Account Monitoring Order
In the United Kingdom and several other countries, an order from a government authority requiring a financial institution to provide transaction information on a suspect account for a specified time period.

Affidavit
A written statement given under oath before an officer of the court, notary public, or other authorized person. It is commonly used as the factual basis for an application for a search, arrest or seizure warrant.

Alternative Remittance System (ARS)
Underground banking or informal value transfer systems. Often associated with ethnic groups from the Middle East, Africa or Asia, and commonly involves the transfer of values among countries outside of the formal banking system. The remittance entity can be an ordinary shop selling goods that has an arrangement with a correspondent business in another
country. There is usually no physical movement of currency and a lack of formality with regard to verification and record-keeping. The money transfer takes place by coded information that is passed through chits, couriers, letters or faxes, followed by telephone confirmations. Almost any document that carries an identifiable number can be used by the receiver to pick up the values in the other country. The systems are referred to by different names depending upon the country: Hawala (an Arabic word meaning “change” or “transform”), Hundi (a Hindi word meaning “collect”), Chiti banking (referring to the way the system operates), Chop Shop banking (China), and Poey Kuan (Thailand).

**Anti-Money Laundering International Database (AMLID)**
A compendium of analyses of anti-money laundering laws and regulations, including two general classes of money laundering control measures—domestic laws and international cooperation—as well as information on national contacts and authorities. A secure, multilingual database, AMLID is an important reference tool for law enforcement officers involved in cross-jurisdictional work. (See [www.imolin.org/amlid/index.html](http://www.imolin.org/amlid/index.html).)

**Anti-Money Laundering Program**
The system designed to assist institutions in their fight against money laundering and terrorist financing. In many jurisdictions, government regulations require financial institutions, including banks, securities dealers and money services businesses, to establish such programs. At a minimum, the anti-money laundering program should include:

1. Written internal policies, procedures and controls;
2. A designated AML compliance officer;
3. On-going employee training; and
4. Independent review to test the program.

**Arrest Warrant**
A court order directing a law enforcement officer to seize and detain a particular person and require them to provide an answer to a complaint or otherwise appear in court.
Asia/Pacific Group on Money Laundering (APG)
A Financial Action Task Force (FATF)-style regional body consisting of jurisdictions in the Asia/Pacific Region. See www.apgml.org.

Asset Manager
A person appointed through a written contract by a company or trust to direct the entity’s investment program. The program can be a fully discretionary account, or the contract can impose limitations on it. Fees to the asset manager can be based on performance achieved, trading commissions or a percentage of the valuation of the estate under his or her management. High fees and a close relationship with the owners or beneficiaries can expose the asset manager to potential conflicts between a duty to report unusual or suspicious activity and the fiduciary duty to the client.

Asset Protection
A process that includes reorganizing how assets are held so as to make them less vulnerable should a claim be made against a person. Asset protection is also a term used by tax planners for measures taken to protect assets from taxation in other jurisdictions.

Asset Protection Trusts (APTs)
A special form of irrevocable trust usually created (i.e., settled) offshore for the principal purposes of preserving and protecting part of one's wealth from creditors. Title to the asset is transferred to a person named the trustee. APTs are generally used for asset protection and are usually tax neutral. Their ultimate function is to provide for the beneficiaries. Some proponents advertise APTs as allowing foreign trustees to ignore U.S. court orders and to simply transfer the trust to another jurisdiction in response to legal action threatening the trust's assets (so-called “flying trusts”).

Automated Clearing House (ACH)
An electronic banking network that processes large volumes of both credit and debit transactions that originate in batches. ACH credit transfers include direct deposit payroll payments
and payments to contractors and vendors. ACH debit transfers include consumer payments on insurance premiums, mortgage loans and other kinds of expenses. The system is used for bulk orders made days in advance—for example, a large corporation’s entire payroll. Both governments and commercial sectors can use the ACH system. The ACH system was designed to transfer a high volume of low-dollar domestic transactions, which pose lower money laundering risks. Nevertheless, the ability to send high-dollar and international transactions through the ACH may expose financial institutions to higher money laundering risks. Firms without a robust AML monitoring system may be exposed to additional risk, particularly when accounts are opened over the Internet without face-to-face contact.

B

**Bank Draft**

Vulnerable to money laundering because it represents a reputable international monetary instrument drawn on a reputable institution, and is often made payable—in cash—upon presentation and at the issuing institution’s account in another country.

**Bank for International Settlements (BIS)**

An international organization that serves as a bank for central banks and which fosters international monetary and financial cooperation with the purpose of attaining stability in the world economy. It hosts the Secretariat of the Basel Committee on Banking Supervision. The Committee has formulated broad supervisory standards and guidelines on Know Your Customer issues. See www.bis.org.
Bank Secrecy
Refers to laws and regulations in countries that prohibit banks from disclosing information about an account—or even revealing its existence—without the consent of the account holder. Impedes the flow of information across national borders among financial institutions and their supervisors. Recommendation 4 of FATF’s 40 Recommendations of 2003 states that countries should ensure that secrecy laws do not inhibit the implementation of the FATF Recommendations.

Bank Secrecy Act (BSA)
The primary U.S. anti-money laundering regulatory statute (Title 31, U.S. Code Sections 5311-5355) enacted in 1970 and most notably amended by the USA Patriot Act in 2001. Among other measures, it imposes money laundering controls on financial institutions and many other businesses, including the requirement to report and to keep records of various financial transactions.

Bank Secrecy Act (BSA) Compliance Program
A program that U.S.-based financial institutions—as defined by the Bank Secrecy Act—are required to establish and implement in order to control money laundering and related financial crimes. The program’s components include at a minimum: the development of internal policies, procedures and controls; the designation of a compliance officer; ongoing employee training; and an independent audit function to test the program.

Bare Trust
Also known as a dry, formal, naked, passive, or simple trust, in which the trustees have no duties other than to convey the trust property to beneficiaries when called upon to do so. Bare trusts are vulnerable to money laundering because the final beneficiary is unknown.

Basel CDD Paper
A guidance paper on Customer Due Diligence (CDD) for banks issued by the Basel Committee on Banking Supervision (BCBS) in October 2001. The paper includes sound Know
Your Customer policies and procedures that, according to the Committee, are critical to protecting the safety and soundness of banks and the integrity of banking systems. In February 2003, the Basel Committee on Banking Supervision issued “General Guide to Account Opening and Customer Identification.” This document is an attachment to the Basel CDD Paper. See www.bis.org/bcbs.

**Basel Committee on Banking Supervision (Basel Committee)**

The Basel Committee was established by the G-10’s central bank of governors in 1974 to promote sound supervisory standards worldwide. Its secretariat is appointed by the Bank for International Settlements in Basel, Switzerland. It has issued, among others, papers on customer due diligence for banks, consolidated KYC risk management, transparency in payment messages, due diligence and transparency regarding cover payment messages related to cross-border wire transfers, and sharing of financial records among jurisdictions in connection with the fight against terrorist financing. See www.bis.org/bcbs.

**Batch Processing**

A type of data processing and data communications transmission in which related transactions are grouped together and transmitted for processing, usually by the same computer and under the same application.

**Batch Transfer**

Transfer comprising a number of individual wire transfers that are sent to the same financial institution, and which may be ultimately intended for different persons.

**Bearer Form**

In relation to a certificate, share transfer or other document, a bearer form enables a designated investment or deposit to be sold, transferred, surrendered or addressed to a bearer without the need to obtain further written instructions.
Bearer Negotiable Instruments
Include monetary instruments in bearer form such as: negotiable instruments (including checks, promissory notes and money orders) that are either in bearer form, are endorsed without restriction, are made out to a fictitious payee, or are otherwise in such form that title thereto passes upon delivery.

Bearer Share
Negotiable instruments that accord ownership in a corporation to the person who is in physical possession of the bearer share certificate.

Bearer Share Certificate
A negotiable corporate share certificate made out to “Bearer” and not in the name of an individual or organization.

Benami Account
Also called a nominee account. Held by one person or entity on behalf of another or others, Benami accounts are associated with the hawala underground banking system of the Indian subcontinent. A person in one jurisdiction seeking to move funds through a hawaladar to another jurisdiction may use a Benami account or Benami transaction to disguise his/her true identity or the identity of the recipient of the funds.

Beneficial Owner
The natural person who ultimately owns or controls an account through which a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.

Beneficiary
All trusts (other than charitable or statutory-permitted non-charitable trusts) must have beneficiaries, which may include the settlor. Trusts must also include a maximum time frame, known as the “perpetuity period,” which normally extends up to 100 years. While trusts must always have some ultimately ascertainable beneficiary, they may have no defined existing beneficiaries. Trusts may only have objects of a power until
some person becomes entitled as beneficiary to income or capital on the expiry of a defined period, known as the “accumulation period.” The latter period is normally co-extensive with the trust perpetuity period, which is usually referred to in the trust deed as the “trust period.”

Biometrics
The science of identifying features that distinguish one person from another. Fingerprinting, voice recognition and iris (eye) scans are three forms of biometrics technology that may someday render pen-to-paper signatures outdated. Certain institutions use biometrics to verify the identity of their customers. With the advent of customer identification regulations, biometric tools may become more common in financial institutions.

Black Market Peso Exchange (BMPE)
The Colombian Black Market Peso Exchange (BMPE) is an example of a complex method of trade-based money laundering. The BMPE originally was driven by Colombia’s restrictive policies on currency exchange. To circumvent those policies, Colombian businesses bypassed the government levies by dealing with peso brokers that dealt in the black market or parallel financial market. Colombian drug traffickers took advantage of this method to receive Colombian pesos in Colombia in exchange for U.S. drug dollars located in the United States. According to the U.S. State Department’s 2007 INCSR, similar black market exchange systems are found in Venezuela and in the tri-border region of Argentina, Brazil, and Paraguay. Trade goods in Dubai, as well as Chinese and European manufactured trade items, are being purchased through narcotics-driven systems similar to the BMPE. The Black Market Peso Exchange system operates through brokers who purchase narcotics proceeds in the United States from the cartels and transfer pesos to the cartels from within Colombia.

The dollars are placed — that is, “laundered” — into the United States financial system by the peso broker without attracting attention.
The dollars are then “sold” by the brokers to businessmen in Colombia (or other country) who need dollars to buy United States goods for export.

Goods ready for export are often actually paid for by the peso broker, using the purchased narcotics dollars, on behalf of the Colombian (or other country’s) importer.

**Blank Check Company**

A type of company designed to be used by private corporations intending to issue publicly traded shares through “reverse mergers” without the high expenses involved in making their own initial public offering. Blank check companies often have few assets, engage in little business activity, and have no business plan or experienced management.

**Bookmaker**

A bookmaker accepts bets from individuals on a variety of matters, mostly sporting events. Bookmakers are vulnerable to money laundering, since launderers may offer their customers money for winning betting slips, often 7 to 10 percent above the value of the winnings. The launderer then collects clean money from the bookmaker.

**Branch**

A place of business that forms a legally dependent part of a financial institution and carries out directly all or some of the transactions inherent in the business of that financial institution.

**Bureau de Change**

Also called “casa de cambio” or “exchange office,” a bureau de change offers a range of services that are attractive to money launderers: currency exchange and consolidation of small denomination bank notes into larger ones; exchange of financial instruments such as travelers checks, money orders and personal checks; and telegraphic transfer facilities. In some countries, such businesses are not as heavily scrutinized for money laundering as are traditional financial institutions. Also, their customers are often occasional, making it more difficult for these businesses to “know their customers.”
Bust-Out
A scheme in which the use or extension of credit is obtained and is increased fraudulently while the perpetrators avoid having to pay back the illegally obtained credit or goods. Typically, a bust-out ring will operate a shell or front business that accepts credit purchases on stolen or fraudulently obtained credit cards. The criminals run the cards or numbers through credit card terminals, but either do not provide any goods or services or provide stolen or non-licensed goods. The innocent credit card company credits the account of the front business. Before the transactions can be reversed, the criminals have moved the funds from the accounts of the front business. The cardholders who knowingly participate in these bust-out schemes generally refuse to pay the credit card companies for their “purchases.” These people have either obtained cards with fraudulent or stolen identification or otherwise cannot be found. Bust-out schemes have been very popular in creating large bankruptcy frauds in which business entities secure loans in excess of the actual value of the company or property and then disappear with the money, leaving the lender to take a substantial loss.

Cardholder
Person to whom a financial transaction card is issued, or an additional person authorized to use the card.

Caribbean Financial Action Task Force (CFATF)
A FATF-style regional body comprising Caribbean states, including Aruba, the Bahamas, the British Virgin Islands, the Cayman Islands and Jamaica. See www.cfatf.org.
Casa de Cambio
See Bureau de Change.

Cash-Based Business
Any business in which customers usually pay with cash for the products or services provided, such as restaurants, pizza delivery services, taxi firms, coin-operated machines or car washes. Some money launderers run or use cash-based businesses to commingle illegally obtained funds with cash actually generated by the business.

Cash Collateralized Loans
A cash collateralized loan has cash deposits as the loan’s collateral. The cash deposits can sometimes reside in another jurisdiction.

Cash Deposits
Sums of money placed in a financial institution’s accounts. Vulnerable to money laundering in the “placement phase,” as criminals move their cash into the non-cash economy by making deposits into accounts at financial institutions.

Cashier’s Check
Common monetary instrument often purchased with cash. Used for laundering purposes, cashier’s checks provide an instrument drawn on a reputable institution, such as a bank or credit union.

CDD
See Customer Due Diligence.

CDPC (French: Comité Européen pour les Problèmes Criminels)
European Committee on Crime Problems of the Council of Europe. A subcommittee of the CDPC is MONEYVAL, formerly PC-R-EV, the select committee of experts on the evaluation of anti-money laundering measures in European countries that are not members of FATF.
Certification
A formal assertion in writing which, under the USA Patriot Act, is used by U.S. regulators in different contexts, including a written statement by a respondent bank signed by its duly authorized representative certifying that the bank does not do business with shell banks (under Section 313 of the USA Patriot Act). It can also be a written representation provided by a U.S. federal agent stating that the matter for which he or she is seeking information from financial institutions under Sec. 314(a) of the USA Patriot Act regulations is linked to money laundering or terrorist financing.

Chain Referral Scheme
See Pyramid Scheme.

Chiti Banking
See Alternative Remittance System.

Chop Shop Banking
See Alternative Remittance System.

CICAD (Spanish: Comisión Interamericana para el Control del Abuso de Drogas)

Clearing Account
Also called an “omnibus” or “concentration account.” Held by a financial institution in its name, a clearing account is used primarily for internal administrative or bank-to-bank transactions in which funds are transmitted and commingled without personally identifying the originators. The USA Patriot Act prohibits the use of such accounts for customer transactions.

Collection Accounts
Immigrants from foreign countries deposit many small amounts of currency into one account where they reside, and the collected sum is transferred to an account in their home country without documentation of the sources of the funds. Certain
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ethnic groups from Asia or Africa may use collection accounts to launder money.

**Collective Knowledge**

The sum of the knowledge held separately by a financial institution’s directors, officers and employees regarding a certain issue, customer or account. The notion of collective knowledge can be used to suggest corporate responsibility for compliance and liability for non-compliance. For example, the financial institution’s knowledge is the totality of what all of the employees know within the scope of their employment. So, if Employee A knows one facet of a customer’s information, B knows another facet of it, and C a third facet of it, the institution knows all the facets of the customer’s information.

**Commission Rogatoire**

Also known as letters rogatory, commission rogatoires are written requests for legal or judicial assistance sent by the central authority of one country to the central authority of another when seeking evidence from the foreign jurisdiction. The letter typically specifies the nature of the request, the relevant criminal charges in the requesting country, the legal provision under which the request is made, and the information sought.

**Concentration Account**

*See Clearing Account.*

**Concentration Risk**

Concentration risk primarily applies to the asset side of the balance sheet. As a common practice, supervisors not only require banks to have information systems to identify credit concentrations, but also set limits to restrict bank exposure to single borrowers or groups of related borrowers. Without knowing exactly who the customers are (through Know Your Customer policies) and their relationship with other customers, the bank is not able to measure its concentration risk, which is particularly relevant in the context of related counter-parties and connected lending. On the liability side, concentration risk
is associated with funding risk, especially the risk of early and sudden withdrawal of funds by large depositors that could harm an institution’s liquidity.

Confidentiality
Keeping certain facts, data and information out of public or unauthorized view. In the U.S., U.K. and many other jurisdictions, confidentiality is required when filing suspicious transaction or activity reports — the filing institution’s employees cannot notify a customer that a report has been filed. In another context, a breach of confidentiality can occur when an institution discloses client information to enforcement agencies or a financial intelligence unit in violation of the jurisdiction’s bank secrecy laws.

Confiscation
Includes forfeiture where applicable, and means the permanent deprivation of funds or other assets by order of a competent authority or a court. Confiscation or forfeiture takes place through a judicial or administrative procedure that transfers the ownership of specified funds or other assets to the state. Upon transfer, the person(s) or entity(ies) that held an interest in the specified funds or other assets at the time of the confiscation or forfeiture lose all rights, in principle, to the confiscated or forfeited assets. Confiscation or forfeiture orders are usually linked to a criminal conviction or a court decision whereby the confiscated or forfeited property is determined to have been derived from or intended for use in a violation of the law. Confiscation is a central strategic tool that is required in order to take effective action against money laundering and terrorist financing. It is crucial that criminal justice systems make provisions for efficient and effective methods of tracing, freezing and eventually confiscating proceeds of criminal activity. Mutual legal assistance treaties can provide for confiscation of assets in one jurisdiction based upon prosecutions elsewhere.

Constructive (Involuntary) Trust Liability
The imposition of trustee obligations upon a financial institution deemed to “know” that property in its possession belongs to
a person other than its client. A financial institution can face the risk of breach of trust if it handles or transfers the funds in a manner detrimental to the interests of the rightful owner. Anti-money laundering specialists should be especially vigilant when there is suspicion that funds may have been derived from a victim of crime, resulting in the victim's loss of funds or property.

Core Principles
Core Principles for Effective Banking Supervision issued by the Basel Committee on Banking Supervision, the Objectives and Principles for Securities Regulation issued by the International Organization of Securities Commissions, and the Insurance Supervisory Principles issued by the International Association of Insurance Supervisors.

Corporate Vehicles
Defined in FATF’s Consultation Paper as:

1. Corporations:
   (a) Private limited companies and public limited companies whose shares are not traded on a stock exchange.
   (b) International business companies/exempt companies.

2. Trusts.

3. Foundations.

4. Limited partnerships and limited liability partnerships.

Occasionally it is difficult to identify the persons who are the ultimate beneficial owners and controllers of corporate vehicles, which makes the vehicles vulnerable to money laundering. FATF gives such vehicles special focus in the revised 40 Recommendations on Money Laundering of 2003, under the section pertaining to CDD for legal persons and arrangements (Recommendation 5).
Correspondent Banking

The provision of banking services by one bank (the “correspondent bank”) to another bank (the “respondent bank”). Large international banks typically act as correspondents for thousands of other banks around the world. Respondent banks may be provided with a wide range of services, including cash management (e.g., interest-bearing accounts in a variety of currencies), international wire transfers of funds, check clearing services, payable-through accounts and foreign exchange services.

Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime

The Convention was adopted by the Committee of Ministers of the Council of Europe in September 1990, which addressed all types of criminal offenses and thereby has greater impact than the Vienna Convention. The offense of money laundering was extended to include money laundering associated with all serious offenses, not just drug trafficking. In May 2005, a revised convention was adopted.

Counter-Terrorism Committee (CTC)

A United Nations Committee established in 2001 pursuant to Security Council Resolution 1373 (2001). Concerning counter-terrorism, the CTC consists of all 15 Security Council members. The committee monitors the implementation of UN Security Council Resolution 1373, and aims to increase the capacity of member states to fight terrorism financing.

Credit Cards

A plastic card with a credit limit used to purchase goods and services and to obtain cash advances on credit. The cardholder is subsequently billed by the issuer for repayment of the credit extended. Credit cards may be used to launder money when payments of the amounts owed on the card are made with criminal money. Credit Finance

The use of credit to buy expensive items, and the subsequent payment of the borrowed credit with criminal funds. The criminal borrows funds to purchase a high value asset, such as a yacht,
pays off the loan promptly with cash from illegal proceeds, sells the boat and starts all over again. By paying the credit loans off with illicit money, money launderers can use credit to finance criminal activity.

**Criminal Proceeds**
Any property derived from or obtained, directly or indirectly, through the commission of a crime.

**Cross Border**
Used in the context of activities that involve at least two countries, such as wiring money from one country to another or taking currency across a border.

**Cross-Border Transfer**
Any wire transfer in which the originator and beneficiary institutions are located in different jurisdictions. A cross-border transfer also refers to any chain of wire transfers that has at least one cross-border element.

**Cuckoo Smurfing**
A form of money laundering linked to alternative remittance systems in which criminal funds are transferred through the accounts of unwitting persons who are expecting genuine funds or payments from overseas. The term cuckoo smurfing first originated in investigations in the U.K., where it is a significant money laundering technique.

**Currency**
Banknotes and coins that are in circulation as a medium of exchange.

**Currency Smuggling**
The illicit movement of large quantities of cash across borders, often into countries with strict banking secrecy, poor exchange controls or poor anti-money laundering legislation.
Currency Transaction Report (CTR)
A report that documents a currency transaction that exceeds a certain monetary threshold. A CTR can also be filed on multiple currency transactions that occur in one day that add up to or are greater than the required reporting amount. In some countries, including the U.S., currency transaction reports must be filed with government authorities under specific circumstances.

Custodian
A bank, financial institution or other entity that is responsible for managing or administering or safekeeping assets for other persons or institutions. Typically, custodians are not active, aggressive managers of the assets in question, but, instead, serve to passively conserve them.

Custody
The act or authority of safeguarding and administration of clients’ investments or assets.

Customer Due Diligence (CDD)
In terms of money laundering controls, it means implementing adequate policies, practices and procedures that promote high ethical and professional standards for dealing with customers and are designed to prevent banks from being used, intentionally or unintentionally, by criminal elements. Customer due diligence includes not only establishing the identity of customers, but also monitoring account activity to identify those transactions that do not conform with the normal or expected transactions for that customer or type of account.

Customer Identification Program (CIP)
The policies and procedures of an institution that aim to identify and verify the identity of its customers. In general, the program must be in writing, have senior board approval and include procedures for customer notification.
**Customer Information Order**
Requires all financial institutions—or a targeted sample of banks and other financial institutions—to provide the details of any accounts held by the person under investigation, thus enabling an investigator to find out where the suspect’s accounts are held.

**Debit Card**
A card issued by a financial institution that permits an account-holder to draw funds from a pre-existing account in his or her name for the purpose of paying obligations or for making purchases in other locations or businesses. Debit cards have been found to be convenient tools to launder criminal proceeds, especially if they are issued by financial institutions in secrecy havens because they leave few, if any, traces of the debited sources of funds.

**Debit Transaction**
A transaction that involves the use of a bankcard to purchase goods and services or to obtain cash. The transaction automatically debits the cardholder’s deposit account.

**Designated Categories of Offense**
In its 40 Recommendations of 2003, FATF issued for the first time a list of “designated categories of offense” that enumerates crimes that may lead to money laundering prosecutions. Each country may decide how it will define those offenses and their elements. Many nations do not specify which crimes can serve as predicates for laundering prosecutions and merely state that all serious felonies may be predicates. Others, such as the U.S., specify long lists of crimes that must be present in order
for a money laundering prosecution to proceed. Under the FATF definition, the designated categories are:

- Participation in an organized criminal group and racketeering;
- Terrorism, including terrorist financing;
- Trafficking in human beings and migrant smuggling;
- Sexual exploitation, including sexual exploitation of children;
- Illicit trafficking in narcotic drugs and psychotropic substances;
- Illicit arms trafficking;
- Illicit trafficking in stolen and other goods;
- Corruption and bribery;
- Fraud;
- Counterfeiting currency;
- Counterfeiting and piracy of products;
- Environmental crime;
- Murder, grievous bodily injury;
- Kidnapping, illegal restraint, and hostage-taking;
- Robbery or theft;
- Smuggling;
- Extortion;
- Forgery;
- Piracy; and
- Insider trading and market manipulation.
Designated Non-Financial Businesses and Professions
According to FATF, the following businesses should comply with its 40 Recommendations of 2003:

- Casinos (including Internet casinos).
- Real estate agents.
- Dealers in precious metals.
- Dealers in precious stones.
- Lawyers, notaries, other independent legal professionals and accountants. Refers to sole practitioners, partners and employed professionals within professional firms. It is not meant to refer to “internal” professionals who are employees of other types of businesses, or to professionals working for government agencies who may already be subject to measures that would combat money laundering.
- Trust and company service providers. Refers to all persons or businesses that are not covered elsewhere under the Recommendations, and which provide any of the following services to third parties:
  - Acting as a formation agent of legal persons.
  - Acting as (or arranging for another person to act as) a director or secretary of a company, a partner of a partnership, or a similar position in relation to other legal persons.
  - Providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement.
  - Acting as (or arranging for another person to act as) a trustee of an express trust.
  - Acting as (or arranging for another person to act as) a nominee shareholder for another person.
Disclosure Order
A document that requires a person who has information relevant to an investigation to answer questions at an interview, to provide information, or to produce documentation. The order can be exercised not only against a person whose assets are under investigation, but also against a third party, such as a financial institution.

Domestic Transfer
Wire transfer in which the originator and beneficiary institutions are located in the same jurisdiction. A domestic transfer therefore refers to any chain of wire transfers that takes place entirely within the borders of a single jurisdiction, even though the system used to send the wire transfer may be located in another jurisdiction.

Downstream Correspondent Clearer
A correspondent banking client who receives correspondent banking services from one institution and provides correspondent banking services to other financial institutions in the same currency as the account it maintains with the institution.

Dry Trust
See Bare Trust.

Eastern and Southern African Anti-Money Laundering Group (ESAAMLG)
A FATF-style regional body comprising fourteen countries from the Eastern region of Africa down to the Southern tip of Africa. It was established in 1999. See www.esaamlg.org.
Egmont Group of Financial Intelligence Units
In 1995, a number of national financial intelligence units (FIUs) began working together in an informal organization known as the Egmont Group, named for the site of its first meeting in the Egmont-Arenberg Palace in Brussels. The goal of the group is to provide a forum for FIUs to improve support to their national anti-money laundering programs and to develop protocols for information sharing. The FIUs’ support includes expanding and systematizing the exchange of financial intelligence, improving expertise and capabilities of the personnel of such organizations, and fostering improved communications among FIUs through application of new technologies and sharing of information for financial crimes investigations.

Electronic Banking
A form of banking in which funds are transferred through an exchange of electronic signals among financial institutions rather than through an exchange of cash, checks or other negotiable instruments.

Electronic Cash (E-Cash)
A payment mechanism designed for the Internet, electronic cash represents a series of monetary value units electronically stored on the hard drive of a computer or microchip of a plastic card. It is anonymous like cash, and has immediate value. E-cash is attractive to money launderers because of its anonymity and the ease it provides in “transporting” large sums quickly and easily via the Internet. It is also called “e-money.”

Electronic Funds Transfer (EFT)
The movement of funds between financial institutions electronically. The two most common electronic funds transfer systems in the U.S. are FedWire and CHIPS. (SWIFT is often referred to as the third EFT system, but in reality it is an international messaging system that carries instructions for wire transfers between institutions, rather than the wire transfer system itself.) Other systems that facilitate funds movement, but are not technically EFT systems, include automated
clearing houses (ACH), which are networks that conduct batch processing of messages for book transfers between institutions.

**Electronic Money (E-Money)**

*See Electronic Cash.*

**Enhanced Due Diligence (EDD)**

Additional examination and cautionary measures aimed at identifying customers and confirming that their activities and funds are legitimate.

**Eurasian Group on Combating Money Laundering and Terrorist Financing (EAG)**

A FATF-style regional body formed in October 2004 in Moscow. Member countries include Belarus, China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkmenistan and Uzbekistan. See www.euroasiangroup.org.

**European Union (EU)**

The European Union is a family of democratic European countries. Its member states have set up common institutions to which they delegate part of their sovereignty so that decisions on specific matters of collective interest can be made democratically at the European level. See www.europa.eu.int/abc/panorama/index_en.htm.

**European Union Directive on Prevention of the Use of the Financial System for the Purpose of Money Laundering and Terrorist Financing**

First adopted by the European Union in June 1991, the directive requires EU member states to achieve certain results by amending national laws, if necessary, to prevent their domestic financial systems from being exploited for money laundering. The directive was confined to drug trafficking as defined in the Vienna Convention. The scope of the directive was also confined to credit and financial institutions as the most vulnerable to abuse by money launderers, but member states were encouraged to cover other sectors too that might become involved in laundering. The directive was revised in December 2001 by extending the money laundering offenses
beyond credit and financial institutions to corporate service providers, casinos, lawyers and accountants. A third directive in September 2005 replaced the previous two. In line with the FATF money laundering recommendations, the Third EU Directive extended the scope of the earlier directives by:

- Defining “money laundering” and “terrorist financing” as separate crimes.
- Extending customer identification and suspicious transaction reporting obligations to trusts and company service providers, life insurance intermediaries and dealers selling goods for cash payments above a certain amount.
- Detailing a risk-based approach to customer due diligence.
- Protecting employees who report suspicions of money laundering or terrorist financing.
- Obligating member states to keep comprehensive statistics regarding the use of and results obtained from suspicious transaction reports.
- Requiring all financial institutions to identify and verify the “beneficial owner” of all accounts held by legal entities or persons.

**Europol**

European Law Enforcement Organization, which aims to improve the effectiveness and cooperation of competent authorities in member states in preventing and combating terrorism, unlawful drug trafficking and other serious forms of international organized crime. In the area of anti-money laundering, Europol provides European Union member states’ law enforcement authorities with operational and analytical support via the ELOs (Europol Liaison Officers) and its analysts.

**Exchange Office**

*See Bureau de Change.*
Exempt Account
In some countries, a distinction is granted to certain customers of a financial institution permitting the institution to waive its responsibility to report certain transactions that are otherwise required. Exempt accounts must be documented and the financial institutions that secure the exemptions must still monitor their transactions.

Express Trust
A trust created by the settlor, usually in the form of a document such as a written deed of trust. An express trust contrasts with trusts that come into being through the operation of the law and do not result from the clear intent or decision of a settlor to create a trust or similar legal arrangements (e.g., constructive trust).

Extradition
The surrender by one country to another of an accused or convicted person under a bilateral agreement that specifies the terms of such exchanges, such as the persons subject to being exchanged and the crimes for which exchanges will be permitted. The 1988 Vienna Convention against Illicit Traffic in Narcotics and Psychotropic Substances makes money laundering an internationally extraditable offense.

Extraterritorial Reach
The extension of one country’s policies and laws to the citizens and institutions of another. U.S. money laundering laws contain several provisions that extend its prohibitions and sanctions into other countries. For example, the “extraterritorial jurisdiction” of the principal U.S. anti-money laundering law can apply to a non-U.S. citizen if the “conduct” occurs “in part” in the U.S. (Title 18, USC Sec. 1956(f)).
Financial Action Task Force (FATF)
FATF was chartered in 1989 by the Group of Seven industrial nations to foster the establishment of national and global measures to combat money laundering. It is an international policy-making body that sets anti-money laundering standards and counter-terrorist financing measures worldwide. Its Recommendations do not have the force of law. Thirty-four countries and two international organizations are members. In 2003, FATF revised its 40 Recommendations on Money Laundering. Among the organization’s tasks is to promote the adoption and implementation of its recommendations by non-member countries. It has also issued Special Recommendations on Terrorist Financing and develops annual typology reports showcasing current money laundering and terrorist financing trends and methods. See www.fatf-gafi.org.

Financial Action Task Force on Money Laundering in South America (GAFISUD - Grupo de Acción Financiera de Sudamérica)
A FATF-style regional body for South America, established in 2000. Members include: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Panama, Paraguay, Peru, and Uruguay. See http://www.gafisud.info/home.htm.

Financial Action Task Force-Style Regional Body (FSRB)
FSRBs have forms and functions similar to those of FATF. However, their efforts are targeted to specific regions. Examples include the Caribbean Financial Action Task Force, the Eastern and Southern African Anti-Money Laundering Group, and the Middle East North Africa Financial Action Task Force.
Financial Institution

According to the FATF’s 40 Recommendations, a financial institution is any person or entity that conducts as a business one or more of the following activities or operations on behalf of customers:

- Acceptance of deposits and other repayable funds from the public.
- Lending.
- Financial leasing.
- The transfer of money or value.
- Issuing and managing means of payment (e.g., credit and debit cards, checks, traveler’s checks, money orders and bankers’ drafts, electronic money).
- Financial guarantees and commitments.
- Trading in:
  - money market instruments (checks, bills, CDs, derivatives etc.);
  - foreign exchange;
  - exchange, interest rate and index instruments;
  - transferable securities and
  - commodity futures trading.
- Participation in securities issues and the provision of financial services related to such issues.
- Individual and collective portfolio management.
- Safekeeping and administration of cash or liquid securities on behalf of other persons.
- Otherwise investing, administering or managing funds or money on behalf of other persons.
- Underwriting and placement of life insurance and other investment-related insurance.
- Money and currency changing.

**Financial Intelligence Unit (FIU)**
A central governmental office that obtains information from financial reports, processes it and then discloses it to an appropriate government authority in support of a national anti-money laundering effort. The activities performed by an FIU include receiving, analyzing and disseminating information and, sometimes, investigating violations and prosecuting individuals indicated in the disclosures.

**Financial Sector Assessment Program (FSAP)**
Established in 1999 by the International Monetary Fund and the World Bank, the FSAP assesses jurisdictions for their financial systems’ strengths and vulnerabilities with an aim to reducing the potential for crises.

**Forensic Accountant**
Specializes in analyzing financial evidence and testifying as an expert witness in cases of white-collar crime, including money laundering.

**Forfeiture**
The permanent loss of private property or assets as a result of legal action by a government authority. Generally, the owner of the property has failed to comply with the law or the property is linked to some sort of criminal activity.

**Freeze**
To prevent or restrict the exchange, withdrawal, liquidation, or use of assets or bank accounts by governmental action. As defined by FATF’s “Interpretative Note to Special Recommendation III: Freezing and Confiscating Terrorist Assets”: To prohibit the transfer, conversion, disposition or movement of funds or other assets on the basis of, and for the duration of the validity of, an action initiated by a competent authority or a court under a freezing mechanism. The frozen
funds or other assets remain the property of the person(s) or entity(ies) that held an interest in the specified funds or other assets at the time of the freezing and may continue to be administered by the financial institution or other arrangements designated by such person(s) or entity(ies) before initiation of the action under a freezing mechanism.

**Front Company**
A business that commingles illicit funds with revenue generated from the sale of legitimate products or services. Criminals use front companies to launder illicit money by giving the funds the appearance of legitimate origin. Organized crime has used pizza parlors to mask proceeds from heroin trafficking. Front companies may have access to substantial illicit funds, allowing them to subsidize front company products and services at levels well below market rates or even below manufacturing costs. Front companies have a competitive advantage over legitimate firms that must borrow from financial markets, making it difficult for legitimate businesses to compete with front companies.

**Futures**
Contracts that require delivery of a commodity of specified quality and quantity at a specified price on a specified future date.

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**GAFISUD** *(Spanish: Grupo de Acción Financiera de Sudamérica)*
*See Financial Action Task Force on Money Laundering in South America.*

**Gatekeepers**
Professionals such as lawyers, notaries, accountants, investment advisors, and trust and company service providers
who assist in transactions involving the movement of money, and are deemed to have a particular role in identifying, preventing and reporting money laundering. Their role is important because they can block or facilitate the entry of illicit money into the financial system. Some countries, such as the U.K. and the Cayman Islands, impose due diligence requirements on gatekeepers that are similar to those of financial institutions. Two critical milestones in international gatekeeper regulation have been the European Union’s revised anti-money laundering directive of 2001 and the FATF 40 Recommendations of 2003, both containing anti-money laundering provisions for these professionals.

**Giro House**
*See Remittance Services.*

**Global Program against Money Laundering (GPML)**
Key instrument of the United Nations Office of Drug Control and Crime Prevention in its fight against organized crime. Through GPML, the UN helps member states introduce legislation against money laundering and helps the countries develop and maintain mechanisms that combat the crime. The program encourages anti-money laundering policy development, monitors and analyzes problems and responses, raises public awareness, and acts as a coordinator of joint anti-money laundering initiatives between the UN and other international organizations.

**Grantor**
Creator and fund provider of a trust, usually for the benefit of another.

**Group of Eight Industrialized Nations (G-8)**
Entity composed of the U.S., Japan, Germany, France, Italy, the U.K., Canada and Russia.

**Group of Eleven Industrialized Nations (G-10)**
The group is made up of the original G-7 group of industrialized nations, plus Sweden, Belgium, the Netherlands, and Switzerland, which was the 11th country to join in 1964.
Although it now has 11 members, the group continues to be called the G-10.

Group of Seven Industrialized Nations (G-7)
Body made up of seven countries: U.S., Japan, Germany, France, Italy, the U.K. and Canada.

Gulf Cooperation Council (GCC)
Formed in 1981, the GCC promotes cooperation between its member states in the fields of economy and industry. These member states include Kuwait, Bahrain, Qatar, Saudi Arabia, Oman and the United Arab Emirates. The GCC is a member of FATF, although its individual members are not.

H

Harmful or Preferential Tax Regimes
The United Nations and the Organization for Economic Cooperation and Development have taken the controversial position that a country that has no or low tax rates to encourage foreign business development is engaged in “harmful tax practices.” Their position is that offshore tax regimes are not maintained with the intent to attract real business and direct foreign investment, but to foster predatory tax policies that divert business from another country and encourage tax evasion.

Hawala
A funds exchange system in Indian and Chinese civilizations used to facilitate the secure and convenient cross-border movement of funds. Hawala was born centuries before Western financial systems. Merchant traders wishing to send funds to their homelands would deposit them with a hawala broker
or hawaladar who normally owned a trading business. For a small fee, the banker would arrange for the funds to be available for withdrawal from another banker, normally also a trader, in another country. The two bankers would settle accounts through the normal process of trade. Today, the technique works much the same, with businesspersons in various parts of the world using their corporate accounts to move money internationally for third parties. Deposits and withdrawals are made through hawaladars, rather than traditional financial institutions. The practice is vulnerable to terrorist financing and money laundering—funds do not actually cross borders, and transactions tend to be confidential, as records are not stringently kept. In Pakistan, the system is called hundi. See Alternative Remittance System.

**Hedge Fund**
A hedge fund is a privately offered investment vehicle—typically high-risk—in which participants' contributions are pooled and invested in a portfolio of securities, commodity futures contracts or other assets. Investors are usually of high net-worth, and can generally redeem investments on a quarterly, semi-annual, or annual basis.

**Hundi**
*See Hawala.*

**Identity Theft**
The assumption of another person's identity without authorization for use in fraudulent transactions that results in a loss to the financial institution or the victim whose identity was used.

**Informal Value Transfer System (IVTS)**
*See Alternative Remittance System.*
Integration
The integration phase, often referred to as the third and last stage of the classic money laundering process, places laundered funds back into the economy by re-entering the funds into the financial system and giving them the appearance of legitimacy.

Intermediary Financial Institution
Receives funds from a wire transfer transmitter’s financial institution and relays or transmits the order of payment to the recipient’s financial institution. In an international funds transmission, intermediary financial institutions are usually located in different countries.

Internal Controls
Policies and procedures in place within an institution that are designed to detect suspicious activity and criminal activity of a financial nature, including money laundering. Internal controls are one of the essential components of an effective anti-money laundering compliance program.

International Association of Insurance Supervisors (IAIS)
The IAIS issues global insurance principles, standards and guidance papers on issues, including money laundering. Established in 1994, IAIS represents insurance supervisory authorities in about 180 jurisdictions. See www.iaisweb.org.

International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA)
See World Bank.

International Business Company (IBC)
A variety of offshore corporate structures, alternately called “exempt companies,” which are dedicated to business use outside the incorporating jurisdiction, rapid formation, secrecy, broad powers, low cost, low to zero taxation, and minimal filing and reporting requirements.
International Finance Corporation (IFC)
Established in 1956, IFC is the largest multilateral source of loan and equity financing for private sector projects in the developing world. It is a member of the World Bank Group and is headquartered in Washington, D.C. The IFC promotes sustainable private sector investment in developing countries as a way to reduce poverty. Its contribution to anti-money laundering efforts includes helping countries address structural and institutional weaknesses that may contribute to the lack of market integrity and potential for financial abuse. See www.ifc.org.

International Financial Institutions (IFIs)
IFIs are financial institutions that have been established or chartered by more than one country. The best known IFIs are the International Monetary Fund and the World Bank. IFIs have an important role in protecting the integrity of the international financial system from abuse. Strengthening a country’s capacity to combat money laundering is an integral part of their agenda.

International Monetary Fund (IMF)
An organization of more than 180 member countries, the IMF was established to promote monetary cooperation, to foster economic growth and high levels of employment, and to provide countries with temporary financial assistance. The organization’s objectives have remained unchanged since it was established. Its operations, which involve surveillance, financial assistance and technical support, have adjusted to meet the changing needs of member countries. Since 1999, the IMF has taken a more active role in the global anti-money laundering effort, primarily through helping assess the progress of member countries in meeting laundering control standards, such as those issued by FATF.

International Money Laundering Abatement and Anti-Terrorist Financing Act
The Act represents Title III of the USA Patriot Act of 2001, which contains most, but not all, of the provisions of that landmark law that deal directly with anti-money laundering matters.
International Narcotics Control Strategy Report (INCSR)
Issued annually by the U.S. Department of State, the report includes a lengthy section on the status of money laundering efforts in most nations.

International Police Organization (Interpol)
Based in Lyon, France, Interpol provides services to national law enforcement agencies in international criminal and money laundering matters, through such means as issuance of alerts or “flags” that seek the assistance of member countries in locating fugitives or identifying financial activity connected to international crimes. Each member nation of Interpol designates a National Central Bureau (NCB) through which requests for assistance are processed.

Internet Banking
A banking business model that uses the Internet to execute its business plan, and whose marketing efforts, execution of transactions and customer service functions are heavily reliant on advanced electronic technology. The main money laundering concern that arises in Internet banking is the difficulty of identifying the “faceless” customer that establishes a relationship with a financial institution, and in applying Customer Due Diligence procedures.

Investment Banking
Self-standing department or unit within a financial institution that provides strategic capitalizations, amassing huge amounts from diverse sources for corporate deal making, and other alternatives to traditional banking instruments.

IVTS
Informal Value Transfer System. See Alternative Remittance System.
Kingston Declaration on Money Laundering

In 1992, the U.S., U.K., France, Canada, and the Netherlands spearheaded a gathering of 17 Caribbean nations in Jamaica. At its conclusion, the nations issued the Kingston Declaration on Money Laundering, which expressed solidarity with the 1988 United Nations Convention on Illicit Trafficking in Narcotic Drugs. The declaration also agreed to implement the FATF 40 Recommendations and the 19 Recommendations issued at the 1990 Aruba meeting that created the Caribbean Financial Action Task Force. See www.cfatf.org.

Knowledge

Mental state accompanying a prohibited act. Recommendation 2 of the FATF 40 Recommendations of 2003 says that countries should ensure that the intent and knowledge required to prove the offense of money laundering is consistent with the standards set forth in the Vienna and Palermo Conventions, including the concept that such a mental state may be inferred from objective factual circumstances. The exact definition of knowledge that accompanies an anti-money laundering act varies by country. Knowledge can be deemed, under certain circumstances, to include willful blindness, i.e., “the deliberate avoidance of knowledge of the facts,” as some courts have defined the term: for example, when a bank officer proceeds with a transaction while deliberately ignoring the potential illegal origin of the funds involved.

Know Your Correspondent Bank (KYCB)

A set of anti-money laundering control policies and procedures employed in determining the beneficial owners of a respondent bank and the type of activity that is “normal and expected” for the bank. Know Your Correspondent Bank is a key tool in detecting suspicious activity and money laundering because correspondent accounts are often used as conduits to launder
criminal proceeds internationally. The USA Patriot Act included statutory provisions that bear directly on the procedures U.S. financial institutions must follow in connection with foreign correspondent banks.

**Know Your Customer (KYC)**

Anti-money laundering policies and procedures used to determine the true identity of a customer and the type of activity that is “normal and expected,” and to detect activity that is “unusual” for a particular customer. Many experts believe that a sound KYC program is one of the best tools in an effective anti-money laundering program.

**Know Your Employee (KYE)**

Anti-money laundering policies and procedures for acquiring a better knowledge and understanding of the employees of an institution for the purpose of detecting conflicts of interests, money laundering, past criminal activity and suspicious activity. KYE is a key tool in detecting suspicious activity because employees can be accomplices of money launderers.

**Layering**

The second phase of the classic three-step money laundering process between placement and integration, layering involves distancing illegal proceeds from their source by creating complex levels of financial transactions designed to disguise the audit trail and to provide anonymity.

**Legal Risk**

Defined by the 2001 Basel Customer Due Diligence for Banks Paper as the possibility that lawsuits, adverse judgments or
contracts that cannot be enforced may disrupt or harm a financial institution. In addition, banks can suffer administrative or criminal penalties imposed by the government. A court case involving a bank may have graver implications for the institution than just the legal costs. Banks will be unable to protect themselves effectively from such legal risks if they do not practice due diligence in identifying customers and understanding and managing their exposure to money laundering.

**Letter of Credit**
A credit instrument issued by a bank that guarantees payments on behalf of its customer to a third party when certain conditions are met. Letters of Credit (L/Cs) are commonly used to finance exports. Exporters want assurance that the ultimate buyer of its goods will make payment, and this is given by the buyer’s purchase of a bank letter of credit. The L/C is then forwarded to a correspondent bank in the city in which the payment is to be made. The L/C is drawn on when the goods are loaded for shipping, received at the importation point, clear customs and are delivered. L/Cs can be used to facilitate money laundering by transferring money from a country with lax exchange controls, thus assisting in creating the illusion that an import transaction is involved. L/Cs can also serve as a façade when laundering money through the manipulation of import and export prices. Another laundering use for L/Cs is in conjunction with wire transfers to bolster the legitimate appearance of non-existent trade transactions.

**Letter Rogatory**
See Commission Rogatoire.

**Loan Back Method of Money Laundering**
With a loan-back, the criminal puts the illicit funds in an offshore entity that he owns and then “loans” them back to himself or a company he owns. This technique works because it is hard to determine who actually controls offshore accounts in some countries. This process allows the launderer to “clean” illicit money and to generate tax benefits by deducting purported interest payments.
Lockbox
Service offered by banks to companies in which the company receives payments by mail to a post office box and the bank picks up the payments several times a day, deposits them into the company’s account, and notifies the company of the deposits. The service enables the company to put the money to work as soon as it is received, but the amounts must be large in order for the value obtained to exceed the cost of the service. In the insurance industry there is also widespread use of “lock boxes” for payment of life insurance and annuities products.

Mail-Forwarding or Mail-Drop Service
A legal commercial enterprise that uses a stable, physical address as a delivery destination for letters or parcels on behalf of fee-paying clients who do not live on the premises. Mail can be held or forwarded at the client’s request. Some mail-drops provide similar services for faxes as well. Money launderers often use mail drop addresses as their address, sometimes referring to their box number as either a “suite” or an “apartment” number. Often, “shell” or unlicensed banks are found to have mail drop addresses.

Manipulation of Import and/or Export Prices
A money laundering method that uses the overpricing or underpricing of products or services traded in international commerce to move money from one country to another.

Memorandum of Understanding (MOU)
Agreement between two parties establishing a set of principles that govern their relationship on a particular matter. An MOU is often used by countries to govern their sharing of assets
in international asset-forfeiture cases or to set out their respective duties in anti-money laundering initiatives. Financial Intelligence Units (FIUs), with the task of receiving and analyzing suspicious transaction reports on an ongoing basis and maintaining close links with police and customs authorities, share information among themselves informally in the context of investigations, usually on the basis of an MOU. The Egmont Group of FIUs has established a model for such MOUs. Unlike the Mutual Legal Assistance Treaty (see below), this gateway is ordinarily used not for obtaining evidence, but for obtaining intelligence that might lead to evidence.

**Middle East and North Africa Financial Action Task Force (MENAFATF)**


**Mock Trial on Money Laundering**

Program launched by the United Nations Office on Drugs and Crime (UNODC) and the Organization of American States Inter-American Drug Abuse Control Commission (CICAD) in various Latin American countries. The program’s objective is to equip investigators, prosecutors and judges with the know-how to crack money laundering cases. It uses cases that are built around authentic events. Since the program was launched in Ecuador in September 2002, a number of mock trials have been conducted.

**Monetary Instruments**

Travelers checks, negotiable instruments, including personal checks and business checks, official bank checks, cashier’s checks, promissory notes, money orders, securities or stocks in bearer form. Monetary instruments are normally included, along with currency, in the anti-money laundering regulations of most countries, and financial institutions must file reports and maintain records of customer activities involving them.
Money Laundering
The process of concealing or disguising the existence, source, movement, destination or illegal application of illicitly-derived property or funds to make them appear legitimate. It usually involves a three part system: Placement of funds into a financial system, layering of transactions to disguise the source, ownership and location of the funds, and integration of the funds into society in the form of holdings that appear legitimate. The definition of money laundering varies in each country where it is recognized as a crime.

Money Laundering Reporting Officer (MLRO)
A term used in various international rules to refer to the person responsible for overseeing a firm’s anti-money laundering activities and program and for filing reports of suspicious transactions with the national FIU. The MLRO is the key person in the implementation of anti-money laundering strategies and policies.

Money Order
A monetary instrument usually purchased with cash in small (generally under Euro/$500) denominations. It is commonly used by people without checking accounts to pay bills or to pay for purchases in which the vendor will not accept a personal check. Money orders may be used for laundering because they represent an instrument drawn on the issuing institution rather than on an individual’s account.

Money Services Business (MSB)
Term used in the U.S. and elsewhere for money remittance companies; check cashers; issuers, sellers and redeemers of money orders and travelers checks; currency exchange houses; and stored value product companies.

Money Transfer Service or Value Transfer Service
Financial service that accepts cash, checks other monetary instruments that can store value in one location and pay a corresponding sum in cash or other form to a beneficiary in another location by means of a communication, message,
transfer or through a clearing network to which the money/value transfer service belongs. Transactions performed by such services can involve one or more intermediaries and a third-party final payment. A money or value transfer service may be provided by persons (natural or legal) formally through the regulated financial system (for example, bank accounts), informally through non-bank financial institutions and business entities or outside of the regulated system. In some jurisdictions, informal systems are referred to as alternative remittance services or underground (or parallel) banking systems.

**MONEYVAL**
Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures. Formerly PC-R-EV, the committee was established in 1997 by the Committee of Ministers of the Council of Europe to conduct self and mutual assessments of anti-money laundering measures in place in Council of Europe countries that are not FATF members. MONEYVAL is a sub-committee of the European Committee on Crime Problems of the Council of Europe (CDPC).

**Monitoring**
An element of an institution’s anti-money laundering program in which customer activity is reviewed for unusual or suspicious patterns, trends or outlying transactions that do not fit a normal pattern. Transactions are often monitored using software that weighs the activity against a threshold of what is deemed “normal and expected” for the customer.

**Mutual Fund**
An investment company that continually offers new shares and buys existing shares back on demand, using its capital to invest in diversified securities of other companies. Money is collected from individuals and is invested on their behalf in varied equity or debt portfolios.
**Mutual Legal Assistance Treaty (MLAT)**
Agreement among countries allowing for mutual assistance in legal proceedings and access to documents and witnesses and other legal and judicial resources in the respective countries, in private and public sectors, for use in official investigations and prosecutions.

**Naked Trust**
*See Bare Trust.*

**NCCT**
*See Non-Cooperative Countries and Territories (NCCT) List.*

**NCCT Criteria**
Criteria published in the FATF Report on Non-Cooperative Countries and Territories issued in February 2000 used to determine which countries to designate as NCCTs. See Non-Cooperative Countries or Territories (NCCTs) list.

**Nesting**
The practice that involves the use of a foreign correspondent bank account by another foreign bank to conduct its own transactions.

**Nominee Account**
*See Benami Account.*

**Nominee Company**
A corporation that is formed for the express purpose of holding securities and other assets in its name on behalf of others, or providing nominee directors and/or officers on behalf of clients.
Non-Cooperative Countries and Territories (NCCT) List
Countries and territories that were designated starting in 1999 by the Financial Action Task Force as being non-cooperative in the global anti-money laundering effort or as lacking adequate anti-money laundering controls. The last country was removed from this list in October 2006.

Non-Financial Trades and Businesses
See Designated Non-Financial Businesses and Professions.

Non-Governmental Organization (NGO)
International organizations that are not directly linked to the governments of specific countries, such as Doctors without Borders and the International Red Cross. Some countries’ anti-money laundering regulations for NGOs still have loopholes that some worry could be exploited by terrorists or terrorist sympathizers trying to secretly move money.

Non-Profit Organizations (NPO)
These can take on a variety of forms, depending on the jurisdiction and legal system, including associations, foundations, fund-raising committees, community service organizations, corporations of public interest, limited companies and public benevolent institutions. FATF has suggested practices to help authorities protect organizations that raise or disburse funds for charitable, religious, cultural, educational, social or fraternal purposes from being misused or exploited by financiers of terrorism.

Nostro Account
Nostro and vostro accounts are mirror correspondent accounts maintained by two banks in different jurisdictions to facilitate transactions in each other’s local currency—essentially, clearing accounts that balance foreign currency transactions between the two institutions. For example, Bank X from Brazil might open a U.S.-dollar account at Bank Y in the U.S., called a “nosto” (literally “our”) account; Bank Y might open a mirror account in Brazilian reals with Bank X in Brazil—a “vostro” ("your") account. Financial regulators have expressed
concern over the transparency of nostro and vostro account relationships, especially when there are multiple layers of accounts within primary relationships.

**Office of Foreign Assets Control (OFAC)**
Office within the U.S. Department of the Treasury that administers and enforces economic and trade sanctions against targeted foreign countries, terrorism-sponsoring organizations, terrorists, international narcotics traffickers, and others based on U.S. foreign policy and national security goals. After September 11, 2001, OFAC became a significant player in the anti-money laundering field as well. The office issues various lists, including “Specially Designated Narcotics Traffickers” and “Specially Designated Terrorists,” and its regulations require U.S. persons, including financial institutions, to block and file reports on accounts, payments or transfers in which an OFAC-designated country, entity or individual has an interest. OFAC requirements have an extraterritorial reach because they require U.S. persons and entities located outside of the U.S. to comply. Independent of origin or final destination, if a U.S. financial institution acts as an intermediary for a transaction that involves an OFAC-designated entity, the funds must be blocked. See http://www.treas.gov/offices/enforcement/ofac/index.shtml.

**Offshore**
Literally, away from one’s own home country—if one lives in Europe, the U.S. is “offshore.” In the money laundering lexicon, the term refers to jurisdictions deemed favorable to foreign investments because of low or no taxation or strict bank secrecy regulations.
**Offshore Bank**

Though licensed to conduct banking activities, an offshore bank is prohibited from doing business with local citizens or in local currency as a condition of its license.

**Offshore Financial Center (OFC)**

Institutions that cater to or otherwise encourage banks, trading companies, and other corporate or legal entities to physically or legally exist in a jurisdiction but limit their operations to "offshore," meaning outside the jurisdiction (see Offshore). OFCs have historically been located in the Caribbean or on Mediterranean islands to be in reasonable proximity to the major financial centers of the U.S. and Europe.

**Offshore Group of Banking Supervisors (OGBS)**

Organization that promotes the supervision of banks in their jurisdictions and furthers international cooperation among Offshore Banking Supervisors, Basel Committee member nations, and other banking supervisors. The OGBS was established in 1980 at the instigation of the Basel Committee on Banking Supervision, with which it maintains close contact. Through the Working Group on Cross-Border Banking, the Offshore Group joined with the Basel Committee in preparing a paper on Customer Due Diligence for Banks, which the Basel Committee issued in 2001. This paper reinforces principles set out in earlier Basel Committee papers by providing more precise guidance on the essential elements of Know Your Customer standards and their implementation. Offshore Group members are fully committed to the KYC standards contained in the paper. The Working Group also has produced as an annex to the Customer Due Diligence paper a General Guide to Account Opening and Customer Identification. See www.ogbs.net.

**Omnibus Account**

*See Clearing Account.*
Operational Risk
The risk of direct or indirect loss of operations due to inadequate or failed internal processes, people or systems, or as a result of external events. Public perception that a bank is not able to manage its operational risk effectively can disrupt or harm the business of the bank.

Organization for Economic Cooperation and Development (OECD)
International organization that assists governments on economic development issues in the global economy. OECD houses the FATF secretariat in Paris. See www.oecd.org.

Organization of American States: Inter-American Drug Abuse Control Commission (Comisión Interamericana para el Control del Abuso de Drogas) (CICAD)
OAS has issued several sets of anti-money laundering recommendations through its Inter-American Drug Abuse Control Commission (CICAD). They include amendments to the OAS Model Regulations issued in 1992. CICAD has sponsored and coordinated training seminars for public officials and bankers on anti-money laundering measures and oversees the anti-money laundering efforts of its member countries in the Western Hemisphere. See www.cicad.oas.org/EN/.

Originator
The account holder or, where there is no account, the person (natural or legal) which places the order with the financial institution to perform the wire transfer.

Over The Counter (OTC)
Two distinct meanings in the money laundering context:

1. As used in U.S. Bank Secrecy Act reporting forms, it refers to deposits of cash made physically at a branch.

2. In the securities industry, it describes the market for trading equities that are not listed on an organized stock exchange, or for trading securities such as corporate bonds, mortgage-backed or asset-backed securities, currency swaps, etc. In
the OTC market, trading is conducted remotely by broker-dealers rather than on a physical exchange floor, and prices are set by negotiation between the buyer and seller rather than by “auction bidding” on the floor of an exchange.

Passive Trust
See Bare Trust.

Payable Through Account
Transaction account opened at a depository institution by a foreign financial institution through which the foreign institution’s customers engage, either directly or through sub-accounts, in banking activities and transactions in the country where the account was opened. Such accounts pose risks to the depository institutions that hold them because it can be difficult to conduct due diligence on foreign institution customers who are ultimately using the PTA accounts.

PC-R-EV
See MONEYVAL.

Physical Cross-Border Transportation of Currency
Any in-bound or out-bound transportation of currency or bearer negotiable instruments from one country to another. The term includes: (1) physical transportation by a natural person, or in that person’s accompanying luggage or vehicle; (2) shipment of currency through cargo containers; and (3) the mailing of currency or bearer negotiable instruments.
Physical Presence
Existence of an actual brick and mortar location with meaningful management of the institution physically located within a country, where it maintains business records and is subject to supervision. The mere existence of a local agent or low level staff does not constitute physical presence.

Placement
The first phase of the money laundering process: The physical disposal of cash proceeds derived from illegal activity.

Poey Kuan
See Alternative Remittance System.

Policies
A financial institution’s operating regulations and its internal rules that define how employees are expected to conduct themselves.

Politically Exposed Person (PEP)
According to FATF’s revised 40 Recommendations of 2003, a PEP is an individual who has been entrusted with prominent public functions in a foreign country, such as a head of state, senior politician, senior government official, judicial or military official, senior executive of a state-owned corporation or important political party official, as well as their families and close associates. The term PEP does not extend to middle-ranking individuals in the specified categories. Various country regulations will define the term PEP, which may include domestic as well as foreign persons.

Ponzi Scheme
A money laundering system named after Charles Ponzi, an Italian immigrant who spent 10 years in jail in the U.S. for a scheme that defrauded 40,000 people out of $15,000,000. Ponzi’s name became synonymous with the use of new investors’ money to pay off prior investors. Ponzi schemes involve fake, non-existent investment schemes in which the investors are tricked into investing on the promise of unusually
attractive returns. The operator of the scheme can keep the operation going by paying off early investors with the money from new investors until the scheme collapses under its own weight and/or the promoter vanishes with the remaining money. The scheme recently engaged in by Bernie Madoff is an example of a Ponzi scheme. The prime bank guaranty, roll program, bank debenture program and high yield promises are frequently used to entice investors into participating in Ponzi schemes.

Predicate Crimes
“Specified unlawful activities” whose proceeds, if involved in the subject transaction, can give rise to prosecution for money laundering. Most anti-money laundering laws contain a wide definition or listing of such underlying crimes. Predicate crimes are sometimes defined as felonies or “all offenses in the criminal code.”

Private Banking
A department in a financial institution that provides high-end services to wealthy individuals. Private banking transactions tend to be marked with confidentiality, complex beneficial ownership arrangements, offshore investment vehicles, tax shelters and credit extension services. Private banking is viewed by many governments as highly vulnerable to money laundering.

Private Investment Company (PIC)
Also known as a Personal Investment Company, a PIC is a type of corporation that is often established in an offshore jurisdiction with tight secrecy laws to protect the privacy of its owners. In some jurisdictions, an international business company or exempt company is referred to as a private investment company. PICs are viewed as prime money laundering vehicles.
Pyramid scheme

This is the same as a Ponzi scheme.

Red Flag

A warning signal that should bring attention to a potentially suspicious situation, transaction or activity.

Regulatory Agency

A government entity responsible for supervising and overseeing a category of domestic institutions. The agency generally has authority to issue regulations, to conduct examinations, to impose fines and penalties, to curtail activities and, sometimes, to terminate charters of institutions under its jurisdiction. Most financial regulatory agencies play a major role in preventing and detecting money laundering and other financial crimes.

Remittance Services

Also referred to as giro houses or casas de cambio, remittance services are businesses that receive cash or other funds that they transfer through the banking system to another account. The account is held by an associated company in a foreign jurisdiction where the money is made available to the ultimate recipient.

Report on the Observance of Standards and Codes (ROSC)

A report used by the IMF and the World Bank that summarizes the extent to which countries observe internationally recognized standards and codes for fiscal and monetary stability. The standards examine monetary and financial policy transparency, fiscal transparency, banking supervision, securities, insurance, payments systems, corporate governance, accounting, auditing
and insolvency and creditor rights. Since 2002, they have also included examination of anti-money laundering and terrorist financing standards. ROSCs summarizing countries’ observance of these standards are prepared and published at the request of the member country. The results are used in consideration of IMF and World Bank loans and for the private sector (including rating agencies) for risk assessment. ROSCs are also useful in determining a country’s prospective risks associated with money laundering. See www.imf.org/exter-nal/np/rosc/rosc.asp.

Reputational Risk
The potential that adverse publicity regarding a financial institution’s business practices and associations, whether accurate or not, will cause a loss of confidence in the integrity of the institution. Banks and other financial institutions are especially vulnerable to reputational risk because they can become a vehicle for, or a victim of, illegal activities perpetrated by customers. Such institutions may protect themselves through Know Your Customer and Know Your Employee programs.

Respondent Bank
A bank for which another financial institution establishes, maintains, administers or manages a correspondent account.

Retrospective Due Diligence
Examining the identity and activity of existing customers and their accounts to confirm their legitimacy. The Cayman Islands and the Bahamas, when adopting their anti-money laundering frameworks, required financial institutions to perform due diligence on existing customers. The U.K. considered the requirement, but did not implement it, citing the heavy burden on businesses in its financial sector. The U.S. does not require retrospective due diligence.

Risk-Based Approach
The assessment of the varying risks associated with different types of businesses, clients, accounts and transactions in order to maximize the effectiveness of an anti-money laundering program.
Risk Matrix

Document or chart that allows financial institutions to assess the money laundering risk of a business or customer relationship. A risk matrix sets out critical elements or parameters of risk—such as the country of origin or the type of anticipated transactions—so that institutions can calculate whether a potential client presents a low, medium or high level of money laundering risk. Later, the matrix allows the institution to make informed decisions on the frequency of transaction monitoring of particular accounts or customers.

Safe Harbor

Legal protection for financial institutions, their directors, officers and employees from criminal and civil liability for breach of any restriction on disclosing information imposed by contract or by any legislative, regulatory or administrative prohibition, if they report their suspicions in good faith to the Financial Investigation Unit (FIU), even if they did not know precisely what the underlying criminal activity was, and regardless of whether illegal activity actually occurred.

Safe Deposit Box

A secure box inside the vault of a bank that can be used to store anything of importance a customer wishes to protect, such as legal documents, jewelry, coins, wills, etc. Safe deposit boxes can also provide a useful storage place for the proceeds of crime.

Seize

To prohibit the transfer, conversion, disposition or movement of funds or other assets on the basis of an action initiated by
a competent authority or a court under a freezing mechanism. However, unlike a freeze, a seizure allows the competent authority to take control of specified funds or other assets. The seized assets remain the property of the person(s) or entity(ies) that held an interest in them at the time of the seizure, although the competent authority will often take over possession, administration or management of the seized assets.

**Self-Regulatory Organization (SRO)**
A body that represents a profession (e.g., lawyers, notaries, other independent legal professionals or accountants), and which is made up of member professionals, has a role in regulating the persons who are qualified to enter and practice in the profession, and also performs supervisory or monitoring functions. For example, such a body would enforce rules to ensure that high ethical standards are maintained by those in the profession.

**Senior Foreign Political Figure**
U.S. term for foreign politically exposed persons. See Politically Exposed Persons.

**Settlers**
Persons or companies who transfer ownership of their assets to trustees by means of a trust deed. Where the trustees have some discretion as to the investment and distribution of the trust’s assets, the deed may be accompanied by a non-legally binding letter setting out what the settlor wishes done with the assets.

**Shell Bank**
Bank that exists on paper only and that has no physical presence in the country where it is incorporated or licensed, and which is unaffiliated with a regulated financial services group that is subject to effective consolidated supervision. These banks are able to evade day-to-day regulation. Recommendation 18 of the FATF 40 Recommendations says that countries should not approve the establishment, and should not accept the continued operation, of shell banks.
Financial institutions should refuse to enter into, or continue, correspondent banking relationships with shell banks, and should guard against establishing relations with respondent foreign financial institutions that permit their accounts to be used by shell banks.

**Simple Trust**

*See Bare Trust.*

**Smart Card**

Plastic card resembling traditional credit or debit cards that contains a computer chip capable of storing more information than a magnetic stripe, such as health insurance, e-cash, government identification and credit card data.

**Smurfing**

A commonly used money laundering method, smurfing involves the use of multiple individuals and/or multiple transactions for making cash deposits, buying monetary instruments or bank drafts in amounts under the reporting threshold. See Structuring.

**Smurfs**

Individuals hired by money launderers to go from financial institution to financial institution purchasing monetary instruments or depositing currency or monetary instruments in amounts under the reporting threshold.

**Special Recommendations**

FATF’s international standards on terrorist financing. At an Extraordinary Plenary on the Financing of Terrorism held in Washington, D.C., in 2001, FATF expanded its mission beyond money laundering by issuing eight Special Recommendations dealing with terrorism financing. During the meeting, FATF issued new standards on terrorist financing, and called on all countries to adopt and implement them. In October 2004, FATF issued the ninth Special Recommendation, addressing cross-border wires. The “Special Recommendations” are designed to
deny terrorists and their supporters access to the international financial system. See www.fatf-gafi.org.

Split Deposits
A series of deposits in which a customer splits a sum of money and makes smaller deposits into two or more accounts that add up to the original amount.

Sting Operation
Investigative tactic in which undercover officers pose as criminals, sometimes through a “front” business, to win the confidence of suspected or known criminals to gather information and to obtain evidence of criminal conduct. It is an effective means of identifying criminals, penetrating criminal organizations and identifying tainted property in money laundering and other cases.

Stored Value Card
Pre-paid payment card that stores a monetary value from which purchase amounts are deducted each time the card is used.

STR
See Suspicious Transaction Report.

Structuring
Illegal act of splitting cash deposits or withdrawals into smaller amounts, or purchasing monetary instruments, to stay under a currency reporting threshold. The practice might involve dividing a sum of money into lesser quantities and making two or more deposits or withdrawals that add up to the original amount. Money launderers use structuring to avoid triggering a filing by a financial institution. The technique is common in jurisdictions that have compulsory currency reporting requirements. See Smurfing.

Subpoena
Compulsory legal process issued by a court to compel the appearance of a witness at a judicial proceeding, sometimes requiring the witness to bring specified documents.
Suspicious Activity
Irregular or questionable customer behavior or activity that may be related to a money laundering or other criminal offense, or to the financing of a terrorist activity. May also refer to a transaction that is inconsistent with a customer’s known legitimate business, personal activities, or the normal level of activity for that kind of business or account.

Suspicious Activity Report (SAR)
See Suspicious Transaction Report.

Suspicious Transaction Report (STR)
A government form that includes a financial institution’s account of a questionable transaction. Many jurisdictions require financial institutions to report suspicious transactions to relevant government authorities on a suspicious transaction report, also known as a suspicious activity report or SAR.

Tax Haven
Countries that offer special tax incentives or tax avoidance to foreign investors and depositors.

Tax Information Exchange Agreements
Bilateral agreements among national governments that can yield evidence for money laundering and tax evasion prosecutions.

Terrorist Financing
The process by which terrorists fund their operations in order to perform terrorist acts. Terrorists need financial support to carry out their activities and to achieve their goals. There is little difference
between terrorists and other criminals in their use of the financial system. A successful terrorist or terrorist group, much like a criminal organization, is one that is able to build and maintain an effective financial infrastructure. In order to do so, the group or the individual must develop sources of funding and means of obscuring the links between those sources and the activities they support. They need to find a way to make sure the funds are available and can be used to purchase goods or services for terrorist acts. The sums needed to mount terrorist attacks are not always large, and the associated transactions are not necessarily complex. There are two primary sources of financing for terrorist activities. The first involves financial support from countries, organizations or individuals. The other involves a wide variety of revenue-generating activities, some illicit, including smuggling and credit card fraud.

**Testimony**
Witness’ oral presentation, usually under oath, that describes facts known to the witness.

**Tipping Off**
Improper or illegal act of notifying a suspect that he or she is the subject of a Suspicious Transaction Report or is otherwise being investigated or pursued by the authorities.

**Trade Finance**
*See Letter of Credit.*

**Transparency International (TI)**
Berlin-based, non-governmental organization dedicated to increasing government accountability and curbing both international and national corruption. Established in 1993, TI is active in approximately 100 countries. It publishes “corruption news” on its website daily and offers an archive of corruption-related news articles and reports. Its Corruption Online Research and Information System, or CORIS, is perhaps the most comprehensive worldwide database on corruption. TI is best known for its annual Corruption Perceptions Index (CPI), which ranks countries by perceived levels of corruption among...
public officials; its Bribe Payers Index (BPI) ranks the leading exporting countries according to their propensity to bribe. TI’s annual Global Corruption Report combines the CPI and the BPI and ranks each country by its overall level of corruption. The lists help financial institutions determine the risk associated with a particular jurisdiction. See www.transparency.org.

**Trust**

Arrangement among the property owner (the grantor), a beneficiary and a manager of the property (the trustee), whereby the trustee manages the property for the benefit of the beneficiary in accordance with terms set by the grantor.

**Trustee**

May be a paid professional or company or unpaid person that holds the assets in a trust fund separate from the trustee’s own assets. The trustee invests and disposes of the assets in accordance with the settlor’s trust deed, taking into consideration any letter of wishes.

**Typology**

Refers to a money laundering method and is a term used by FATF.

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**Underground Banking**

*See Alternative Remittance System.*

**United Nations (UN)**

An international organization that was established in 1945 by 51 countries committed to preserving peace through cooperation and collective security. Today, nearly every nation
in the world belongs to the UN. See also Vienna Convention. The United Nations contributes to the fight against organized crime with initiatives such as the Global Program against Money Laundering (GPML), the key instrument of the UN Office of Drug Control and Crime Prevention in this task. Through the GPML, the UN helps member states to introduce legislation against money laundering and to develop mechanisms to combat this crime. The program encourages anti-money laundering policy development, monitors and analyzes the problems and responses, raises public awareness about money laundering and acts as a coordinator of joint anti-money laundering initiatives with other international organizations. See www.un.org.

**UN Security Council Resolution 1267**

Adopted in 1999, the resolution imposed sanctions on Taliban-controlled Afghanistan for its support of Osama Bin Laden and the Al-Qaeda organization. The sanctions have subsequently been modified and strengthened—they no longer exclusively target Afghanistan and now extend to any individual, group, undertaking or entity participating in planning or financing activities for Al-Qaeda or the Taliban. Member countries are obliged to adopt sanction implementation programs so that financial institutions can block the transactions, and freeze the assets of any person or entity on the list of designated terrorist entities maintained by the UN 1267 Committee. See www.un.org/Docs/sc/committees/1267/1267ListEng.htm.

**UN Security Council Resolution 1373**

Adopted in 2001, the resolution requires member nations to take a series of actions to combat terrorism through the adoption of laws and regulations and the establishment of administrative structures. The resolution also requires member nations to “afford one another the greatest measure of assistance for criminal investigations or criminal proceedings relating to the financing or support of terrorist acts.”
Unusual Transaction
Transaction that appears designed to circumvent reporting requirements, is inconsistent with the account’s transaction patterns or deviates from the activity expected for that type of account.

USA Patriot Act
The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 107-56). Enacted on October 26, 2001, the historic U.S. law brought about momentous changes in the anti-money laundering field, including more than 50 amendments to the Bank Secrecy Act. Title III of the Act, the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, contains most, but not all, of its anti-money laundering-related provisions.

Value Transfer Service
See Money Transfer Service.

Vienna Convention
Convention in 1988 against the Illicit Trade in Narcotic Drugs and Psychotropic Substances. Countries that become parties to the Vienna Convention commit to criminalizing drug trafficking and associated money laundering, and enacting measures for the confiscation of the proceeds of drug trafficking. Article III of the Convention provides a comprehensive definition of money laundering, which has been the basis of much subsequent national legislation.
**Vital Service Providers (VSPs)**

People who help move the billions of dollars drug traffickers earn around the world. VSPs include accountants, attorneys, broker-dealers, other financial institutions, communications and transportation providers, and people who build concealment traps—sophisticated hiding places for drugs and money in vehicles, boats, or houses.

**Vostro Account**

*See Nostro Account.*

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**White-collar crime**

A type of crime generally seen as non-violent or involving more sophisticated “business-related” schemes rather than violence or the threat of violence. Such crimes include tax fraud (evasion, false tax returns, failure to file tax returns), money laundering (any attempt to hide money derived from illegal sources), bribery, bankruptcy fraud, environmental fraud, health care fraud and many others.

**Willful Blindness**

Legal principle that operates in money laundering cases in the U.S. and is defined by courts as the “deliberate avoidance of knowledge of the facts” or “purposeful indifference.” Courts have held that willful blindness is the equivalent of actual knowledge of the illegal source of funds or of the intentions of a customer in a money laundering transaction.

**Wire Transfer**

Electronic transmission of funds among financial institutions on behalf of themselves or their customers. Wire transfers are
financial vehicles covered by the regulatory requirements of many countries in the anti-money laundering effort.

**Wolfsberg Group**

Named after the castle in Switzerland where its first working session was held, the Wolfsberg Group is an association of global financial institutions, including Banco Santander, Bank of Tokyo-Mitsubishi, Barclays, Citigroup, Credit Suisse Group, Deutsche Bank, Goldman Sachs, HSBC, J.P. Morgan Chase, Société Générale and UBS. In 2000, along with Transparency International and experts worldwide, the institutions developed global anti-money laundering guidelines for international private banks. Since then, it has issued several other guidelines on correspondent banking and terrorist financing, among others. See www.wolfsberg-principles.com.

**World Bank**

The World Bank is a vital source of financial and technical assistance to developing countries. It is not a bank in the usual sense, but is made up of two unique development institutions owned by 184 member countries—the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). Both organizations provide low-interest loans, interest-free credit, and grants to developing countries. In 2002, the IMF and the World Bank launched a 12-month pilot program to assess countries’ anti-money laundering and counter-terrorist financing measures. The World Bank and the IMF, in conjunction with FATF, developed a common methodology to conduct such assessments based on the FATF’s 40 Recommendations. See www.worldbank.org.
Zakat

One of the Five Pillars of Islam and among the primary obligations that each Muslim must fulfill, zakat means tithing, or alms-giving. Once every lunar year—approximately 355 days—zakat requires a donation to charity representing a fixed portion of a Muslim's possessions, generally 2.5% of an individual’s total net worth, excluding obligations and family expenses.