrorism. The legislation to be submitted to parliament will require all bank transfers by individuals of more than 600,000 rubles (23,553 USD) in foreign currency to be subject to special scrutiny, the presidential press service said in an e-mailed statement today. "The amendments would formalize the standards that the majority of banks already apply" to money transfers, Natalia Orlova, Alfa Bank's chief economist and financial industry analyst, said by telephone from Moscow. Russia, the world's 10th-biggest economy, has entered its ninth consecutive year of growth, boosting wages and spending. Wages increased an annual 16.1 percent in May, reaching a monthly average of 12,744 rubles (492 USD), according to the Federal Statistics Service. Russia is still a cash-based economy, which aids money launderers and tax evaders, according to Anatoly Aksakov, deputy chairman of the credit organizations and financial markets committee at Russia's lower house of parliament. For every 32 retail

payment transactions in cash, only one transaction is made without banknotes changing hands, Aksakov said earlier this month.

Kyrgyz, Ukrainian Financial Intelligences Combat Terrorism Financing Together

AKIpress, June, 18 2007

Cooperation Memorandum on combat of Money Laundering reporting and terrorism financing was signed by Kyrgyz Financial Intelligence and Ukrainian State Committee for Financial Monitoring in Sochi (Russia) on June 14.

The Memorandum extends cooperation opportunities for the agencies of the both countries in collecting, analyzing data on money laundering and terrorism financing, according to press service of Kyrgyz Financial Intelligence.

The Memorandum was signed during the sixth plenary sitting of Eurasian Group for money laundering reporting and terrorism financing. The Kyrgyz delegation at the sitting was represented by Chair of Kyrgyz Financial Intelligence M. Sadyrov, the agency's experts, representative of Kyrgyz National Bank,

Ministry of Justice, Prosecutor-General's Office, Financial Police.

Kyrgyzstan, China, Russia, Tajikistan, Uzbekistan, Byelorussia are countries-members of Eurasian Group. Countries- and organizations-observers are Financial Action Task Force on Money Laundering(FATF), World Bank, IMF, the UN, OSCE, EurAsEC, European Council, Armenia, Afghanistan, Great Britain, Lithuania, Moldova, the USA, Turkey, Ukraine.

World Bank Experts In Tajikistan To Look At Fight Against Terror Funding

BBC Monitoring Central Asia, June 15, 2007

Dushanbe, 15 June: A World Bank delegation led by Theodore Greenberg has arrived in Tajikistan on a working visit to assess the fight against money laundering and financing terrorism.

The Tajik Drug Control Agency [DCA] told Avesta that as part of the visit, the delegation had a meeting with the DCA director, Police Lt-Gen Rustam Nazarov, at the agency office yesterday.

During the meeting, Mr. Greenberg said that the main purpose of the group's visit was to learn about the state of the fight against the laundering of money received through illegal activities

Laundering Channel Involving Ukrainian Payment Cards Exposed In Belarus

The British Broadcasting Corporation, June 20, 2007

[Presenter] A channel for laundering money by payment cards has been detected in Belarus, the director of the financial monitoring department of the State Control Committee of Belarus, Valery Yarashewski, said today. The withdrawal of big sums from Belarusian banks with the use of payment cards belonging to Ukrainians caused the auditors' suspicion. Hundreds of thousands of dollars were laundered this way and were immediately taken beyond Belarus's borders.

A man carrying 400,000 dollars in a suitcase was detained during operational procedures. He said he was doing this at his acquaintances' request for a small reward. An investigation is taking place and the identities of all the participants in the illegal scheme for legalizing money are being established.

[Yarashewski] Foreign companies transferred funds to certain accounts in our banks. Citizens would come, withdraw [the funds] and take them away to use for some purposes. What kind of money is it? Probably it belongs to drug business or some other underground business. We cannot offer specific results while the investigation is continuing.

INTERNATIONAL NEWS

Philippines anti-terror law imposed

Al Jazeera – July 15, 2007

The Philippines has introduced an anti-terrorism law in what activists say is a "new dark age" for human rights.

Officials say the Human Security Act, which came into force on Sunday, will protect the Southeast Asian country from "terror" attacks.

Ric Blancaflor, the defense undersecretary and a chief proponent of the law, said: "The general population is safely guarded by this law... Only terrorists have reasons to be threatened."

But Bayan, a prominent left-leaning group, said the law endangers the civil liberties that Filipinos won in 1986, when they ousted Ferdinand Marcos, the former president, in a non-violent revolt.

About 300 activists rallied near the palace of Gloria Arroyo, the president, on Sunday, carrying posters showing her image with the words, "the real face of terror". Anti-riot squads stood nearby.

Ignacio Bunye, Arroyo's spokesman, said the law could be used against anybody who would resort to terrorism, including communist fighters, religious extremists and rogue policemen or troops.

Ignacio Bunye, spokesman for Gloria Arroyo "The law's message is clear: if you are armed and kill civilians, you will be prosecuted," he said.

But Bayan said it would question the law's constitutionality before the Supreme Court within days, arguing that its definition of terrorism was too broad and could cover legitimate dissent.

The law, signed by Arroyo in March, allows detention of suspected terrorists without charge for three days and includes "rebellion or insurrection" among crimes considered terrorism.

It has been welcomed by the US and Australia, whose officials say training camps in the southern Philippines could produce fighters who could strike anywhere in the world.

Renato Reyes, a protest leader, said the law could be used against left-wing opponents of the government.

About 800 activists have been killed in extra-judicial killings and nearly 200 others have gone missing under Arroyo's rule, he said.

The military has denied any involvement in the deaths.

However, a UN human rights investigator and a Philippine fact-finding commission created by Arroyo have linked soldiers to some of the deaths and disappearances.

Blancaflor said that legislators watered down the anti-terror bill with safeguards to prevent abuses and cited a provision that bans the torture of suspects.

EU Court Rejects Council of Ministers Rulings. To Freeze Funds Said to Aid Terrorist Groups

BRUSSELS - European Union efforts to implement United Nations Security Council Resolutions adopted in the wake of the Sept. 11 attacks to halt the financing of terrorist groups fell further into disarray July 11 when the European Court of First Instance struck down for the second time in eight months a decision to freeze the funding of particular individuals or organizations (Al-Aqsa v. Council, EU Ct. First Instance, No. T-327/03, 7/11/07; Sison v. Council, EU Ct. First Instance, No. T-47/03, 7/11/07).

The EU's second highest court overruled decisions taken in 2002 to freeze the funds of a Filipino, who resides in the Netherlands, and who was said to be head of an organization responsible for a range of terrorist acts in the Philippines. At the same time the court concluded that the EU Council of Ministers erred in freezing the funds of a Dutch-based group called Stichting Al-Aqsa that describes itself as an Islamic social welfare institution that has been providing humanitarian support

for Hamas, the Palestinian political group now in control of Gaza.

The judgments follow on from one taken in December of 2006 that found the Council of Ministers in the wrong for freezing the funds of the Iranian-based group People's Mujahadeen.

In all three cases the court ruled that the Council of Ministers failed to properly inform the organizations why their funds were being frozen.

"Certain fundamental rights and safeguards, especially the rights of the defense and the right to effective judicial protection and also the obligation to state reasons are in principle fully applicable to the adoption of the EU decision freezing funds," the court stated in reference to the decision taken by the EU member states to implement the UN Security Council Resolution approved in December of 2001 that called on countries to block funding for terrorist organizations.

"The court finds that those rights and safeguards were not respected by the Council of Ministers in its adoption of the contested decisions," the court added. "Reasons were not given for those decisions, which were adopted in the context of procedures in which the rights of the defense of the persons concerned were not observed and the ECJ itself was unable to review the lawfulness of the those decisions."

An official from the EU Council of Ministers said the EU institution would review the decisions before having any comment on whether it would appeal.

The full judgments by the court can be found by logging onto the court's website: <http://curia.eu.int> and then clicking on "case law" and "search form" and typing in the case numbers T-327/03 or T-47/03.

EU Rejects Assassination as Tool to Fight Terrorism

Reuters, July 12, 2007

BERLIN - The European Union does not support the idea of using assassinations in the fight against terrorism, EU Justice Commissioner Franco Frattini was quoted as saying on Thursday.

Frattini was responding to comments made by German Interior Minister Wolfgang Schaueble, who said in an interview that Germany should

clarify under what conditions the constitution permits the state to target and kill terrorists.

"The fact that we fight terrorism cannot mean that we kill people," Frattini said in an interview with Financial Times Deutschland daily.

"I'm against all forms of the death penalty," he added.

In an interview published in this week's issue of German weekly Der Spiegel, Schaeuble said: "Imagine someone knew what cave Osama bin Laden is sitting in. A remote-controlled missile could then be fired in order to kill him."

Schaeuble also pressed for changes in laws to allow pre-emptive detention of suspected militants and said authorities should have the right to prevent people they deem dangerous from using the Internet and mobile phones.

Frattini said the idea of keeping terrorists away from the world wide web was a good one but may be unrealistic.

"To be honest, I would like to prevent suspected terrorists from using the Internet -- it's my dream," he said. "It's really fantastic idea but I don't know if it's possible."

However, Frattini supported Schaeuble's idea of creating a legal framework to allow online searches of personal computers of suspected terrorists.

Schaeuble's attempts to boost German police powers have met with strong resistance in a country where memories of the Nazis and dreaded East German Stasi secret police are still fresh.

Cost of war on money laundering

The Financial Times, July 8 2007

The cost of fighting money laundering has risen dramatically for banks across the world because of the need to recruit additional staff and install technology systems to detect suspicious transactions.

A study from KPMG Forensic of 224 banks from 55 countries has found that banks' spending on anti-money laundering systems rose by 58 per cent in the past three years – mainly due to transaction monitoring and staff training costs.

In North America and some Middle Eastern countries, spending rose by 70 per cent or more in the same period. Costs have risen as

a result of growing pressure from regulators for banks to crack down on the estimated \$1,000bn (€733bn, £497bn) which is laundered each year by drug dealers, arms traffickers and other criminals.

Since it became apparent in 2001 that terrorists had moved money through the banking system, institutions have been under pressure from regulators and from the Financial Action Task Force, an intergovernmental body, to identify more rogue transactions.

More than 70 per cent of the banks surveyed by KPMG said the number of suspicious activity reports – where a banking transaction has been singled out for further investigation – had risen.

The rise in the cost of anti-money laundering is in excess of banks' own predictions when KPMG Forensic carried out its last study in 2004, when respondents on average predicted an increase of 43 per cent.

Despite sophisticated monitoring technology being available to spot rogue transactions, 97 per cent of banks said they were dependent on the vigilance of staff to monitor and identify suspicious activity. The study found that senior management were getting more involved in anti-money laundering

However, there was significant concern among banks that governmental and international regulation was inadequately targeted. Half of respondents believed that while the overall regulatory burden was acceptable, the requirements needed to be better focused.

U.N.: major powers won't ratify anti-nuclear terrorism treaty

Inter Press Service, July 2, 2007

UNITED NATIONS -- A long-awaited international convention against nuclear terrorism will come into force next week, nine years after it was originally proposed by Russia.

The convention was adopted about 10 months ago by the 192-member U.N. General Assembly. Most of the major powers, however, including those with nuclear weapons, are choosing not to ratify it, at least so far.

"The convention will help prevent terrorist groups from gaining access to the most lethal weapons known to man," said Secretary-General Ban Ki-moon, who describes nuclear

terrorism "as one of the most serious threats of our time."

The new international treaty, which has 115 signatories, needed 22 ratifications before it became international law. The 22nd country to ratify it was Bangladesh. The treaty comes into force July 7.

Dr. Natalie J. Goldring, a senior fellow with the Center for Peace and Security Studies and an adjunct full professor in the Security Studies Program at the Edmund A. Walsh School of Foreign Service at Georgetown University, however, expressed doubts about the effective implementation of the convention.

To fully implement this convention, she said, signatories must also carry out related measures through national legislation. "This will not be easy," Goldring said.

As of mid-June, she said, the only permanent member of the U.N. Security Council to ratify the convention was Russia. And the only other nuclear state that has ratified the convention so far is India. The United States has signed the convention but has not ratified it, she added.

Still, Goldring said, this convention is likely to contribute to efforts to prevent nuclear terrorism by bringing additional attention to this crucial issue.

"However, the world community has a great deal of work to do. We need to limit access to nuclear weapons and radioactive material much more effectively than is currently the case."

The 22 ratifying parties who have expressed their willingness to implement the treaty include Austria, Bangladesh, Belarus, Comoros, Croatia, Czech Republic, Denmark, El Salvador, Hungary, India, Kenya, Latvia, Lebanon, Mexico, Mongolia, Romania, Russia, Serbia, Slovakia, South Africa, Spain and the former Yugoslav Republic of Macedonia.

The world's five declared nuclear powers are the United States, Britain, France, Russia and China. India and Pakistan have declared their nuclear weapons but are not considered "nuclear weapon states" under the Nuclear Non-Proliferation Treaty because it defines nuclear weapons states as those that tested weapons before January 1967. Israel and North Korea are also believed to have nuclear weapons.

Officially titled "The International Convention for the Suppression of Acts of Nuclear

Terrorism," the treaty outlaws specific, concrete acts of nuclear terrorism.

One of the objectives of the convention is protection against attacks involving a broad range of possible targets, including nuclear power plants and nuclear reactors.

Under the convention, all parties to the treaty will have to cooperate in preventing terrorist attacks by sharing information and assisting each other with criminal investigations and extradition proceedings.

"The entry into force of the Nuclear Terrorism Convention must of course be welcomed as a demonstration of the consensus within the international community that nuclear weapons must not be acquired by terrorist groups," said a former U.N. Under-Secretary-General for Disarmament Affairs, Jayantha Dhanapala.

However, he pointed out, there is a rich irony in the fact that key members of that same international community have failed to ratify such important treaties as the Comprehensive Nuclear Test Ban Treaty, which prevents the development of new nuclear weapons.

The five permanent members of the U.N. Security Council and at least three other countries outside the Nuclear Non-Proliferation Treaty, he said, have about 26,000 nuclear weapons among them, of which 12,000 are on alert status.

"These are weapons of terror and there can be no distinction between 'right' hands and 'wrong' hands for their possession in terms of the humanitarian principles of war and the International Court of Justice's Advisory Opinion of 1996," said Dhanapala, who is also a member of the Weapons of Mass Destruction Commission.

Cora Weiss, the U.N. representative of the International Peace Bureau and president of the Hague Appeal for Peace, said the best thing about this convention is that it brings the nuclear issue back to the table, and hopefully, to the attention of the world's governmental leaders.

"What would really prevent nuclear terrorism is the total abolition of nuclear weapons. And that is not a pipe dream," Weiss said.

She said a recent op-ed piece about nuclear weapons from the Wall Street Journal has been in wide circulation among anti-nuclear activists and members of civil society. The article, which was authored collectively by former U.S. Secretaries of State Henry Kissinger and George Shultz, former U.S.

Defense Secretary William Perry and former Senator Sam Nunn, called for a nuclear-free future.

She said there is also a World Court decision, which held that nuclear weapons are generally illegal under international law. In addition, there is the Hans Blix Commission report on weapons of mass destruction, she added, "and we have just celebrated the 25th anniversary of filling Central Park with 1 million people who gathered to say, 'Goodbye nuclear weapons.'"

Even the most recent foreign secretary of Britain, Margaret Beckett, endorsed the Wall Street Journal op-ed piece.

"And we will soon, once again, remember the Nagasaki and Hiroshima atomic bombings," Weiss said.

She said there has never been a better time to revive the campaign to free the world of the most deadly and lasting possibility: nuclear devastation.

Goldring described the convention as one of a constellation of measures to decrease the risks of nuclear terrorism.

If fully implemented, she said, it would increase the level of cooperation among states and the quantity and quality of information they share with respect to terrorist incidents.

"It also has an important focus on safeguarding any nuclear or radiological material that is captured by states," she said. "Unfortunately, while this step is laudable, no single measure is going to solve this problem, and the convention is relatively modest in comparison with the work that needs to be done."

Goldring also said that outlawing nuclear terrorism is not enough: "We urgently need to secure the surplus nuclear material in the former Soviet Union and elsewhere, and to protect nuclear facilities around the world."

Publications and Websites of interest

http://www.unodc.org	Official website of the UNODC. (In English, Russian, Spanish)
http://www.amlcft.org	World Bank's AML/CFT website. (In English)
http://www.imolin.org	International Money Laundering Information Network administered by UNODC Global Program against Money Laundering (GPML) on behalf of a partnership of nine international organizations and offering model laws, legal library, calendar of key events and other AML/CFT related information. (In English, with some Russian)
http://www.euroasiangroup.org	The EurAsian Group is the FATF-Style Regional Body serving Central Asia. (In English and Russian)
http://www.imolin.org/pdf/imolin/MLawRussian_IMoLIN.pdf	UNODC Model Law in Russian
http://www.fatf-gafi.org/dataoecd/43/46/38960576.pdf	The Guidance on the Risk-Based Approach to combating Money Laundering and Terrorist Financing adopted by the FATF. It outlines the high-level principles involved in applying the risk-based approach, and indicates good public and private sector practice in the design and implementation of an effective risk-based approach.

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