

International Money Laundering, Corruption and Terrorism

POGO 750 D17

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, some studies show that 2.2 billion people are still living on less than \$2.00 a day. Corruption is clearly one of the central causes behind this and the many other harms plaguing our planet with 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 and throughout the world. Terrorist and criminal organizations also rely upon money laundering and financial crime 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 (both international and domestic). Containing corruption is critical to reducing bloodshed, poverty, disease, and environmental degradation in developing countries. Corruption enables and relies upon money laundering and many other forms of financial crime 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) and other related organizations.

Anti-money laundering techniques, financial crime prevention and asset tracing are therefore critical not just to undermine international criminal enterprises such as the drug trade, wildlife and human trafficking, art and antiquity theft 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 their insight in guest lectures during the course of the semester. We will also keep you current with any changes in laws, regulations or policies that impact the goal of attacking these crimes.

II. Materials

The primary book that will be used as the focal point of the class is:

Title: *Financial Exposure: Carl Levin's Senate Investigations into Finance and Tax Abuse*

Author: Elise J. Bean

ISBN-10: 3319943871 / ISBN-13: 978-3319943879

The book is available on Amazon: https://www.amazon.com/s?k=elise+bean&ref=nb_sb_noss_1

The cost is \$35, plus less expensive used copies.

You can also order from the publisher: <https://www.palgrave.com/gp/book/9783319943879#>

Description: "At a time when Congressional investigations have taken on added importance and urgency in American politics, this book offers readers a rare, insider's portrait of the world of US Congressional oversight. It examines specific oversight investigations into multiple financial and offshore tax scandals over fifteen years, from 1999 to 2014, when Senator Levin served in a leadership role on the US Senate Permanent Subcommittee on Investigations (PSI), the Senate's premier investigative body."

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, expert practitioners and government agencies that will familiarize students with the same compliance and investigative tools used by the AML community. There may be added more recent readings from publications such as ACAMS Today and ACAMSMoneyLaundering.com

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

III. Evaluation:

Students will be graded according to the following criteria:

Class attendance and participation: **20%**
Three writing assignments based on readings: **20%**

Due	Writing Assignment Length
February 10 by 11:59pm	300 minimum/max 450 words
March 3 by 11:59pm	300 minimum/max 450 words
April 14 by 11:59pm	650 minimum/max 750 words

Mid-Term Exam: **30%**

Due	Open in Blackboard
March 23 by 11:59pm	Take-home exam will become available in Blackboard on March 16.

Term Paper: **30%**

Due	Assignment
March 23	Term paper topic proposal
March 31	Term paper outline
May 11 by 11:59pm	Final term paper

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.

Student learning outcomes:

Students will be able to apply the course information and skills to real world situations, both domestic and international in areas such as terrorist financing, sanctions, corruption and broad areas of financial crime.

Class Schedule

January 27, 2021: Introduction to Class

- Overview of the course
- International money flows
- Introduction to money laundering, terrorism financing and corruption
- History of money laundering enforcement in the United States
- Introduction to the Bank Secrecy Act (BSA) , the USA Patriot Act and related federal money laundering statutes
- How COVID-19 impacted related frauds and reporting

Materials:

Financial Exposure (textbook) – Chapter 3, pgs 47-84

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

<https://www.occ.gov/news-issuances/congressional-testimony/2019/ct-2019-50-written.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/>

Department Of Justice Seeks to Recover Over \$100 Million Obtained From Corruption in the Nigerian Oil Industry

<https://www.justice.gov/opa/pr/department-justice-seeks-recover-over-100-million-obtained-corruption-nigerian-oil-industry>

Advisory on Imposter Scams and Money Mule Schemes Related to Coronavirus Disease 2019 (COVID-19)

[https://www.fincen.gov/sites/default/files/advisory/2020-07-07/Advisory %20Imposter and Money Mule COVID 19 508 FINAL.pdf](https://www.fincen.gov/sites/default/files/advisory/2020-07-07/Advisory_%20Imposter%20and%20Money%20Mule%20COVID%2019%20508%20FINAL.pdf)

February 3, 2021: **International cooperation and standard setting for AML, Sanctions and Terrorist Financing**

The global nature of money laundering forced governments to create the Financial Action Task Force (FATF) in 1989. Since that time, through mutual evaluations, recommendations and detailed reports, FATF is central to the AML community, wherever situated.

- Barriers to information sharing
- Mutual Legal Assistance Treaties (MLATs)
- FinCEN: Sharing and exchange of financial information
- Informal International Cooperation
- Financial Action Task Force (FATF)

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>

More FATF articles:

- [Navigating FATF Recommendation 16](#)
- [FATF Guidance for the Banking Sector on the Application of the Risk-Based Approach](#)
- [FATF Guidance for the Banking Sector on the Application of the Risk-Based Approach: Part II](#)
- [Probing the Practical Viability of FATF Standards in Preventing the Movement of Money for Terrorism](#)

February 10, 2021: **Introduction to Terrorism and Terrorism Financing**

Discussion to include:

- An assessment of the decade in review from a terrorist threat perspective;
- Understanding the current terrorist threat environment both from an international and domestic threat perspective;
- The nexus between terrorist groups and transnational criminal organizations;
- Understanding the financial requirements and funding flows supporting terrorism;
- Countering terrorist financing through proactive and urgently reactive AML measures;
- The importance of public private partnerships;
- Terrorist financing case typologies.

Materials: (will provide access when class begins to the articles without links below)

“Assessing Terrorist Financing through the Lens of the Terrorist Attack Cycle,” ACAMS Today, <https://www.acamstoday.org/assessing-terrorist-financing-through-lens-of-terrorist-attack-cycle/>

“Developing terrorist financing typologies for AML programs” (ACAMS Today)

“Assessing the convergence between terrorist groups and transnational criminal organizations”

“Perspectives, Partnerships and Innovation”

“Islamic Terrorism from a Risk Perspective,” ACAMS Today, <https://www.acamstoday.org/islamic-terrorism-from-a-risk-perspective/>

“Flash to Bang: Left of boom, right of boom” (ACAMS Today)

February 17, 2020: **The role of financial institutions in combating money laundering**

Discussion:

- What is the role of financial institutions in combating money laundering and other financial crimes?
- How do financial institutions contribute to fighting money laundering?
- The Culture of Compliance and its impact on a strong compliance program
- Significant regulatory enforcement actions and prosecutions of financial institutions, including Riggs Bank, HSBC, US Bank and Rabobank

Materials:

U.S. Vulnerabilities to Money Laundering, Drugs, and Terrorist Financing: HSBC Case History, Senate Permanent Subcommittee on Investigations, Executive Summary

[https://www.hsgac.senate.gov/imo/media/doc/PSI%20REPORT-HSBC%20CASE%20HISTORY%20\(9.6\).pdf](https://www.hsgac.senate.gov/imo/media/doc/PSI%20REPORT-HSBC%20CASE%20HISTORY%20(9.6).pdf)

“Why Corrupt Bankers Avoid Jail,” *The New Yorker*,
<https://flipboard.com/@flipboard/-why-corrupt-bankers-avoid-jail/f-bb8515991b%2Fnewyorker.com>

FinCEN Guidance on Culture of Compliance
<https://www.fincen.gov/sites/default/files/shared/FIN-2014-A007.pdf>

US Deputy Attorney General Memo, Individual Accountability for Corporate Wrongdoing
<https://www.justice.gov/archives/dag/file/769036/download>

USDOJ on evaluating corporate compliance
<https://www.justice.gov/opa/pr/criminal-division-announces-publication-guidance-evaluating-corporate-compliance-programs>

Individual Liability
https://www.fincen.gov/sites/default/files/enforcement_action/2020-05-21/Michael%20LaFontaine-Assessment-02.26.20_508.pdf

February 24, 2021: **Introduction to Corruption and Anti-Corruption Laws**

- The many faces of corruption, from government to the private sector, from prime ministers to mothers;
- Understanding global to regional to local corruption risks;
- The impact of corruption from one off to systemic corruption;
- Case studies: From ASCAM to IMDB, Fat Leonard, Operation Varsity Blues and more.

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 in the top left panel)

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>

“AML Conversations: Understanding the Nexus of Corruption and AML,” AML RightSource,

<http://amlrightsource.com/blog/2018/5/9/aml-conversations-understanding-the-nexus-of-corruption-and-aml>

“How Officials, Businesses and Traffickers Hide Billions from Cash-Starved Governments Offshore,” International Consortium of Investigative Journalists (ICIJ),
<https://www.icij.org/investigations/west-africa-leaks/officials-businesses-traffickers-hide-billions-cash-starved-governments-offshore/>

Updated Advisory on Widespread Public Corruption in Venezuela
<https://www.fincen.gov/sites/default/files/advisory/2019-05-08/Venezuela%20Advisory%20FINAL%20508.pdf>

Trade-Related Illicit Financial Flows in 135 Developing Countries: 2008-2017
<https://gfintegrity.org/report/trade-related-illicit-financial-flows-in-135-developing-countries-2008-2017/>

March 3, 2021: **Money laundering through non-traditional banks such as FinTech firms, MSBs and Gaming entities**

Discussion:

- How non-traditional financial institutions address AML including challenges for training, resources and management support
- Various payment systems and impacts on financial crime

Materials:

Risk-based approach to virtual currency from FATF
[http://www.fatf-gafi.org/documents/riskbasedapproach/documents/guidance-rba-virtual-currencies.html?hf=10&b=0&s=desc\(fatf_releasedate\)](http://www.fatf-gafi.org/documents/riskbasedapproach/documents/guidance-rba-virtual-currencies.html?hf=10&b=0&s=desc(fatf_releasedate))

Penalty against gaming industry
<https://www.fincen.gov/news/news-releases/fincen-fines-cantor-gaming-12-million-egregious-and-systemic-violations-anti>

Fintech and AML
<https://www.fincen.gov/news/speeches/prepared-remarks-fincen-deputy-director-jamal-el-hindi-delivered-2019-money>

March 10, 2021: Overview of financial crime hot topics from law enforcement and private sector vantage points---A conversation with experts

A special event that will cover how the financial crime field engages all parts of the economy and government. We will hear from key law enforcement and banking AML experts.

March 17, 2021: 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>

DOJ on AF laws and regulations (2019)

<https://www.justice.gov/criminal-mlars/file/1146911/download>

March 24, 2021: De-risking, Financial Access and Sanctions

As financial institutions grapple with assessing their risk appetite, many entities can be harmed from decisions to cease banking relationships for fear of regulatory criticism.

This session will cover the impact on organizations that provide humanitarian support when there is difficulty in gaining financial access from traditional institutions.

In addition, sanctions have become an increasingly valuable national security tool. There are a variety of sanction requirements from the European Union, United Nations to the US Treasury's Office of Foreign Assets Control (OFAC). We will cover these entities and what AML professionals need to know.

- How to conduct a risk assessment
- FATF Reports on Derisking
- World Bank/ACAMS project on financial access
- OFAC's compliance framework and examples of penalties assessed against financial institutions
- The sanctions against Iran, Venezuela and other countries

Materials:

Consortium Paper on financial access:

https://amlrightsourc.com/press/banking-nonprofit-organizations-the-way-forward/?utm_content=96311012&utm_medium=social&utm_source=twitter&hss_channel=tw-3637620435

“A Global Review of Sanctioned Countries,” ACAMS Today,
<https://www.acamstoday.org/global-review-sanctioned-countries/>

“Carrots and Sticks...and Sanctions,” ACAMS Today,
<https://www.acamstoday.org/carrots-and-sticksand-sanctions/>

“Facing the Challenge of Sanctions,” ACAMS Today,
<https://www.acamstoday.org/facing-challenge-of-sanctions/>

Sanction challenges

<https://www.acamstoday.org/tim-white-cams-sanctions-an-essential-area-within-the-financial-crime/>

How sanctions are perceived by some

<https://freedomandprosperity.org/2019/publications/the-abuse-of-economic-sanctions-is-undermining-the-use-of-financial-suasion/>

FATF Annual Report 2016-2017

<http://www.fatf-gafi.org/publications/fatfgeneral/documents/annual-report-2016-2017.html>

March 31, 2021: Money Laundering in Art and Antiquities and Corporate Secrecy issues

In this class, we will have an overview of the recent focus on trafficking in cultural artifacts and money laundering in art as a method to advance organized crime and terrorism. We will also provide updates on tax evasion, corporate secrecy and how beneficial ownership reporting is essential to combat these crimes

Materials:

Financial Exposure—chapters 5 and 6

<https://theantiquitiescoalition.org/developing-implementing-solutions/financial-crimes-task-force/>

<https://gijn.org/2020/10/02/what-were-reading-financial-crimes-in-the-us-art-market-wayback-weaponization-and-googles-1-billion-for-publishers/>

https://www.irs.gov/pub/irs-utl/2019_irs_criminal_investigation_annual_report.pdf

<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=nbi>

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>

April 7, 2021: **Human Trafficking, Smuggling and Financial Crime**

Introduction to human trafficking, impacts on society, and how bad actors are identified by law enforcement and financial institutions in regards to money laundering/integration into the financial system.

Discussion:

- Defining various aspects of financial footprints regarding trafficking
- Typologies and case studies
- FinCEN advice on reporting potential crimes

Materials:

- [Human Trafficking on Temporary Work Visas](#)
- [The Typology of Modern Slavery](#)
- [Prosecuted Labor Trafficking Cases in the United States](#) (2015)
- https://www.fincen.gov/sites/default/files/advisory/2020-10-15/Advisory%20Human%20Trafficking%20508%20FINAL_0.pdf
- file:///C:/Users/jbyrne/Documents/Exec%20Summary_AML%20Framework%20for%20Addressing%20ST%20Facilitated%20by%20CSA%20Sites_July%202020.pdf

April 14, 2021: **Use of SARS**

- SAR requirements and SAR/STR usefulness in investigations
- Crafting a narrative
- Case Studies

Materials:

FinCEN on SAR filings

<https://www.fincen.gov/sites/default/files/shared/TheNewFinCENSAR-RecordedPresentation.pdf>

SAR basics

https://www.fincen.gov/sites/default/files/shared/sar_tti_22.pdf#page=41

April 21, 2021: **Cybercrime – The New Frontier for AML Professionals**

- 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:

ACAMS cyber and cryptocurrency articles:

“Cybersecurity: Nation-State Actors, Encrypted Cybercrimes and Man-in-the-Middle Attacks”
<https://www.acamstoday.org/nation-state-actors-encrypted-cybercrimes-man-in-the-middle-attacks/>

“The Human Side of Cyber Risk”
<https://www.acamstoday.org/the-human-side-of-cyber-risk/>

“Cybersecurity: Indicators of Compromise”
<https://www.acamstoday.org/cybersecurity-indicators-of-compromise/>

“Combating Cyber Fraud in Correspondent Banking”
<https://www.acamstoday.org/combating-cyber-fraud-in-correspondent-banking/>

“Stemming the Flow of Cybercrime Payments”
<https://www.acamstoday.org/stemming-the-flow-of-cybercrime-payments/>

“Cybersecurity and BSA/AML”
<https://www.acamstoday.org/cybersecurity-and-bsaaml/>

“An offer you can’t refuse?”
<https://www.acamstoday.org/an-offer-you-cant-refuse/>

“The Blocktrain Has Left the Station”
<https://www.acamstoday.org/the-blocktrain-has-left-the-station/>

Advisory on Ransomware and the Use of the Financial System to Facilitate Ransom Payments
<https://www.fincen.gov/sites/default/files/advisory/2020-10-01/Advisory%20Ransomware%20FINAL%20508.pdf>

Advisory on Illicit Activity Involving Convertible Virtual Currency

<https://www.fincen.gov/sites/default/files/advisory/2019-05-10/FinCEN%20Advisory%20CVC%20FINAL%20508.pdf>

April 28, 2021: **Career Opportunities in the Anti-Money Laundering Field**

In this class, we will have several representatives from the financial sector, government agencies, and advisory firms discuss the various ways that those entities need staff to handle compliance, investigations, and related expertise in this ever-growing field.

SAMPLE