



OCC 2008-15
OCC BULLETIN

Comptroller of the Currency
Administrator of National Banks

Subject: **Bank Secrecy Act/Anti-Money Laundering**

Description: **Guidance to Financial Institutions on the Money Laundering Threat Involving the Republic of Uzbekistan**

Date: May 1, 2008

TO: Chief Executive Officers, BSA Officers, and Compliance Officers of All National Banks; Federal Branches and Agencies; Department and Division Heads; and All Examining Personnel.

On March 20, 2008, the Financial Crimes Enforcement Network (FinCEN) issued guidance informing banks and other financial institutions operating in the United States of serious deficiencies existing in the anti-money laundering systems of the Republic of Uzbekistan.

The guidance follows the February 28, 2008, statement issued by the Financial Action Task Force (FATF) on the developments in Uzbekistan that represent a significant vulnerability within the international financial system. Among other things, recent decrees issued by the Republic of Uzbekistan suspend the authority of Uzbekistan's financial intelligence unit to collect and analyze information on, and monitor, financial and property transactions; identify possible money laundering and terrorist financing mechanisms and channels; share information on identified crimes with law enforcement agencies for criminal prosecution; and cooperate and exchange information with foreign agencies and international organizations on anti-money laundering and combating the financing of terrorism (AML/CFT) issues based on international obligations and agreements of Uzbekistan.

The decrees also suspend reporting, programmatic, and customer identification/due diligence requirements for covered entities. Moreover, the decrees subject reports to secrecy legislation and call for the General Prosecutor to strengthen bank secrecy "to prevent interference with activities of banking and other credit organizations" (Presidential Decree No. PP-565, January 12, 2007). The most recent decree (No. PP-3968, February 20, 2008) prohibits financial institutions, law enforcement, and other supervising bodies from inquiring about the sources of cash deposits in any amount, upon threat of civil or criminal penalty.

31 CFR 103.176 requires covered financial institutions to apply due diligence to correspondent accounts maintained for foreign financial institutions. Under this regulation, covered financial institutions must establish due diligence programs that

include appropriate, specific, risk-based, and, where necessary, enhanced policies, procedures, and controls that are reasonably designed to detect and report known or suspected money-laundering activity conducted through or involving any correspondent account established, maintained, administered, or managed in the United States.

As a result of these actions, banks and other financial institutions operating in the United States should take into account, for increased due diligence, the risk arising from the deficiencies in Uzbekistan's AML/CFT regime.

/signed/

Ann F. Jaedicke
Deputy Comptroller for Compliance Policy

Attachment:

- FinCEN Guidance
[<http://www.fincen.gov/fin-2008-a004.pdf>]



Department of the Treasury Financial Crimes Enforcement Network

Advisory

FIN-2008-A004

Issued: March 20, 2008

**Subject: Guidance to Financial Institutions on the Money Laundering Threat
Involving the Republic of Uzbekistan**

The Financial Crimes Enforcement Network (FinCEN) is issuing this advisory to inform banks and other financial institutions operating in the United States of serious deficiencies in the anti-money laundering systems of the Republic of Uzbekistan. On February 28, 2008, the Financial Action Task Force (FATF) issued a statement on developments in Uzbekistan that represent a significant vulnerability within the international financial system. Recent actions taken by the Government of Uzbekistan have weakened the jurisdiction's anti-money laundering and combating the financing of terrorism (AML/CFT) regime. FATF thus called for financial institutions to take the risk arising from these deficiencies into account when performing due diligence.

The Government of Uzbekistan has taken a series of legal actions that undermine the jurisdiction's AML/CFT regime. Uzbekistan had made progress in addressing AML/CFT deficiencies by enacting an AML/CFT law that went into effect in January, 2006. However, the Government of Uzbekistan subsequently suspended implementation of the law through a series of decrees until January 1, 2013.

Among other things, the decrees suspend the authority of Uzbekistan's financial intelligence unit to collect and analyze information on, and monitor, financial and property transactions; identify possible money laundering and terrorist financing mechanisms and channels; share information on identified crimes with law enforcement agencies for criminal prosecution; and cooperate and exchange information with foreign agencies and international organizations on AML/CFT issues based on international obligations and agreements of Uzbekistan. The decrees also suspend reporting, programmatic, and customer identification/due diligence requirements for covered entities. Moreover, the decrees subject reports to secrecy legislation and call for the General Prosecutor to strengthen bank secrecy "to prevent interference with activities of banking and other credit organizations" (Presidential Decree No. PP-565, January 12, 2007). The most recent decree (No. PP-3968, February 20, 2008) prohibits financial institutions, law enforcement, and other supervising bodies from inquiring about the sources of cash deposits in any amount, upon threat of civil or criminal penalty.

As a result of these actions, banks and other financial institutions operating in the United States should take the risk arising from the deficiencies in Uzbekistan's AML/CFT regime into account for increased due diligence. 31 C.F.R. § 103.176 requires covered financial institutions to apply due diligence to correspondent accounts

maintained for foreign financial institutions. Under this regulation, covered financial institutions must establish due diligence programs that include appropriate, specific, risk-based, and, where necessary, enhanced policies, procedures, and controls that are reasonably designed to detect and report known or suspected money laundering activity conducted through or involving any correspondent account established, maintained, administered, or managed in the United States. In addition, consistent with the standard for reporting suspicious activity as provided for in 31 C.F.R. part 103, if a financial institution knows, suspects, or has reason to suspect that a transaction involves funds derived from illegal activity or that a customer has otherwise engaged in activities indicative of money laundering, terrorist financing, or other violation of federal law or regulation, the financial institution shall then file a Suspicious Activity Report.