

***** DRAFT *****
PRELIMINARY DRAFT – SUBJECT TO CHANGE

International Money Laundering, Corruption and Terrorism
PUBP 710-009
Adjunct Professor Lester Joseph

Fall 2017 Semester

Class Meeting: Monday from 7:20 – 10:00

Class Location: Arlington, Founders Hall, Room 322

Office Hours: Room 706, Monday from 6:30 – 7:00 or by appointment

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I. Introduction

Welcome to *International Money Laundering, Corruption and Terrorism*. In our increasingly globalized world, policy advisors must be able to advise their governmental, NGO and business clients regarding compliance with international and domestic laws enacted to thwart money laundering, corruption and terrorism. These laws are widely recognized as essential to the stability and security of civilized societies.

Despite over a trillion dollars in foreign aid over the past 60 years, 2.2 billion people are still living on less than \$2.00 a day. Corruption is a central culprit behind this and many other evils plaguing our planet from joblessness and growing inequalities of income to environmental calamities and violent conflicts.

High-level corruption depends upon the ability to launder money in Western countries. Terrorist organizations also rely upon money laundering to conceal both their funding sources and the nature of their activities from authorities. Thus, anti-money laundering, anti-corruption and anti-terrorism strategies are converging. All three aim to attack criminals or terrorist organizations through their financial activities and use financial trails to identify the various components of criminal or terrorist networks.

We will discuss the confluence of the three foremost areas of criminality threatening international prosperity and stability today: corruption, money laundering and terrorism. Containing corruption is critical to reducing bloodshed, poverty, disease, and environmental degradation in developing countries. Corruption enables and relies upon money laundering to hide ill-gotten gains and opens the door to the support of terrorism. The key international instruments addressing these provisions will be introduced, as well as the main players setting standards in the area, the United States, the Organization for Economic Co-operation and Development (OECD), and the Financial Action Task Force (FATF).

Anti-money laundering techniques and asset tracing are therefore critical not just to undermine international criminal enterprises such as the drug trade and human trafficking, but also to undercut global corruption and terrorism. This course examines both the criminal and civil mechanisms available to counter these crimes. Several speakers who are experienced experts in their fields will provide guest lectures during the course of the semester.

II. Materials

The primary book that will be used as the focal point of the class is *The Money Laundering & Financing of Terrorism Ecosystem* by Kannan Subramanian. This book is a guide that illustrates the methods, mechanisms, techniques and instruments to launder money and finance terrorism. It recommends solutions to minimise the risk for each sector of the eco-system and at the national level.

In addition to this book, there will be other assigned readings for each week that will be available online. These materials will include primary source materials prepared by international organizations and national governments that will familiarize students with the same online tools used by practitioners.

Additional Supplemental Readings

Dirty Entanglements: Corruption, Crime, and Terrorism by Professor Louise Shelley
Criminal Capital: How the Finance Industry Facilitates Crime by Stephen Platt

Trade-Based Money Laundering: The Next Frontier in International Money Laundering Enforcement by John Cassara

Treasury's War: The Unleashing of a New Era of Financial Warfare by Juan Zarate

Criminal Capital: How the Finance Industry Facilitates Crime by Stephen Platt.

III. Evaluation:

Students will be graded according to the following criteria:

Class attendance and participation:	20%
Mid-Term Exam:	30%
Term Paper:	50%

IV. Policies:

Special Needs:

If you are a student with a disability and you need academic accommodations, please see me and contact the Disability Resource Center (DRC) at 993-2474. All academic accommodations must be arranged through the DRC.

Plagiarism

The profession of scholarship and the intellectual life of a university as well as the field of public policy inquiry depend fundamentally on a foundation of trust. Thus any act of plagiarism strikes at the heart of the meaning of the university and the purpose of the Schar School of Policy and Government. It constitutes a serious breach of professional ethics and it is unacceptable.

Plagiarism is the use of another's words or ideas presented as one's own. It includes, among other things, the use of specific words, ideas, or frameworks that are the product of another's work. Honesty and thoroughness in citing sources is essential to professional accountability and personal responsibility. Appropriate citation is necessary so that arguments, evidence, and claims can be critically examined.

Plagiarism is wrong because of the injustice it does to the person whose ideas are stolen. But it is also wrong because it constitutes lying to one's professional colleagues. From a prudential perspective, it is shortsighted and self-defeating, and it can ruin a professional career.

The faculty of the Schar School takes plagiarism seriously and has adopted a zero tolerance policy. Any plagiarized assignment will receive an automatic grade of "F." This may lead to failure for the course, resulting in dismissal from the University. This dismissal will be noted on the student's transcript. For foreign students who are on a university-sponsored visa (eg. F-1, J-1 or J-2), dismissal also results in the revocation of their visa.

To help enforce the Schar School policy on plagiarism, all written work submitted in partial fulfillment of course or degree requirements must be available in electronic form so that it can be compared with electronic databases, as well as submitted to commercial services to which the School subscribes. Faculty may at any time submit student's work without prior permission from the student. Individual instructors may require that written work be submitted in electronic as well as printed form. The Schar School policy on plagiarism is supplementary to the George Mason University Honor Code; it is not intended to replace it or substitute for it.

Class Schedule

August 28, 2017: Introduction to class

- Overview of the course
- International money flows: How money moves around the world and the role of the US dollar
- Introduction to money laundering, terrorism financing and corruption
- History of money laundering enforcement in the United States
- Introduction to the Bank Secrecy Act
- Introduction to the federal money laundering statutes

Materials: World Bank and IMF Reference Guide To Anti-Money Laundering and Combating the Financing of Terrorism, Second Edition and Supplement on Special Recommendation XI (2006), Chapters I (A thru D only) and II, http://siteresources.worldbank.org/EXTAML/Resources/396511-1146581427871/Reference_Guide_AMLCFT_2ndSupplement.pdf

UNODC and World Bank Stolen Asset Recovery (StAR) Initiative: Challenges, Opportunities, and Action Plan (2007), pages 5-21, and 41-44, <http://siteresources.worldbank.org/NEWS/Resources/Star-rep-full.pdf>

Lindholm, Danielle Camner, Realuyo, Celina. "Threat Finance: A Critical Enabler for Illicit Networks," in *Convergence: Illicit Networks and National Security in the Age of Globalization* eds. Michael Miklaucic and Jacqueline Brewer (Washington, D.C.: Center for Complex Operations, Institute for National Strategic Studies, National Defense University Press, 2013), pp.131-46

"The U.S. is a Good Place for Bad People to Stash Their Money," *The Atlantic*, 7/13/2017, <https://www.theatlantic.com/business/archive/2017/07/us-anonymous-shell-companies/531996/>

The Money Laundering & Financing of Terrorism Ecosystem by Kannan Subramanian: Chapter 1 Introduction, pp. 1-17

September 11, 2017: Introduction to Terrorism and Terrorism Financing

- On this 16th anniversary of the September 11, 2001 attacks on the United States, we will have our introductory discussion of terrorism and terrorism financing.
- We will discuss the 9/11 attacks and how they were carried out.
- We will discuss how the 9/11 attacks were financed.
- We will discuss how the financial investigation assisted in the identification of the perpetrators and their associates.
- We will discuss the 9/11 Commission Report.

Materials: The 9/11 Commission Report:

9/11 Commission Staff Monograph on Terrorist Financing, Sections 1, 2, and 4, appendix A
http://govinfo.library.unt.edu/911/staff_statements/index.htm

9/11 Commission Report, Section 5.4
http://govinfo.library.unt.edu/911/report/911Report_Ch5.pdf

9/11 Commission Staff Statement No. 16
http://govinfo.library.unt.edu/911/staff_statements/staff_statement_16.pdf

The Money Laundering & Financing of Terrorism Ecosystem by Kannan Subramanian: pp. 25-29

September 18, 2017: Money Laundering Regulation and Typologies: Part I

- Overview of the regulatory framework of financial institutions in the United States, including banks and money service businesses
- Overview of the USA PATRIOT ACT
- Overview of the Office of Foreign Assets Control and US Sanctions Programs
- Discussion of money laundering typologies
- Geographic targeting orders

Materials:

2015 National Money Laundering Risk Assessment
<http://www.treasury.gov/resource-center/terrorist-illicit-finance/Documents/National%20Money%20Laundering%20Risk%20Assessment%20%E2%80%93%2006-12-2015.pdf>

IRS – Examples of Money-Laundering Investigations - Fiscal Year 2015 (read last 10 examples), <http://www.irs.gov/uac/Examples-of-Money-Laundering-Investigations-Fiscal-Year-2015>

FATF Mutual Evaluation of the United States: 2016 (Executive Summary)
<http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-United-States-2016-Executive-Summary.pdf>

Shelley, Louise. “Money Laundering into Real Estate,” in *Convergence: Illicit Networks and National Security in the Age of Globalization* eds. Michael Miklaucic and Jacqueline Brewer (Washington, D.C.: Center for Complex Operations, Institute for National Strategic Studies, National Defense University Press, 2013), pp.131-46

The Money Laundering & Financing of Terrorism Ecosystem by Kannan Subramanian: pp. 23-24, pp. 218-219

September 25, 2017: Money Laundering Regulation and Typologies: Part II

- Continuation of topics from September 18 class.

October 2, 2017: The role of financial institutions in combating money laundering

- What is the role of financial institutions in combating money laundering?
- How do financial institutions contribute to fighting money laundering?
- Significant regulatory enforcement actions and prosecutions of financial institutions, including Riggs Bank, HSBC and Wachovia

Materials:

U.S. Vulnerabilities to Money Laundering, Drugs, and Terrorist Financing: HSBC Case History, Senate Permanent Subcommittee on Investigations, Executive Summary
[file:///C:/Users/Imjosep/Downloads/PSI%20REPORT-HSBC%20CASE%20HISTORY%20\(9.6\)%20\(1\).pdf](file:///C:/Users/Imjosep/Downloads/PSI%20REPORT-HSBC%20CASE%20HISTORY%20(9.6)%20(1).pdf)

Report of the Senate Permanent Subcommittee of Investigations on Riggs Bank
<https://www.hsgac.senate.gov/imo/media/doc/ACF5F8.pdf?attempt=2>

Deferred Prosecution Agreement of Wachovia Bank
<https://www.justice.gov/sites/default/files/usao-sdfl/legacy/2012/12/31/100317-02.Statement.pdf>

United States Attorneys' Bulletin, Money Laundering and Forfeiture (September 2013)
<https://www.justice.gov/sites/default/files/usao/legacy/2013/09/16/usab6105.pdf>

United States Attorneys' Bulletin, Money Laundering (September 2007)
“Criminal Prosecution of Banks Under the Bank Secrecy Act” by Joseph & Roth
<https://www.justice.gov/sites/default/files/usao/legacy/2007/10/16/usab5505.pdf>

The Money Laundering & Financing of Terrorism Ecosystem by Kannan Subramanian:
pp. 56-75, and pp. 182-183

NOTE: The class that would normally meet on October 9 will meet on Tuesday, October 10

October 10, 2017: Second Discussion of Terrorism and Terrorism Financing

- Overview of international terrorism
- Understanding the terrorism landscape
- Evolution of terrorism
- Sources of terrorism financing

Materials:

House Committee on Homeland Security Hearing, The Evolving Nature of Terrorism, pages 6 – 31, <https://www.hsdl.org/?view&did=5319>

What to Charge in a Terrorist Financing or Facilitation Case, United States Attorneys Bulletin, volume 62, number 5 (September 2014), pp. 9-15,
<http://www.justice.gov/sites/default/files/usao/legacy/2014/09/23/usab6205.pdf>

Designated Foreign Terrorist Organizations,
<http://www.state.gov/j/ct/rls/other/des/123085.htm>

FATF Report, Emerging Terrorist Financing Risks (October 2015)
<http://www.fatf-gafi.org/media/fatf/documents/reports/Emerging-Terrorist-Financing-Risks.pdf>

Linde v. Arab Bank, 384 F. Supp. 2d 571 (E.D.N.Y. 2005)

Arab Bank Case, description of verdict by victorious plaintiffs (2014),
<http://www.osenlaw.com/case/arab-bank-case>

Arab Bank Settlement, <http://www.americanlawyer.com/id=1202735418703/What-Drove-Arab-Bank-to-a-Billion-Dollar-Settlement?mcode=0&curindex=0&curpage=ALL>

<http://www.nytimes.com/roomfordebate/2015/11/20/draining-isis-coffers/isis-members-depend-on-petty-crime-to-function-in-europe>

October 16, 2017: International Cooperation and Standard Setting

- Barriers to information sharing
- Mutual Legal Assistance Treaties
- FinCEN: Sharing and exchange of financial information
- Informal International Cooperation

Materials:

United Nations Convention against Corruption,
http://www.unodc.org/documents/treaties/UNCAC/Publications/Convention/08-50026_E.pdf, preamble, articles 1, 6 (1), 8 (1) & (2), 13, 14 (1) (a), 20, 23 (1), 31 (1), 40, 43 (1), 46 (1), (3) and (8), 52, 54 (1), 55 (1) and (6)

United Nations Convention Against Transnational Organized Crime, articles 6 and 7,
<http://www.unodc.org/documents/treaties/UNTOC/Publications/TOC%20Convention/TOCebook-e.pdf>

FATF 40 recommendations
<http://www.fatf-gafi.org/publications/fatfrecommendations/documents/fatf-recommendations.html>

FATF Mutual Evaluation of the United States: 2016 (Executive Summary)
<http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-United-States-2016-Executive-Summary.pdf>

Basel committee recommendations, <http://www.bis.org/bcbs/publ/d353.pdf>

October 23, 2017: Case Study: Lebanese Canadian Bank

The Lebanese Canadian Bank case brings together all of the topics we have discussed up to this point including financial investigations, money laundering, terrorism financing, international cooperation and correspondent banking.

Materials:

<https://www.treasury.gov/press-center/press-releases/Pages/tg1057.aspx>

http://www.investigativeproject.org/documents/case_docs/1856.pdf

<https://www.justice.gov/usao-sdny/pr/manhattan-us-attorney-announces-102-million-settlement-civil-forfeiture-and-money>

October 30, 2017: International Criminal Tax Evasion

- In this class, we will have an overview of international criminal tax evasion and the subjects of bank secrecy and offshore tax havens.
- We will also have a case study of the prosecution of Swiss bank UBS by one of the prosecutors in the case.
- Panama Papers and the challenge of beneficial ownership

Materials:

<https://www.justice.gov/opa/pr/ubs-enters-deferred-prosecution-agreement>

https://www.justice.gov/sites/default/files/tax/legacy/2009/02/19/UBS_Signed_Deferred_Prosecution_Agreement.pdf

UBS Strikes a Deal: The Recent Impact of Weakened Bank Secrecy on Swiss Banking, 14 N.C. Banking Institute, pages 436-466

<http://scholarship.law.unc.edu/cgi/viewcontent.cgi?article=1292&context=nchi>

The Panama Papers: Law Firm's Files Include Dozens of Companies and People Blacklisted by U.S. Authorities, International Consortium of Investigative Journalists
<https://panamapapers.icij.org/20160404-sanctioned-blacklisted-offshore-clients.html>

November 6, 2017: Introduction to International Corruption and Anti-Corruption Laws

- The Foreign Corrupt Practices Act
- The UK Anti-Bribery Statute
- What is a PEP?
- Case studies: Riggs Bank/Obiang Case (Senate PSI Hearings)

Materials

Corruption, Protest, and Militancy (2015), Sarah Chayes,
<http://carnegieendowment.org/2015/06/25/corruption-protest-and-militancy/if6y>

Keeping Foreign Corruption out of the United States: Four Case Histories, Senate Permanent Subcommittee on Investigations
<https://www.hsgac.senate.gov/subcommittees/investigations/hearings/-keeping-foreign-corruption-out-of-the-united-states-four-case-histories> (link to report available on website)
<file:///C:/Users/lmjosep/Downloads/FOREIGNCORRUPTIONREPORTFINAL7100.pdf>

A Resource Guide to the U.S. Foreign Corrupt Practices Act, U.S. Department of Justice
<https://www.justice.gov/sites/default/files/criminal-fraud/legacy/2015/01/16/guide.pdf>

The Money Laundering & Financing of Terrorism Ecosystem by Kannan Subramanian:
pp. 13 and pp.40-52

November 13, 2017: Introduction to Asset Forfeiture & Financial Investigations

In this class we will have an overview of the criminal and civil asset forfeiture statutes and case studies of how these statutes are used in cases involving money laundering, corruption and terrorism financing.

Materials:

United States Attorneys' Bulletin (September 2013)
<https://www.justice.gov/sites/default/files/usao/legacy/2013/09/16/usab6105.pdf>

November 20, 2017: Domestic Corruption Cases

- Political Corruption
- Judicial Corruption: Operation Greylord (Chicago court system)

Materials: To be determined

November 27, 2017: Cybercrime – the new frontier

- Bitcoin and crypto currencies
- Money laundering through virtual currency
- Using new technologies and the dark web to purchase tools of terrorism
- Counterfeits on the open and deep web as a means of threat finance

Materials: To be determined

December 4, 2017: Wrap Up