



**REPORT ON
CASH COURIER-BASED MONEY LAUNDERING
(ESAAMLG)**

Mombasa, Kenya

ESAAMLG Typologies Working Group

18 August 2008

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1. Executive Summary

In general, there are three main methods by which criminal organisations and terrorist financiers move illicit money for laundering purposes. These are (i) the use of the financial system (ii) the physical movement of money (iii) the use of fraudulent trading arrangements.

The Financial Action Task Force Special Recommendation IX on Cash Couriers obliges countries to put in place measures to detect the physical cross-border transportation of currency and bearer negotiable instruments, including a declaration system or other disclosure obligations. The Special Recommendation also requires countries to ensure that their competent authorities have the legal authority to stop or restrain currency or bearer negotiable instruments that are suspected of been related to terrorist financing or money laundering or that are falsely declared or disclosed

Countries should also ensure that effective, proportionate and dissuasive sanctions are available to deal with persons who make false declarations and disclosures. In cases where the currency or bearer negotiable instruments are related to terrorist financing or money laundering, countries should also adopt measures, including legislative ones which would enable the confiscation of such currency or instruments.

This study used of a detailed questionnaire to gather information on the current practices of cash courier-based money laundering and the financing of terrorism in the ESAAMLG region. The information focused on the ability of the ESAAMLG member countries to detect and combat cash couriers for AML/CFT purposes.

This study concludes that cash courier based money laundering is an activity that is present in virtually all ESAAMLG member countries. All ESAAMLG member countries are predominantly cash-based economies and have porous borders, and thereby making the region more vulnerable to cash- courier-based money

laundering. Most ESAAMLG member countries have limited or no legislation in place to combat cash couriers and the associated money laundering and terrorist financing risks. There is a general shortage of technical expertise and resources required to deal with cash courier based money laundering and terrorist financing. There is a critical need for training and awareness raising to enhance skills and experience to combat cash courier based money laundering,

Looking ahead, there appears to be a number of steps that could be taken within the ESAAMLG member countries to enable national authorities to cope with and combat cash courier based money laundering and terrorist financing. These measures can be grouped into legislative, effective institutional arrangements, awareness raising, training, and improving domestic, regional and international cooperation.

2. Background

In August 2006, the ESAAMLG Council of Minister's approved a typologies project on cash courier based money laundering. The Project Team was tasked to review the various techniques that can be used for cash courier-based money laundering and the financing of terrorism and compile a series of illustrative case studies. The team was also tasked to gather information on current practices in various jurisdictions and the capacities of these jurisdictions to detect and combat cash courier-based money laundering and the financing of terrorism.

3. Objectives of the Working Group

The objectives of the Working Group are:

- i) Identify the existence of cash couriers based money laundering and financing of terrorism in the ESAAMLG region;
- ii) Examine regulatory measures in place, if any; and
- iii) Produce ESAAMLG cash courier based money laundering typology report.

4. Research Methodology

The ESAAMLG Cash Courier Working Group designed and disseminated a detailed cash courier questionnaire to the 14 ESAAMLG member countries for completion. The questionnaire was used to gather information and data on national legislation, institutional arrangements and operational capacities in dealing with cash courier based money laundering. In addition a supplementary questionnaire was sent to two member countries in order obtain additional information in regard to FIU's.

The following informed the preparation of the cash courier questionnaire:

- i) Assessing the nature and extent of cash courier within the region;
- ii) Identifying the nature and extent of cash courier methods and techniques; and
- iii) Existence of actual cash courier based ML/TF cases referred to competent authorities such as FIU and law enforcement.

The findings and recommendations of the study will be drawn from the responses submitted to the cash courier questionnaire.

5. Legal & Regulatory Regime

The majority of the respondent countries have no specific laws covering cash courier based money laundering and terrorist financing. Consequently, owing to the absence of specific laws related to cash couriers, there are no institutions involved or mandated to deal specifically with cash courier based money laundering and terrorist financing. However, all respondents indicated that they are vulnerable to cash courier based money laundering and terrorist financing.

Nevertheless, some of the respondent countries have in place legislation relating to freezing, and confiscation of cash transported by cash couriers.

6. Institutional Arrangements

In the majority of respondent countries, there are no government departments or agencies that are mandated to record information related to cash couriers.

In most of the respondent countries, cash courier related information is not gathered, recorded or archived. There is, however, scope for gathering, recording, archiving and standardisation of cash courier data once this is legislated for in the ESAAMLG member countries.

In a number of the respondent countries, institutional arrangements exist for sharing information between law enforcement agencies regarding seizures and confiscations.

In many of the respondent countries, declaration systems do exist and other disclosure obligations with various or different thresholds.

Most respondents do not have specific legislation dealing with false declaration or disclosure in relation to money laundering and terrorist financing. It should be noted though that some countries have legislations dealing with cash smuggling.

7. Cash Courier Based Money Laundering Trends

For the purpose of this study, the term “cash courier¹ “ refers to an individual who physically transports, mails, ships, or causes to be physically transported, mailed shipped currency or monetary instruments. This term is not intended to include persons engaged in money remittances as licensed business.

Cash smuggling is one of the major methods used by terrorist financiers, money launderers and organised criminals to move money derived through illegal means to support their activities. In cash smuggling operations, couriers will, inter alia, travel by road, through airports or by lake or sea with loads of cash, often stuffed into boxes, suitcases and concealed compartments in vehicles and on persons.

Vast and porous borders within the ESAAMLG region make the task of detecting and combating cash couriers even more difficult.

The basic trends of cash courier money laundering include:

- Financial centres serving as destination points for the movement of cash through couriers;
- Connections between currency smuggling and casino operations;
- Use of cash couriers to support under ground foreign exchange operations;
- Use of cash couriers by criminal groupings transporting proceeds of crime; and
- The use of complex transactions further obscures the money trail and complicates detection.

¹ As defined by the FATF Special Recommendation IX on Cash Couriers

- **Red Flag Indicators**

The respondents to the ESAAMLG questionnaire reported a number of red flag indicators that are used to identify cash courier based money laundering and the financing of terrorism. These include:

- False declarations
- False compartments
- Suspicious movements (across borders)
- Fake cheques or negotiable instruments
- Suspicious behaviour and appearance
- Request of large bank transfers within a short space of time
- Unjustified frequency of movement across borders
- Bulk cash on a persons body
- Failure to declare the right amount of cash to Customs Authorities
- Travel documents discrepancies
- Travellers who leave the country with more cash than when they first entered

8. Case Studies

South Africa

Below are eight reported cases, illustrating linkages between drug trafficking and money laundering on the one hand and flight of currency and possible money laundering on the other hand.

1. During November 2005, a South African national was arrested with US\$ 50,000 in Brazil as she arrived from South Africa by air. She alleged that her boyfriend had paid for her airline ticket to visit Brazil and that he packed her luggage hiding the money inside shampoo containers. The money was destined to pay for drugs. The money was forfeited to the state in terms of exchange control regulations.
2. During August 2006, US\$ 30,000 was seized at Johannesburg International Airport, that was concealed within a bible and couriered from South Africa to Brazil by air. The money was used to pay for drugs. The money was forfeited to the state in terms of exchange control regulations.
3. During August 2006, a South African national was arrested in Sao Paulo International Airport, Brazil in possession of US\$.52,000. Apparently the person was sent by two persons to courier the money. The money was wrapped in black plastic bags, covered with socks and carried on her body to pay for drugs. The money was forfeited to the state in terms of exchange control regulations.
4. During August 2006, a South African national was arrested in Sao Paulo International Airport, Brazil with US\$ 13,000 in possession to pay for drugs. The money was forfeited to the state in terms of exchange control regulations.
5. During September 2006, 3000.00 US\$ was couriered to South Africa from Spain by a person travelling by air. The money was to be used for the payment of drugs. The money was forfeited to the state terms of exchange control regulations.
6. During April 2001, a South African national was arrested with South African currency, ZAR R1,2 million hidden on his body while travelling through the border from South Africa to Swaziland. The money was forfeited to the state in terms of exchange control regulations.
7. During May 2006, a person was arrested at Johannesburg International Airport as he intended to depart to Pakistan smuggling currency,

US\$120 000, on his body and laptop. The money was forfeited to the state in terms of exchange control regulations.

8. Three cases were reported involving seizures of ZAR R1 600 000, R1 995 460 and US\$40 500 at Komatipoort (border post between South Africa and Mozambique). The money was forfeited to the state in terms of exchange control regulations

ZIMBABWE:

Below are six reported cases illustrating high cash smuggling and possible money laundering on the other hand at point of entry / exit.

1. On 7 March 2004 seventy (70) individuals were arrested at Manyame Air Base Harare. The accused persons were en route to Equatorial Guinea where they intended to stage a coup detat. One of the arrested individuals was accompanied by two Weapon Inspectors. Sixty seven (67) men on board a Boeing 727 arrived at Harare International Airport and taxied to Manyame Air Base to collect weapons. The three (3) men were arrested in the hanger where the weapons were before loading. US\$108 000, 00 was found hidden in briefcase. The team leader was sentenced to 7 years, aircraft crew 16 months and 67 accomplices 12 months in jail.
2. On 14 October 2005 a Zimbabwean national, was arrested at Chirundu Border post for violating the Exchange Control, Customs and Excise Act, in that the individual, attempted to smuggle out of Zimbabwe, South African currency ZAR 39 990, cash. The money was carefully tied onto the courier's legs and concealed underneath his trousers. The money was discovered following a body search by law enforcement agents. The money was seized and subsequently forfeited to the State, while the accused was prosecuted.
3. On 20 January 2006 a Zimbabwean national was arrested at the Beitbridge Border Post after he was found in possession of, Zimbabwean currency, Z\$1 669 860 000 concealed in his monarch bag which was not declared upon exit and this was in violation of the Exchange Control Act. The person was arrested on the South African side of the Border, by the South African Authorities. He was later taken to Court at Beitbridge where he was fined Z\$400 000.00. The money was forfeited to the State.
4. On 7 February 2006, a Zimbabwean national, was arrested by Detectives for possession of, Zimbabwean currency, Z\$165 620 000 which was concealed in a bag and had not been declared to ZIMRA in contravention of the Exchange Control Act, which limits the amount of cash that can be exported without Reserve Bank of Zimbabwe approval. The money was wrapped in a

towel and hidden in a bag. The accused was fined Z\$10 million or 6 months imprisonment with labour.

5. On 24 July 2006, a Zimbabwean national was arrested at Chirundu Border Post for attempting to smuggle cash from Zimbabwe. Accused had concealed, Zimbabwean currency, a total of Z\$105 000 000.000 cash underneath the seats of his motor vehicle. The money was seized and subsequently forfeited to the State.
6. On 8 November 2007, a Zimbabwean national was arrested at Chirundu Border Post after he was found in possession of, Zimbabwean currency, Z\$209 6000 000 in the pocket of his jacket. The money had not been declared to ZIMRA officials as required by law. The money was seized and subsequently forfeited to the State. The accused was prosecuted at Court.

Namibia:

The reported case below illustrates flight of currency and possible money laundering on the other hand at point of entry / exits.

1. On 07 June 2008 at Hosea Kutako International Airport, four Angolese Nationals, all males, were found in possession of U\$153 064 hidden amongst the clothes in their luggage. The accused was arrested on charges of contravening the Exchange Control Act and Regulations. One of the Accused was also charged with the offence of Bribery as he tried to Bribe the Customs Official from raising an alarm on the Cash found strapped to his body. The Accused explained to the police that they wanted to go and buy cars in Dubai with the foreign currency and their tickets confirmed that the destination was Dubai. The Accused explained that they did not know it was a criminal offence to leave Namibia with foreign currency without receiving Treasury approval. They further advised that even if they did know it was a criminal offence, the amount involved was so insignificant, that it does not warrant Treasury Approval for purposes of removal.

The Accused pleaded guilty and were convicted of failure to declare foreign currency in violation of the Exchange Control Act and Regulations and were sentenced as follows:

Accused 1: Count 1: Failure to declare foreign currency: N\$20 000-00 or 2 years imprisonment
Count 2: Bribery: N\$10 000-00 or 1 year imprisonment

Accused 2, 3 and 4: Failure to declare foreign currency: N\$20 000 or 2 years imprisonment.

All the money was forfeited to the State.

9. Current Practises

To examine the capacity of national authorities to combat cash courier based money laundering and the financing of terrorism, the ESAAMLG project team on cash couriers has made use of a detailed questionnaire to survey current practices in a wide range of countries. The questionnaire focused on the ability of various government agencies to identify suspicious activities related to cash courier based money laundering and financing of terrorism transactions, to share the information with domestic and foreign partner agencies, and to act on the information. In carrying out this work, particular attention was paid to the practices of customs agencies, law enforcement, financial intelligence unit, tax authorities and banking/ financial sector supervisors.

• Customs Agencies

- All ESAAMLG member countries have a declaration or disclosure system in place, albeit at varying levels of application.
- Cross-border cash declaration forms, airline passenger lists and company profiling are sources of information for cash courier targeting operations.
- Popular red flags cited are false declaration and compartments, frequency of cross-border travel, leaving a country with more cash than when the traveller entered the country, fake cheques or negotiable instruments, request of large bank transfers within a short period of time, suspicious behaviour and appearance, travel documents discrepancies, uneasy movement due to bulk cash on body.
- There is voluntary sharing of cash courier information among national law enforcement agencies at domestic level, including FIU (where available) and financial sector bodies. This is not extensively practiced at regional level.

- The predominance of cash based economies with vast and weak / porous borders render border control check points ineffective as cash couriers use various alternative routes such as land border crossing by foot.
- There is a general lack of training programs and guidance on cash courier based money laundering and terrorist financing
- There is a general lack of equipment and modern technology in the detecting of cash courier based money laundering and terrorist financing
- Cooperation and sharing of information with foreign competent authorities is based on Memorandum of Understanding, Bi or Multi-Lateral Agreements.

• **Law Enforcement Agencies**

- Very few countries have effective cash courier intelligence reporting and targeting systems, and mostly rely on tip-offs from workplace whistleblowers and members of the public. This is resulting in various information gaps regarding beneficiaries, intended use of the money and foreign banking accounts details hamper identification of potential cash couriers.
- The absence of effectively operational FIUs and proper feedback mechanism on investigations and prosecutions regarding cash courier cases hampers effective information sharing and cooperation.
- Dealing with politically exposed persons and persons with diplomatic immunity is a sensitive matter hampering effective application of the applicable laws in the region.
- Even with the general technical and skills shortages, few countries outsource customs inspection firms for loading and sealing of cargo containers, making their ports of entry and exit attractive to illegal cash couriers.

- Cash courier training and awareness programs are lacking in general.

- **Financial Intelligence Units**

Eight ESAAMLG member countries have established FIU's of which five, namely, Malawi, Mozambique, Namibia, Seychelles and Tanzania, are at initial stages of becoming fully operational. The remaining three FIU's, for Mauritius, South Africa and Zimbabwe are operational and able to perform analysis relevant to the identification, investigation and prosecution of cash courier based money laundering and terrorist financing and are also able to determine whether suspicious transaction reports (STRs) received have been triggered by specific concerns about cash couriers. Two respondents, South Africa and Zimbabwe have had a number of STRs filed in relation to suspicious cash couriers over the last three years.

In response to the questionnaire, South Africa and Zimbabwe identified the following trends: Transfer pricing (Under invoicing), port of entry and exit.

Of the two respondents, South Africa indicated that it receives information from their Revenue Authority, Law Enforcement, Insurance Companies, Real Estate Agencies, Lawyers and Accountants while the other receives information from accountable institutions. Both countries agreed that their FIU's are trained to recognise suspicious cash couriers.

Zimbabwe and Mauritius indicated that they collect SWIFT transactional data to be used for analytical and or the investigation of money laundering and the financing of terrorism. Furthermore, profiles of individuals have been indicated as most useful in analysing potential cash courier based money laundering and financing of terrorism cases.

However, the two countries indicated that information from customs and details of beneficial owners and bank account details is not being received and would be of assistance in the analysis of potential cash couriers.

Sharing information pertaining to cash courier related information is done both with domestic agencies/institutions and foreign competent authorities. The information sharing is done both on a mandatory and voluntary basis.

Concerning training, all respondent countries indicated that there are no training programs currently in place but, agree that a need exists for training, as well as awareness raising of the techniques of cash courier based money laundering and the financing of terrorism. Furthermore, one country indicated that it has specialists in the area of cash courier based money laundering and financing of terrorism.

- **Tax Authorities**

- In general, tax authorities in the ESAAMLG member countries do not perform analysis that could be used to identify, investigate and prosecute cash courier proceeds, and ML/TF possible cases. Only two member countries have their tax authorities conducting analysis for the above purposes.
- Two tax authorities in the member countries receive suspicious reports on cash couriers from domestic law enforcement agencies. Such information is disseminated to the national FIU.
- Information sharing and cooperation with domestic and foreign competent authorities exists where there is either Memorandum of Understanding or bi-and multi-lateral agreement.

- Government red tape and a general lack of expertise and technological capacity are major constraints to tax authorities in the ESAAMLG region.
- There is a general lack of cash courier training and awareness programs.

Only two of the respondents indicated that they do conduct investigations or are involved with other agencies in investigating potential cash courier based money laundering and financing of terrorism. One respondent tax authority is mandated to look for money laundering activities in the course of conducting an audit. Suspicions of money laundering arising in the course of an audit must be reported to a competent authority.

Two respondents have indicated that their competent authorities can request for tax information as part of an investigation on cash courier based money laundering and the financing of terrorism.

There are a number of impediments to the analysis or investigation of cash courier based money laundering and the financing of terrorism, these including: lack of expertise, complete information & technological resources and red tape.

- **Banking / Financial Sector Supervisors**

Most of the respondent countries do not perform analysis pertinent cash courier based money laundering and financing of terrorism. Neither do they receive nor file information on suspicious activities related to cash courier based money laundering and financing of terrorism.

The majority of the respondent countries do not make use of risk models or analytical tools to identify high risk organisations or persons who

could be cash couriers. There is a range of information that could be useful in analyzing a potential cash courier. These include: declaration on cash transactions being made, declaration of cross-border cash movements, finding mechanisms to trace Hawala mode of payments, individual and company profiling.

In most of the respondent countries the banking / financial sector supervisors are not mandated to investigate cash courier based money laundering and terrorist financing. Subject to applicable laws and regulations, information on cash courier based money laundering and financing of terrorism may be shared on a voluntary or mandatory basis with other domestic agencies & departments as well as foreign competent authorities to assess ML/TF risks.

Not surprising, no banking authorities of the respondent countries have expertise on the techniques of cash courier based money laundering and financing of terrorism and most have no training programs in this area. In general all respondents viewed training and awareness on cash courier based money laundering and financing of terrorism techniques as essential.

10. Key Findings

The majority of ESAAMLG member countries are predominantly cash based economies. Virtually all of ESAAMLG member countries have porous borders.

In the majority of ESAAMLG member countries there is lack of regulatory frame works in regard to money remittances. There is general shortage of technical expertise and resources required to deal with cash courier based money laundering.

The research work carried out in connection with this project led to the following key findings with respect to cash courier based money laundering:

- While most of the ESAAMLG member countries have AML laws, very few have legislation on combating the financing of terrorism.
- From the responses received it was noted that ESAAMLG member countries with anti-money laundering and terror financing legislation, do not focus on the money laundering aspect of the offence but instead prefer to pursue the exchange control related offences.
- Cash courier based money laundering is an important channel of criminal activity that is present in all respondent ESAAMLG member countries.
- All respondents indicated serious concerns about the vulnerability of their country to cash courier based money laundering and financing of terrorism.
- The majority of respondents believe that their countries have limited or no measures in place to mitigate cash courier based money laundering and terrorist financing.
- Cash courier based money laundering takes various forms within the ESAAMLG region, including:
 - Major regional financial centres serving as destination points for the movement of cash through couriers.
 - Connections between currency smuggling and currency counterfeiting.

- Connections between currency smuggling and casino operations.
 - Use of cash couriers to support under ground foreign exchange operations.
 - Use of cash couriers by criminal groupings transporting proceeds of crime
-
- Whilst cash courier data is a useful means for identifying cash courier based money laundering, the analysis and sharing of the information / data is not institutionalized or presently being done between ESAAMLG member countries
 - Where FIUs are established in ESAAMLG member countries, they do not receive suspicious activity reports on cash couriers consistently, except for Mauritius, South Africa and Zimbabwe.
 - Most customs and law enforcement agencies, FIUs (where established), tax authorities and banking / financial supervisors within the ESAAMLG region appear to be incapable of identifying and combating cash couriers for possible money laundering owing to their lack of skills and expertise in this regard.
 - All respondent ESAAMLG countries indicated a pressing need for training and awareness raising to enhance their skills and knowledge to recognize and combat cash courier based money laundering and the financing of terrorism.

11. Recommendations

In view of the findings of the study, a number of steps should be taken within all ESAAMLG member countries to enable national authorities to combat cash courier based money laundering and the financing of terrorism. These measures can be classified as legislative, effective institutional arrangements, awareness raising, training & capacity building, and improving domestic, regional and international cooperation.

- **Legislation**

- It is imperative that ESAAMLG member countries that do not have anti-money laundering and combating the financing of terrorism legislation should put such legislations in place.
- Those member countries that have anti-money laundering and the financing of terrorism legislation should implement them effectively.

- **Institutional Arrangements**

- It is crucial that ESAAMLG member countries should put in place institutional arrangements (e.g. disclosure obligations at points of entry and exit) that cover cash courier based money laundering and the financing of terrorism.

- **Database Systems**

- ESAAMLG member countries should set-up database systems for analysis of data in order to identify and combat cash courier based money laundering and the financing of terrorism.

- **Information Sharing**

- The sharing of information, including case studies, by ESAAMLG member countries nationally, regionally and internationally should be done in order to combat cash courier based money laundering and the financing of terrorism.

- **Training & Awareness Raising**
 - It is critical that ESAAMLG member countries put in place training and awareness programs, (e.g. for customs and law enforcement agencies, FIU's where established, tax authorities and banking / financial sector supervisors) to identify and combat cash courier based money laundering and the financing of terrorism techniques. Such training programs could be supplemented by outreach sessions to the private and public sectors.

- **FIU's**
 - FIU's at early stages of development should be provided with technical and material assistance. Member countries still in the process of developing AML/CFT legislation should be encouraged and assisted accordingly.

Annex I

The Core Working Group of the ESAAMLG Typologies Working Group included the following:

- **16 – 17 August 2008 – Mombassa, Kenya:**

1. Mr. Lesley Odendaal – South Africa – (Project Leader)
2. Mr. Titus W. Mulindwa – (Deputy Project Leader)
3. Mr. Bethuel A. Majola – Botswana
4. Ms. Gorata Seboko – Botswana
5. Mr. Simon Nyathi – Zimbabwe

- **15 – 16 March 2008 – Dar es Salaam, Tanzania:**

1. Mr. Lesley Odendaal – South Africa – (Project Leader)
2. Mr. Titus W. Mulindwa – Uganda – (Deputy Project Leader)
3. Mr. Bethuel A. Majola – Botswana
4. Ms. Lebogang Mashasho – Botswana
5. Mr. Diratsagae B. Molomo – Botswana
6. Mr. Buhalo M. Mudongo – Botswana
7. Ms. Mamsie Dlamini – Swaziland
8. Ms. Sharon Z. Cheelo – Zambia
9. Mr. Simon Nyathi – Zimbabwe

- **17 – 19 AUGUST 2007 Gaborone, Botswana:**

1. Mr. Lesley Odendaal – South Africa – (Project Leader)
2. Mr. Titus W. Mulindwa – Uganda – (Deputy Project Leader)
3. Mr. Bethuel A. Majola – Botswana
4. Mr. Buhalo M. Mudongo – Botswana
5. Ms. Gorata T. Seboko – Botswana
6. Ms. Mamsie Dlamini – Swaziland
7. Mr. Bhekie Khumalo – Swaziland

Annex II

ESAAMLG Questionnaire on Cash Courier-Based Money Laundering

ESAAMLG QUESTIONNAIRE

Cash Courier-Based Money Laundering

This questionnaire has been compiled by the Typologies Project Team of the Eastern and Southern Africa Anti-Money Laundering Task Group (ESAAMLG) for its use in research on money laundering and terrorist financing typologies. The information in the questionnaire will be used to assess the current capacity of countries to detect and combat cash courier-based money laundering.

For the purpose of this survey, the term 'cash courier' refers to an individual who physically transports, mails or ships or causes to be physically transported, mailed, or shipped currency or monetary instruments. This term is not intended to include persons engaged in financial remittances as a licensed business.

A draft report indicating the progress of work on cash courier-based money laundering project will be prepared by the Typologies Project Team of the ESAAMLG and will be presented to the Task Force of Senior Officials in Gaborone during the August 2007 meeting. To this end, we would appreciate your completed questionnaire by 18 July 2007.

Overview

In general, there are three main methods by which criminal organisations and terrorist financiers move money for the purpose of disguising and integrating it into the formal economy. The first is through the use of the financial system; the second involves the physical movement of money (e.g. through cash couriers); and the third is through the use of fraudulent trading arrangements.

Cash smuggling is one of the major methods used by terrorist financiers, money launderers and organised crime figures to move money derived from and/or in support of their activities. In cash smuggling operations, couriers will, *inter alia*, travel over roads, through airports or by sea with loads of cash, often stuffed into boxes, suitcases and concealed compartments in vehicles.

Vast and porous borders within the region make the job of detecting couriers even more difficult. Couriers also use privately-owned boats and clandestine roads to smuggle money thereby circumventing official border check-points.

As you are aware, money laundering and the financing of terrorism are issues that potentially affect all countries, and the integrity and stability of the international financial system. The abuse can be combated most effectively when all countries contribute to the international efforts now under way.

The FATF Special Recommendation IX on Cash Couriers obliges countries to put in place measures to detect the physical cross-border transportation of currency and bearer negotiable instruments, including a declaration system or other disclosure obligations. The recommendation also requires countries to ensure that their competent authorities have the legal authority to stop or restrain currency or bearer negotiable instruments that are suspected to be related to terrorist financing or money laundering or that are falsely declared or disclosed. Countries should also ensure that effective, proportionate and dissuasive sanctions are available to deal with persons who make false declarations and disclosures. In cases where the currency or bearer negotiable instruments are related to terrorist financing or money laundering, countries should also adopt measures, including legislative ones which would enable the confiscation of such currency or instruments.

In recognition of the risks and problems, associated with cash couriers and the international obligation to put in place measures to effectively curb cash-courier based money laundering and terrorist financing, the ESAAMLG Council of Minister's approved a typologies project on cash couriers in August 2006. The Project Team is tasked to review the various techniques that can be used for cash courier-based money laundering and the financing of terrorism and compile a series of illustrative case studies. The team has also been tasked to gather information on current practices in various jurisdictions and the capacities of these jurisdictions to detect and combat cash courier-based money laundering and the financing of terrorism. As part of the implementation of this decision, we are sending the attached questionnaire. We would be grateful for your consideration of it and would value your response, preferably by 18 July 2007

This following questionnaire is a critical element in the ESAAMLG project on cash courier-based money laundering. It is designed to gather information on the occurrence, laws, regulations, institutions and policies in place to deter money laundering and terrorist financing, through the couriering of cash. It focuses on the ability of various governments to identify suspicious activities related to cash couriers, to share this information with domestic and foreign partner agencies and to act on this information. Completing the questionnaire may also provide you with an occasion to reflect on your AML/CFT framework, and to identify how it could be strengthened and what technical assistance might be useful. In addition, the responses from different countries will play a role in building up a global picture of the international system to combat money laundering and terrorist financing. Given the complexity of this issue, the questionnaire is divided

into a series of separate-but inter-related parts, which are to be answered by customs agencies, border security officials, law enforcement agencies, financial intelligence units, tax authorities and banking supervisors.

Your co-operation in completing the various sections of this questionnaire will add significantly to the current state of knowledge on the risks, methods, trends and practices and vulnerabilities related to cash courier-based money laundering.

| | |
|-----------------------------|--|
| Report of the Government of | |
| Date completed | |

Questionnaire

Contact Information:

Name, address, telephone, fax and E-mail of the person responsible for the coordination of the responses to this Questionnaire.

| | |
|-------------------------|--|
| Name | |
| Title/Position | |
| Organization | |
| Address | |
| Telephone | |
| Fax | |
| E-mail | |
| Country or Jurisdiction | |

Returning completed questionnaire

Please return completed questionnaire **via email** no later than 18 July 2007 to both:

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If you have any questions on how to complete the questionnaire please contact:

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Overview of Domestic Responsibilities

To better understand the organisational structure of each jurisdiction and the responsibilities of your Customs Agency, Border Security Officials, Law Enforcement Agencies, Financial Intelligence Unit, Tax Authority and Banking/Financial Sector Supervisor with respect to cash courier-based money laundering, please describe briefly the responsibilities of each agency involved in identifying, investigating and prosecuting cash-courier-based money laundering.

GENERAL QUESTIONS ON CASH COURIERS

A. Legal and Regulatory Regime

1. To what multilateral or bilateral conventions, treaties and agreements relating to money laundering and terrorist financing is your country a party to?
2. What do the bilateral arrangements cover?
3. How, is money laundering and the financing of terrorism through the couriership of cash defined in your laws or regulations? What crimes (the so-called predicate offences) do the relevant laws cover.
4. What institution/s are involved in the setting of AML / CFT regulations or guidelines related to cash couriers? What institution/s are involved in monitoring compliance, and in collecting and using financial information related to these activities, and what are their respective responsibilities?
5. Which financial institutions and other intermediaries are covered by AML / CFT laws and regulations?
6. What legislation, regulations or guidelines specify when unusual or suspicious transactions related to cash couriers should be forwarded to the relevant authorities (for example, a Financial Intelligence Unit)?

7. Are industry groups or associations involved in setting AML/CFT standards and codes of conduct?
8. What legislation, regulations or codes of conduct ensure that financial institutions and other intermediaries are compliant (through supervision by relevant authorities)
9. Names of the state bodies in your country, that are responsible for combating cash smuggling.
10. Does legislation exist for the freezing or confiscation of cash transported by means of cash couriers as well as the proceeds of these crimes?
11. When was your country's Anti-Money Laundering Law passed?
12. Do you consider your country to be vulnerable to the use of cash courier-based money laundering for criminal purposes? Please give details of the nature of the vulnerability.

B. Institutional arrangements

13. Which government department or agency records information related to cash couriers in your country?
14. What type of cash-courier related information is gathered?
15. What type of cash courier related information is recorded?
16. Is the data received electronically? If yes what percentage?
17. Is this information archived? If yes, please specify for what period of time (e.g. five or ten years)?
18. Is there scope for greater automation and standardisation of your cash courier data?
19. What domestic legislation or other forms of enforcement ensure that information is shared between law enforcement agencies including customs and Financial Intelligence Unit regarding seizures and confiscations?

20. Is a declaration system or other disclosure obligations in place in your country? If you do, elaborate and provide a threshold. Please provide what data is required in the declaration form.
21. Does your country have legislation dealing with false declaration or disclosure in relation to money laundering and terrorist financing; If yes state law, If not state under what law do you prosecute cash smuggling?
22. What penalties or sanctions are imposed on a violator? Give examples of cases where penalties or sanctions have been imposed.
23. State the number of false declaration or disclosure in your jurisdiction.
Please state number for the period April 2005 until April 2007
24. What trends have been identified regarding the concealment of cash being smuggled? **Examples of cases**
25. What trends have been identified with regard to the Male, ages of 20 to 30 or unemployed local persons male and female between the ages of 30 to 40. **Examples of cases**
26. What are the main methods of transport used to transport the Courier and or the cash in or out of your country? E.g. Air, trains, vehicles, overnight parcel services etc....
27. What are the top 3 currencies being smuggled across your borders?
28. What methods are used for detection of currency at your borders? e.g. Intrusive (physical searching of persons and cargo) Non intrusive (Scanners / x-rays)
- Land border posts (including postal and parcel services)
 - Airports
 - Seaports
29. Do you have information on specific cases relating to cash couriers-based money laundering within your jurisdiction? Please provide the details of the cases.
30. Were the individuals or groups involved in these cases also involved in other types of criminal activity?

31. What other types of activities were these individuals or groups involved in? Please specify (e.g. money laundering through the financial system, smurfing, smuggling-including drug smuggling, purchase of precious stones and metals, purchases of other valuable assets, commingling of legitimate and illegitimate funds, use of front companies, etc.).
32. Were other countries involved in these transactions? If yes, which countries were involved?
33. In these transactions, what types of goods were involved?
34. Do you have measures in place that can mitigate and /or ensure the combating of cash smuggling?

QUESTIONS FOR CUSTOMS AGENCIES

35. Do you perform analysis that could be used to identify, investigate or prosecute cash courier –based money laundering?
36. Do you receive information on suspicious activities related to cash courier-based money laundering?
37. If yes, from which sources does your organisation receive information related to cash courier-based money laundering? Please specify.
38. Do you file suspicious activity reports (STRS) with your financial intelligence unit relating to suspicious cash couriers?
39. Do you make use of any risk models or analytical tools to identify high-risk companies or persons who could be cash couriers?
40. How is analysis or investigations of a cash courier-based money laundering case usually initiated?
41. Has information or analysis led to specific investigations and subsequent successful prosecutions? Give examples.
42. What type of information is the most useful in analysing a potential cash courier-based money laundering /CFT?

43. What information do you not receive that would assist you in analysing potential cash couriers?
44. Is your agency empowered to carry out investigations into cash courier-based money laundering? Please describe the cases or circumstances in which you are able to carry out investigations.
45. Please describe any impediments to carrying out investigations into cash couriers
46. Is there an established method of policing your country's physical (and possibly porous) borders?
47. Is your agency empowered to carry out law enforcement functions with respect to cash courier-based money laundering? If not, please specify the authority that carries out law enforcement functions with respect to cash courier-based money laundering.
48. Can you please provide a list of ("red flag") risk indicators of potential cash courier-based money laundering activity that could trigger suspicions or a possible investigation?
49. Please identify which of the risk indicators described in the above list are specifically designed to identify cash courier-based money laundering activities (as opposed to a broad range of suspicious activity).
50. What other indicators would you consider potentially useful for the detection of cash courier-based money laundering?
51. Is there scope to make better use of risk indicators to promote a more risk-based approach to detecting cash courier-based money laundering activity?
52. Does your country use customs inspection firms to supervise the loading (and sealing) of cargo containers?
53. Is there scope to make better use of custom inspection firms to ensure that cargo containers are not used as cash couriers?

54. With which of the following domestic agencies can cash courier related information be shared?

- Law Enforcement Agencies
- Financial Intelligence Unit
- Tax Authority
- Airport control /Civil Aviation Authorities
- Banking/Financial Sector Supervisors

55. Have you shared information on cash couriers-based money laundering with other domestic agencies?

56. Can cash couriers-based information be shared with foreign competent authorities?

57. Do you have training programs in place that deal with the subject of cash courier-based money laundering?

58. Do you see the need for better training and awareness raising of the techniques of cash couriers based money laundering?

59. Does your agency have specialists with particular expertise in the area of cash couriers –based money laundering?

60. Do you consider your country vulnerable to the use of cash couriers-based money laundering for criminal purposes? If yes, give examples of the nature of vulnerability.

QUESTIONS FOR LAW ENFORCEMENT AGENCIES

61. Describe/give example of cases of cash courier based money laundering or terrorist financing you have dealt with. Do you perform analysis that could be used to identify, investigate or prosecute cash courier-based money laundering?

62. Do you receive information on suspicious activities related to cash courier-based money laundering or terrorism financing?

63. If yes, from which sources does your organisation receive information related to cash courier-based money laundering and terrorism financing? Please specify.
64. Do you file suspicious activity reports (STRS) with your financial intelligence unit relating to suspicious cash couriers?
65. Do you make use of any risk models or analytical tools to identify high-risk companies or persons who could be cash couriers?
66. How is analysis or investigations of a cash courier-based money laundering case usually initiated?
67. Has information or analysis led to specific investigations and subsequent prosecutions?
68. What type of information is the most useful in analysing a potential cash courier-based money laundering /CFT?
69. What information do you not receive that would assist you in analysing potential cash couriers?
70. Is your agency empowered to carry out investigations into cash courier-based money laundering? Please describe the cases or circumstances in which you are able to carry out investigations.
71. Please describe any impediments to carrying out investigations into cash couriers
72. Is your agency empowered to carry out law enforcement functions with respect to cash courier-based money laundering? If not, please specify the authority that carries out law enforcement functions with respect to cash courier-based money laundering.
73. Can you please provide a list of (“red flag”) risk indicators of potential cash courier-based money laundering activity that could trigger suspicions or a possible investigation?

74. Please identify which of the risk indicators described in the above list are specifically designed to identify cash courier-based money laundering activities (as opposed to a broad range of suspicious activity).
75. What other indicators would you consider potentially useful for the detection of cash courier-based money laundering?
76. Is there scope to make better use of risk indicators to promote a more risk-based approach to detecting cash courier-based money laundering activity?
77. Does your country use customs inspection firms to supervise the loading (and sealing) of cargo containers?
78. Is there scope to make better use of custom inspection firms to ensure that cargo containers are not used as cash couriers?
79. With which of the following domestic agencies can cash courier related information be shared?
- Customs Agencies
 - Financial Intelligence Unit
 - Tax Authority
 - Banking/Financial Sector Supervisors
80. Have you shared information on cash couriers-based money laundering / Terrorism financing with other domestic agencies?
81. Can cash couriers-based information be shared with foreign competent authorities
82. Do you have training programs in place that deal with the subject of cash courier-based money laundering?
83. Do you see the need for better training and awareness raising of the techniques of cash couriers based money laundering?
84. Does your agency have specialists with particular expertise in the area of cash couriers –based money laundering?

QUESTIONS FOR FINANCIAL INTELLIGENCE UNITS

85. Do you perform analysis that could be used to identify, investigate or prosecute cash courier-based money laundering?
86. Are you able to determine whether any of the suspicious transaction reports (STRs) that you receive have been triggered by specific concerns about cash couriers? If yes, please describe how this is determined/
87. If yes, have you received STRs that were triggered by suspicious cash couriers?
88. How many STRs have been filed that relate to suspicious cash couriers in the past year?
89. How many STRs have been filed that relate to suspicious cash couriers in the past three years?
90. Have you noticed any trends in this activity? If yes, please describe this activity?
91. Do you receive information other than STRs describing suspicious activities related to cash courier-based money laundering? If yes please describe the other sources of information.
92. From what sources does your organisation receive information related to cash courier-based money laundering? Please specify.
93. In your experience, are your financial institutions trained to recognise suspicious cash couriers?
94. Does your organisation collect SWIFT transactional data that is used in your analysis or investigation of money laundering or terrorist financing?
95. What information is the most useful in analysing a potential cash courier-based money laundering case?
96. What information do you not receive that would assist you in analysing potential cash couriers?

97. Can you please provide a list of (“red flag”) risk indicators of potential cash courier-based money laundering activity that could trigger suspicions or a possible investigation?
98. Please identify which of the risk indicators described in the above list are specifically designed to identify cash courier-based money laundering activities (as opposed to a broad range of suspicious activity).
99. What other indicators would you consider potentially useful for the detection of cash courier-based money laundering?
100. Is there scope to make better use of risk indicators to promote a more risk-based approach to detecting cash courier-based money laundering activity? If yes, please specify.
101. Which of the following domestic agencies can cash courier related information be shared?
- Customs Agencies
 - Law Enforcement Agencies
 - Tax Authority
 - Banking/Financial Sector Supervisors
102. Of those identified above, is this information sharing mandatory or voluntary?
103. Has your agency shared information on cash couriers-based money laundering with other domestic agencies and departments?
104. Can cash couriers-based information be shared with foreign competent authorities?
105. Does your agency have training programs in place that deal with the subject of cash courier-based money laundering?
106. Do you see the need for better training and awareness raising of the techniques of cash couriers based money laundering for your agency?

107. Does your agency have specialists with particular expertise in the area of cash couriers –based money laundering?

QUESTIONS FOR TAX AUTHORITIES

108. Do you perform analysis that could be used to identify, investigate or prosecute cash courier –based money laundering/terrorist financing?

109. Do you receive information on suspicious activities related to cash courier-based money laundering?

110. If yes, from which sources does your organisation receive information related to cash courier-based money laundering? Please specify.

111. Do you file STRs with your financial intelligence unit relating to suspicious cash couriers?

112. Do you conduct your own investigations or are you involved with other agencies in investigations into potential cash courier-based money laundering? If yes, please explain the scope for investigation.

113. Do you have mandate to look for money laundering activities in the course of conducting an audit? If yes, please describe the legislative mandate?

114. If a suspicion of money laundering arises in the course of an audit, are you required to report it to a competent authority?

115. Can competent authority request tax information as part of an investigation on cash courier-based money laundering? Please describe any restrictions.

116. Have you shared information on cash couriers-based money laundering with other domestic agencies?

117. Can cash couriers-based information be shared with foreign competent authorities

118. Are there any other significant impediments to analysis or investigation of cash couriers-based money laundering? If yes, please specify.
119. Do you have training programs in place that deal with the subject of cash courier-based money laundering?
120. Do you see the need for better training and awareness raising of the techniques of cash couriers based money laundering?
121. Does your agency have specialists with particular expertise in the area of cash couriers –based money laundering?

QUESTIONS FOR BANKING/FINANCIAL SECTOR SUPERISORS

122. Do you perform analysis that could be used to identify, investigate or prosecute cash courier –based money laundering?
123. Do you receive information on suspicious activities related to cash courier-based money laundering?
124. If yes, from which sources does your organisation receive information related to cash courier-based money laundering? Please specify.
125. Do you file STRs with your financial intelligence unit relating to suspicious cash couriers?
126. Do you make use of any risk models or analytical tools to identify high-risk companies or persons who could be cash couriers?
127. How is analysis or investigations of a cash courier-based money laundering case usually initiated?
128. Has information or analysis led to specific investigations and subsequent prosecutions?
129. What type of information is the most useful in analysing a potential cash courier-based money laundering /CFT?
130. What information do you not receive that would assist you in analysing potential cash couriers?
131. Is your agency empowered to carry out investigations into cash courier-based money laundering? Please describe the cases or circumstances in which you are able to carry out investigations...

132. Can you please provide a list of (“red flag”) risk indicators of potential cash courier-based money laundering activity that could trigger suspicions or a possible investigation?
133. Please identify which of the risk indicators described in the above list are specifically designed to identify cash courier-based money laundering activities (as opposed to a broad range of suspicious activity).
134. What other indicators would you consider potentially useful for the detection of cash courier-based money laundering?
135. Is there scope to make better use of risk indicators to promote a more risk-based approach to detecting cash courier-based money laundering activity? If yes, please specify.
136. With which of the following domestic agencies can cash courier related information be shared?
- a. Customs Agencies
 - b. Law Enforcement Agencies
 - c. Tax Authority
137. Of those identified above, is this information sharing mandatory or voluntary?
138. Has your agency shared information on cash couriers-based money laundering with other domestic agencies and departments?
139. Can cash couriers-based information be shared with foreign competent authorities
140. Does your agency have training programs in place that deal with the subject of cash courier-based money laundering?
141. Do you see the need for better training and awareness raising of the techniques of cash couriers based money laundering for your agency?

THIS GLOSSARY OF TERMS COULD BE INCLUDED AS AN EXPLANATION OF THE TERMS USED IN THE QUESTIONNAIRE SO THAT AMBIGUITY CAN BE ELIMINATED

Glossary

The following explanations of the terms used in the questionnaire reflect common usage and should not be regarded as legal or otherwise formal definitions.

Financial institutions: Institutions whose principal business activity includes the undertaking of financial transactions, and/or the holding of financial assets and liabilities. Typical financial institutions are commercial and other banks, other deposit taking institutions, insurance companies, securities dealers/brokers, and mutual funds (see also "Other intermediaries" below). These institutions are generally subject to regulation and supervision by the national authorities.

Financial Intelligence Unit (FIU): A government agency or institution designed to receive (and as permitted request), investigate, analyze, and disseminate to the competent authorities disclosures of financial and related information (i) concerning suspected proceeds of crime, or (ii) required by national legislation or regulation. The financial intelligence generated can typically be used to uncover both fraud against or by financial institutions, and crimes that use the financial system as an instrument, including money laundering and the financing of crime. Some FIU's provide information to be used in prosecutions; conduct investigations; set guidance with transaction reporting rules; or report to the competent authorities' information on crimes that are not predicate offences to money laundering under national law (e.g., tax evasion).

Financial sector supervisor: An agency responsible for regulating and supervising, through on- and off-site means, part or the entire financial sector. In some countries there may be several financial sector supervisors responsible for different parts of the sector.

Financing of terrorism: Processing or participating in the processing of property from any source (perhaps legitimately acquired) to be used to finance terrorist activity that has or will be committed.

Industry groups and associations: Associations or organized groups of institutions or professionals covering all or part of the financial sector.

Money laundering: Processing or participating in the proceeds known or reasonably suspected of being the proceeds of specified offences so as to disguise their illegal origin.

Other intermediaries: Institutions other than financial institutions that intermediate funds, perform transactions, undertake investments on behalf of clients, or advise on the management and investment of funds. "Other intermediaries" may include for example attorneys, accountants, trustees, money exchange and transfer services, company service providers, and notaries.

Predicate offence: Specified offences under money laundering and related laws that generate the proceeds that are to be laundered. Typical predicate offences are drug trafficking, extortion, and bank robbery.

Terrorism: According to the 1999 International Convention for the Suppression of the Financing of Terrorism, which was adopted by the U.N. General Assembly, terrorism consists either of an offence within the scope of one of the treaties listed in an annex to the Convention (e.g. high jacking of aircraft, taking of hostages, etc.), or "any other act intended to cause death of serious bodily injury to a civilian, or to any other person not taking an active part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel a government or an international organization to do or to abstain from doing any act."

Unusual or suspicious transactions: Transactions with no apparent economic or visibly lawful purpose. Typically such transactions cannot be explained in

commercial terms, deviate from conventional business practices or habitual patterns, or are undertaken in a manner that might facilitate obscuring the origin of funds and the identities of the parties involved. Law, regulations, or guidelines may specify what constitutes a usual or suspicious transaction. An unusual or suspicious transaction might involve dealing in large volume of cash, a sudden increase in inflows or outflows from an account (especially with an unusual counter party), or a refusal to reveal the beneficiary.

Annex III

ESAAMLG Supplementary Questionnaire on Cash Courier-Based Money Laundering

ESAAMLG SUPPLEMENTARY QUESTIONNAIRE

Cash Courier-Based Money Laundering

This supplementary questionnaire has been compiled by the Typologies Project Team of the Eastern and Southern Africa Anti-Money Laundering Task Group (ESAAMLG) for its use in obtaining updated information in regard to Financial Intelligence Units that have been established within the ESAAMLG region. The information in the questionnaire will be used to update the drafted research report that is to assess the current capacity of countries to detect and combat cash courier-based money laundering.

For the purpose of this survey, the term 'cash courier' refers to an individual who physically transports, mails or ships or causes to be physically transported, mailed, or shipped currency or monetary instruments. This term is not intended to include persons engaged in financial remittances as a licensed business.

A final report on cash courier-based money laundering will be prepared by the Typologies Project Team of the ESAAMLG and will be presented to the Task Force of Senior Officials in Mombasa, Kenya during the August 2008 meeting with the endorsed report to be presented to the Council of Ministers in Mombasa, Kenya 2008 for approval and acceptance as an ESAAMLG research paper on cash courier-based money laundering for the ESAAMLG. To this end, we would appreciate your completed questionnaire by **30th July, 2008**.

Overview

In general, there are three main methods by which criminal organisations and terrorist financiers move money for the purpose of disguising and integrating it into the formal economy. The first is through the use of the financial system; the second involves the physical movement of money (e.g. through cash couriers); and the third is through the use of fraudulent trading arrangements.

Cash smuggling is one of the major methods used by terrorist financiers, money launderers and organised crime figures to move money derived from and/or in support of their activities. In cash smuggling operations, couriers will, *inter alia*, travel over roads, through airports or by sea with loads of cash, often stuffed into boxes, suitcases and concealed compartments in vehicles.

Vast and porous borders within the region make the job of detecting couriers even more difficult. Couriers also use privately-owned boats and clandestine roads to smuggle money thereby circumventing official border check-points.

As you are aware, money laundering and the financing of terrorism are issues that potentially affect all countries, and the integrity and stability of the international financial system. The abuse can be combated most effectively when all countries contribute to the international efforts now under way.

The FATF Special Recommendation IX on Cash Couriers obliges countries to put in place measures to detect the physical cross-border transportation of currency and bearer negotiable instruments, including a declaration system or other disclosure obligations. The recommendation also requires countries to ensure that their competent authorities have the legal authority to stop or restrain currency or bearer negotiable instruments that are suspected to be related to terrorist financing or money laundering or that are falsely declared or disclosed. Countries should also ensure that effective, proportionate and dissuasive sanctions are available to deal with persons who make false declarations and disclosures. In cases where the currency or bearer negotiable instruments are related to terrorist financing or money laundering, countries should also adopt measures, including legislative ones which would enable the confiscation of such currency or instruments.

In recognition of the risks and problems, associated with cash couriers and the international obligation to put in place measures to effectively curb cash-courier based money laundering and terrorist financing, the ESAAMLG Council of Minister's approved a typologies project on cash couriers in August 2006. In March 2008 at the Task Force of Senior Officials meeting in Dar es Salaam the project team was tasked with drafting a supplementary questionnaire to update the information contained within the drafted report on Financial Intelligence Units within the ESAAMLG region. As part of the implementation of this decision, we are sending the attached supplementary questionnaire. We would be grateful for your consideration of it and would value your response, preferably by 20 July 2008

This following supplementary questionnaire is a critical element in the ESAAMLG project on cash courier-based money laundering. It is designed to update the current information on Financial Intelligence Units in regard to the occurrence, laws, regulations, institutions and policies in place to deter money laundering and terrorist financing, through the couriering of cash. It focuses on the ability of various governments to identify suspicious activities related to cash couriers, to share this information with domestic and foreign partner agencies and to act on this information. Completing the questionnaire may also provide you with an occasion to reflect on your AML/CFT framework, and to identify how it could be strengthened and what technical assistance might be useful. In addition, the

responses from different countries will play a role in building up a global picture of the international system to combat money laundering and terrorist financing.

Your co-operation in completing questionnaire will add significantly to the current drafted report on cash courier-based money laundering.

| | |
|-----------------------------|--|
| Report of the Government of | |
| Date completed | |

Questionnaire

Contact Information:

Name, address, telephone, fax and E-mail of the person responsible for the coordination of the responses to this Questionnaire.

| | |
|-------------------------|--|
| Name | |
| Title/Position | |
| Organization | |
| Address | |
| Telephone | |
| Fax | |
| E-mail | |
| Country or Jurisdiction | |

Returning completed questionnaire

Please return completed questionnaire **via email** no later than **30th July, 2008** to both:

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Government of South Africa

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Mobile: +27 83 501 8005
Email: lodendaal1@sars.gov.za

QUESTIONS FOR FINANCIAL INTELLIGENCE UNITS [FIU's]

1. Has an FIU been established in your country? If not, are there any [concrete] plans of establishing one in the near future? Please indicate when the FIU will be established.
2. Is the FIU operational? If yes, have staff been appointed to run the FIU? How many staff have been appointed? If not, please state what is required to operationalise the FIU.
3. Does the FIU perform analysis that could be used to identify, investigate or prosecute cash courier-based money laundering?
4. Is the FIU able to determine whether any of the STRs that you receive have been triggered by specific concerns about cash couriers? If yes, please describe how this is determined/
5. If yes, has the FIU received STRs that were triggered by suspicious cash couriers?
6. How many STRs have been filed with the FIU that relate to suspicious cash couriers in the past year?
7. How many STRs have been filed with the FIU that relate to suspicious cash couriers in since establishment?
8. Have the FIU noticed any trends in this activity? If yes, please describe this activity?
9. Does the FIU receive information other than STRs describing suspicious activities related to cash courier-based money laundering? If yes please describe the other sources of information.
10. From what sources does the FIU receive information related to cash courier-based money laundering? Please specify.
11. In the FIU's experience, are your financial institutions trained to recognise suspicious cash couriers?

22. Can cash couriers-based held by the FIU information be shared with foreign competent authorities?
23. Does the FIU have training programs in place that deal with the subject of cash courier-based money laundering?
24. Does the FIU see the need for better training and awareness raising of the techniques of cash couriers based money laundering for your agency?
25. Does the FIU have specialists with particular expertise in the area of cash couriers –based money laundering?

**GLOSSARY OF TERMS COULD BE INCLUDED AS AN EXPLANATION
OF THE TERMS USED IN THE QUESTIONNAIRE SO THAT
AMBIGUITY CAN BE ELIMINATED**

Glossary

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Financial Intelligence Unit (FIU): A government agency or institution designed to receive (and as permitted request), investigate, analyze, and disseminate to the competent authorities disclosures of financial and related information (i) concerning suspected proceeds of crime, or (ii) required by national legislation or regulation. The financial intelligence generated can typically be used to uncover both fraud against or by financial institutions, and crimes that use the financial system as an instrument, including money laundering and the financing of crime. Some FIU's provide information to be used in prosecutions; conduct investigations; set guidance with transaction reporting rules; or report to the competent authorities' information on crimes that are not predicate offences to money laundering under national law (e.g., tax evasion).

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Industry groups and associations: Associations or organized groups of institutions or professionals covering all or part of the financial sector.

Money laundering: Processing or participating in the proceeds known or reasonably suspected of being the proceeds of specified offences so as to disguise their illegal origin.

Other intermediaries: Institutions other than financial institutions that intermediate funds, perform transactions, undertake investments on behalf of clients, or advise on the management and investment of funds. "Other intermediaries" may include for example attorneys, accountants, trustees, money exchange and transfer services, company service providers, and notaries.

Predicate offence: Specified offences under money laundering and related laws that generate the proceeds that are to be laundered. Typical predicate offences are drug trafficking, extortion, and bank robbery.

Terrorism: According to the 1999 International Convention for the Suppression of the Financing of Terrorism, which was adopted by the U.N. General Assembly, terrorism consists either of an offence within the scope of one of the treaties listed in an annex to the Convention (e.g. high jacking of aircraft, taking of hostages, etc.), or "any other act intended to cause death of serious bodily injury to a civilian, or to any other person not taking an active part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel a government or an international organization to do or to abstain from doing any act."

Unusual or suspicious transactions: Transactions with no apparent economic or visibly lawful purpose. Typically such transactions cannot be explained in

commercial terms, deviate from conventional business practices or habitual patterns, or are undertaken in a manner that might facilitate obscuring the origin of funds and the identities of the parties involved. Law, regulations, or guidelines may specify what constitutes a usual or suspicious transaction. An unusual or suspicious transaction might involve dealing in large volume of cash, a sudden increase in inflows or outflows from an account (especially with an unusual counter party), or a refusal to reveal the beneficiary.