

FIN-2018-A003

June 09, 2018

## Advisory on Human Rights Abuses Enabled by Corrupt Senior Foreign Political Figures and their Financial Facilitators

### This Advisory should be shared with:

- Chief Executive Officers
- Chief Operations Officers
- Chief Risk Officers
- Legal Departments
- Chief Compliance/BSA Officers
- Legal Departments
- AML Officials
- Sanctions Compliance Officials

The U.S. Department of the Treasury (Treasury) is committed to protecting both the U.S. and international financial systems, not only from those who engage in corruption and human rights abuses but also from those who facilitate such activities as well. High-level political corruption undermines democratic institutions and public trust, damages economic growth, and fosters a climate where financial crime and other forms of lawlessness can thrive. Corrupt senior foreign political figures and their subordinates and facilitators, through their corrupt actions, often contribute directly or indirectly to human rights abuses, which have a devastating impact on individual citizens and societies--undermining markets and economic development and creating instability in a region. The use of financial facilitators is one way that corrupt senior foreign political figures access the U.S. and international financial system to

move or hide illicit proceeds, evade U.S. and global sanctions, or otherwise engage in illegal activity, including related human rights abuses.

Treasury employs its unique tools, consistent with applicable authorities, to impose financial consequences on those who pillage the wealth and resources of their people, generate ill-gotten profits from corruption, cronyism, and other criminal activity, and engage in human rights abuses. These tools include the ability to sanction corrupt actors and human rights abusers around the world under an Executive Order implementing the Global Magnitsky Act of 2016,<sup>1</sup> taking enforcement action against financial facilitators of corrupt senior foreign political figures, as well as issuing advisories to financial institutions to help them identify, mitigate, and report on these risks. Treasury will also continue to partner with others that are active in this area, such as the U.S. Department of Justice, the Financial Action Task Force (FATF), civil society, and non-governmental organizations (NGOs) to identify, constrain, and deprive corrupt actors and those who support them access to financial systems.

1. See Executive Order 13818, "Blocking the Property of Persons Involved in Serious Human Rights Abuse and Corruption," December 20, 2017; see also [United States Sanctions Human Rights Abusers and Corrupt Actors across the Globe](#) December 21, 2017.

The Financial Crimes Enforcement Network (FinCEN) is issuing this advisory to U.S. financial institutions to highlight the connection between corrupt senior foreign political figures and their enabling of human rights abuses. The advisory describes a number of typologies used by them to access the U.S. financial system, obscure, and further their illicit activity. The advisory also provides red flags that may assist financial institutions in identifying the methods used by corrupt senior foreign political figures,<sup>2</sup> including the use of facilitators, to move and hide the proceeds of their corruption, which contribute directly or indirectly to human rights abuses or other illicit activity, through the U.S. financial system.

FinCEN will update these red flags and typologies as it continues investigating the methodologies associated with corrupt senior foreign political figures and their financial facilitators. This advisory also reminds U.S. financial institutions of their due diligence and suspicious activity report (SAR) filing obligations related to such corrupt senior foreign political figures and their financial facilitators.

## Targeted Financial Sanctions against Corruption and Human Rights Abuse

Treasury’s Office of Foreign Assets Control (OFAC) has a range of authorities to designate corrupt senior foreign political figures, human rights abusers and their financial facilitators. OFAC has numerous country sanction programs, including those for Venezuela, South Sudan, Iran, Russia, Syria, the Democratic Republic of the Congo (DRC), North Korea, and Somalia, that allow OFAC to broadly prohibit U.S. persons, including U.S. financial institutions, from engaging in transactions involving designated individuals and entities that have engaged in corruption, undermined democratic processes, or engaged in human rights abuse. All assets of the designated individuals and entities subject to U.S. jurisdiction are frozen and U.S. persons, including U.S. financial institutions, are prohibited from dealing with the designated person.<sup>3</sup>

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2. “The term ‘senior foreign political figure’ means a current or former senior official in the executive, legislative, administrative, military or judicial branches of a foreign government (whether elected or not); a senior official of a major foreign political party; or a senior executive of a foreign government-owned commercial enterprise; a corporation, business, or other entity that has been formed by, or for the benefit of, any such individual; an immediate family members of any such individual; and a person who is widely and publicly known (or is actually known by the relevant covered financial institution) to be a close associate of such individual. [31 CFR § 1010.605\(p\)](#). For the purposes of this definition, ‘senior official or executive’ means an individual with substantial authority over policy, operations, or the use of government-owned resources and ‘immediate family member’ means spouses, parents, siblings, children and a spouse’s parents and siblings.” [31 CFR § 1010.605\(p\)](#). See also generally [31 CFR § 1010.620](#). Note that the term ‘senior foreign political figure’ connotes a subset within the concept of “politically exposed persons” (PEPs). The term PEP is not included in FinCEN’s regulations and should not be confused with “senior foreign political figure.” In the United States, AML obligations with respect to PEPs collectively include 1) the specific enhanced due diligence obligations for private banking accounts that are established, maintained, administered, or managed in the United States for senior foreign political figures, and 2) the general due diligence procedures required for all politically exposed persons, incorporated into the institution’s anti-money laundering program as appropriate. See [SAR Activity Review Trends, Tips, and Issues: Issue 19 May 2011](#).
  3. See [OFAC Website, Sanctions Programs and Country Information](#).

The Global Magnitsky sanctions program provides Treasury with a powerful tool for targeting corrupt officials, human rights abusers, and corrupt actors and their facilitators, regardless of the country in which they reside or where they operate.<sup>4</sup> The Global Magnitsky Executive Order empowers OFAC to cut off from the U.S. financial system any person determined by the Secretary of the Treasury, in consultation with the Secretary of State and the Attorney General, for, among other things, engaging in human rights abuse, or engaging in corruption. The prohibitions of Global Magnitsky can extend to those who provide goods or services to such actors, including financial institutions.

## **Financial Action Task Force Initiatives and Recommendations Related to Politically Exposed Persons (PEPs)**

To address the financial risks associated with PEPs, the FATF issued Recommendation 12, which requires countries to ensure that financial institutions implement measures to prevent the misuse of the financial system by PEPs and to detect such potential abuse, if and when it occurs.<sup>5</sup> The FATF recommends that family members and close associates of PEPs should be considered PEPs because of the potential for abuse of the relationship for the purpose of moving the proceeds of crime, facilitating placement and disguise of the proceeds, as well as for terrorist financing purposes.<sup>6</sup>

In the United States, Recommendation 12 is implemented through FinCEN rules and guidance and complemented by supervisory expectations articulated in the Federal Financial Institutions Examination Council (FFIEC) BSA Examination Manual. Among other things, with regard to foreign PEPs, banks should exercise reasonable judgment in designing and implementing policies, procedures, and processes regarding foreign PEPs as a part of their anti-money laundering (AML) program. This could include obtaining risk-based due diligence information on PEPs, such as countries of residence of the accountholder(s) and beneficial owner(s) and the level of corruption and money laundering risk associated with those countries, source of wealth and funds, and information on immediate family members and close associates.<sup>7</sup>

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4. See Executive Order 13818, “Blocking the Property of Persons Involved in Serious Human Rights Abuse and Corruption,” December 21, 2017; see also [United States Sanctions Human Rights Abusers and Corrupt Actors across the Globe](#) December 21, 2017.

5. See [FATF Guidance: Politically Exposed Persons \(Recommendations 12 and 22\)](#) June 2013.

6. See [FATF Guidance: Politically Exposed Persons \(Recommendations 12 and 22\)](#) June 2013, page 13. FinCEN’s regulations similarly include family members and known close associates within the definition of senior foreign political figure. 31 CFR § 1010.605(p).

7. [31 CFR § 1010.620](#). See also FFIEC BSA Examination Manual, “Politically Exposed Persons - Overview,” 2015, page 87.

## How Corrupt Foreign PEPs and their Facilitators Access the U.S. Financial System

To further assist U.S. financial institutions' effort to insulate themselves from corruption and protect the U.S. financial system from foreign PEP facilitators' illicit use, this advisory highlights a number of typologies used by foreign PEP facilitators to access the U.S. financial system and to obscure and launder the illicit proceeds of high-level political corruption. Appendix 1 provides additional general case studies of financial facilitation methods.

For example, the typologies used by financial facilitators of corrupt PEPs may include the misappropriation of state assets, the use of shell companies, the exploitation of the real estate sector, or any combination of these typologies.

### Misappropriation of State Assets

Foreign corrupt PEPs, through their facilitators, may amass fortunes through the misappropriation of state assets and often exploit their own official positions to engage in narcotics trafficking, money laundering, embezzlement of state funds, and other corrupt activities.<sup>8</sup> Such PEPs may exploit corporations, including financial institutions that wish to do business with the government to redirect government resources for their own profit. For example, some PEPs have used offshore leasing companies to sell a commodity such as oil, and do so in a way that benefits particular PEPs (e.g., through the use of shell companies misleadingly named to give the appearance of being related to the government) instead of the government as a whole.<sup>9</sup>

### Use of Shell Companies

PEP facilitators commonly use shell companies to obfuscate ownership and mask the true source of the proceeds of corruption. Shell companies are typically non-publicly traded corporations or limited liability companies (LLCs) that have no physical presence beyond a mailing address and generate little to no independent economic value. Shell companies often are formed by individuals and businesses for legitimate purposes, such as to hold stock or assets of another business entity or to facilitate domestic and international currency trades, asset transfers, and corporate mergers. Financial institutions should refer to previously published materials from FinCEN to better understand risks associated with these entities.<sup>10</sup>

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8. See [Treasury Targets Influential Former Venezuelan Official and His Corruption Network](#) May 18, 2018.

9. See [United States Sanctions Human Rights Abusers and Corrupt Actors across the Globe](#) December 21, 2017.







10. See [FinCEN Guidance FIN-2006-G014 "Potential Money Laundering Risks Related to Shell Companies"](#) (November 2006) and SAR Activity Review Issues: [Issue 1](#) (Oct. 2000), [Issue 2](#) (June 2001), and [Issue 7](#) (Aug. 2004).

## Corruption in the Real Estate Sector

Real estate transactions and the real estate market have certain characteristics that make them vulnerable to abuse by illicit actors, including corrupt foreign PEPs or PEP facilitators. For example, many real estate transactions involve high-value assets, opaque entities, and processes that can limit transparency because of their complexity and diversity. In addition, the real estate market can be an attractive vehicle for laundering illicit gains because of the manner in which real estate appreciates in value, “cleans” large sums of money in a single transaction, and shields ill-gotten gains from market instability and exchange-rate fluctuations.<sup>11</sup> For these reasons and others, drug traffickers, corrupt officials, and other criminals have used real estate to conceal the existence and origins of their illicit funds.









### **Red Flags Related to Corrupt Foreign PEPs and their Facilitators**

The red flags noted below may help financial institutions identify suspected schemes that corrupt foreign PEPs and their facilitators may use. In applying the red flags below, financial institutions are advised that no single transactional red flag necessarily indicates suspicious activity. Financial institutions should consider additional indicators and the surrounding facts and circumstances, such as a customer’s historical financial activity and whether the customer exhibits multiple red flags, before determining that a transaction is suspicious. Financial institutions should also perform additional inquiries and investigations where appropriate.

-  Use of third parties when it is not normal business practice.
-  Use of third parties when it appears to shield the identity of a PEP.
-  Use of family members or close associates as legal owners.
-  Use of corporate vehicles (legal entities and legal arrangements) to obscure i) ownership, ii) involved industries, or iii) countries.
-  Declarations of information from PEPs that are inconsistent with other information, such as publicly available asset declarations and published official salaries.
-  The PEP or facilitator seeks to make use of the services of a financial institution or a designated non-financial business or profession (DNFBP)<sup>12</sup> that would normally not cater to foreign or high value clients.

11. See [Advisory to Financial Institutions and Real Estate Firms and Professionals](#) August 22, 2017.

12. See [FATF Guidance: Politically Exposed Persons \(Recommendations 12 and 22\)](#) June 2013. DNFBPs include real estate agents, dealers in precious metals, attorneys, accountants, and company formation agents.

-  The PEP or facilitator repeatedly moves funds to and from countries with which the PEP does not appear to have ties.
-  The PEP or facilitator has a substantial authority over or access to state assets and funds, policies, and operations.
-  The PEP or facilitator has an ownership interest in or otherwise controls the financial institution or DNFBP (either privately or ex officio) that is a counterparty or a correspondent in a transaction.
-  Transactions involving government contracts that are directed to companies that operate in an unrelated line of business (e.g., payments for construction projects directed to textile merchants).
-  Transactions involving government contracts that originate with, or are directed to, entities that are shell corporations, general “trading companies,” or companies that appear to lack a general business purpose.
-  Documents corroborating transactions involving government contracts (e.g., invoices) that include charges at substantially higher prices than market rates or that include overly simple documentation or lack traditional details (e.g., valuations for goods and services).
-  Payments involving government contracts that originate from third parties that are not official government entities (e.g., shell companies).
-  Transactions involving property or assets expropriated or otherwise taken over by corrupt regimes, including individual senior foreign officials or their cronies.

## **Reminder of Regulatory Obligations for U.S. Financial Institutions Regarding Senior Foreign Political Figures and Suspicious Activity Reporting**

Consistent with existing regulatory obligations, financial institutions should take reasonable, risk-based steps to identify and limit exposure they may have to funds and other assets associated with individuals and entities involved in laundering illicit proceeds, including the proceeds of foreign corruption. However, financial institutions are reminded that the bulk of PEPs are dedicated public servants and concerns over the criminal and corrupt conduct of some

should not be used as the basis to engage in wholesale or indiscriminate de-risking of any class of customers or financial institutions. FinCEN also reminds financial institutions of previous interagency guidance on providing services to foreign embassies, consulates, and missions.<sup>13</sup>

### **Due diligence obligations**

FinCEN is providing the information in this advisory to assist U.S. financial institutions in meeting their risk-based due diligence obligations to identify individuals providing financial facilitation for, or on behalf of, corrupt PEPs and to not knowingly or wittingly assist such individuals. Financial institutions should establish risk-based controls and procedures that include reasonable steps to ascertain the status of an individual as a foreign PEP and to conduct scrutiny of assets held by such individuals.<sup>14</sup> Financial institutions should assess the risk for laundering of the proceeds of public corruption associated with particular customers, products and services, countries, industries, and transactions.

As of May 11, 2018, FinCEN’s Customer Due Diligence (CDD) Rule requires banks; brokers or dealers in securities; mutual funds; and futures commission merchants and introducing brokers in commodities to identify and verify the identity of beneficial owners of legal entity customers, subject to certain exclusions and exemptions.<sup>15</sup> Among other things, this should facilitate the identification of legal entities that may be owned or controlled by PEPs.

### **Enhanced due diligence obligations for private banking accounts**

In addition to these general risk-based due diligence obligations, under section 312 of the USA PATRIOT Act (31 U.S.C. § 5318(i)) and its implementing regulations, U.S. financial institutions have regulatory obligations to implement a due diligence program for private banking accounts held for non-U.S. persons that is designed to detect and report any known or suspected money laundering or other suspicious activity.<sup>16</sup> This program must be designed to identify any such

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13. See Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Financial Crimes Enforcement Network, National Credit Union Administration, Office of the Comptroller of the Currency, and Office of Thrift Supervision, [“Interagency Advisory: Guidance on Accepting Accounts from Foreign Embassies, Consulates, and Missions,”](#) March 24, 2011 and Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Financial Crimes Enforcement Network, National Credit Union Administration, Office of the Comptroller of the Currency, and Office of Thrift Supervision, [“Interagency Advisory: Guidance on Accepting Accounts from Foreign Governments, Foreign Embassies, and Foreign Political Figures,”](#) June 15, 2004.
  14. See 31 C.F.R. § 1010.620(c) and *Guidance on Enhanced Scrutiny for Transactions that May Involve the Proceeds of Foreign Official Corruption* (Jan. 16, 2001). See also FFIEC BSA Examination Manual, “Politically Exposed Persons - Overview,” 2015, pages 290-293.
  15. See [Customer Due Diligence Requirements for Financial Institutions](#) May 11, 2016.
  16. See 31 CFR § 1010.620(a-b). The definition of “covered financial institution” is found in 31 CFR § 1010.605(e). The definition of “private banking account” is found in 31 CFR § 1010.605(m). The definition for the term “non-U.S. person” is found in 31 CFR § 1010.605(h).

account owned by, or on behalf of, a senior foreign political figure, and financial institutions are required to apply enhanced scrutiny to such accounts reasonably designed to detect and report transactions that may involve the proceeds of foreign corruption.<sup>17</sup>

### **General obligations for correspondent account due diligence and AML programs**

U.S. financial institutions also are reminded to comply with their general due diligence obligations under 31 CFR § 1010.610(a), in addition to their general AML program obligations under 31 U.S.C. § 5318(h) and its implementing regulations.<sup>18</sup> As required under 31 CFR § 1010.610(a), covered financial institutions should ensure that their due diligence programs, which address correspondent accounts maintained for foreign financial institutions, 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.

### **Suspicious activity reporting**

A financial institution may be required to file a SAR if it knows, suspects, or has reason to suspect a transaction conducted or attempted by, at, or through the financial institution involves funds derived from illegal activity, or attempts to disguise funds derived from illegal activity; is designed to evade regulations promulgated under the BSA; lacks a business or apparent lawful purpose; or involves the use of the financial institution to facilitate criminal activity, which may include foreign corruption.<sup>19</sup>

### **Additional SAR reporting guidance on senior foreign political figures**

In April 2008, FinCEN issued Guidance to assist financial institutions with reporting suspicious activity regarding proceeds of foreign corruption.<sup>20</sup> A related FinCEN SAR Activity Review, which focused on foreign political corruption, also discusses indicators of transactions that may be related to proceeds of foreign corruption.<sup>21</sup> Financial institutions may find this Guidance and the SAR Activity Review useful in assisting with suspicious activity monitoring and due diligence requirements related to senior foreign political figures.

17. See 31 CFR § 1010.620(c).

18. See 31 CFR § 1010.210 (referring to: Anti-money laundering programs).

19. See generally 31 CFR § 1020.320, 1021.320, 1022.320, 1023.320, 1024.320, 1025.320, 1026.320, 1029.320, and 1030.320.

20. See FinCEN Guidance FIN-2008-G005: "[Guidance to Financial Institutions on Filing Suspicious Activity Reports Regarding the Proceeds of Foreign Corruption](#)," April 2008.

21. See SAR Activity Review, Issue 19, [Focus: Foreign Political Corruption](#) May 2011, particularly pages 29-69.



## SAR filing instructions

When filing a SAR, financial institutions should provide all pertinent available information in the SAR form and narrative. FinCEN further requests that financial institutions **select SAR field 35(l) (Suspected Public/Private Corruption (Foreign)) and reference this advisory by including the key term:**

**“Financial Facilitator FIN-2018-A003”**

**in the SAR narrative and in SAR field 35(z) (Other Suspicious Activity-Other)** to indicate a connection between the suspicious activity being reported and the persons and activities highlighted in this advisory.

SAR reporting, in conjunction with effective implementation of due diligence requirements and OFAC obligations by financial institutions, has been crucial to identifying money laundering and other financial crimes associated with foreign and domestic political corruption. SAR reporting is consistently beneficial and critical to FinCEN and U.S. law enforcement analytical and investigative efforts, enforcement of U.S. sanctions, and the overall security and stability of the U.S. financial system.<sup>22</sup>

## For Further Information

Additional questions or comments regarding the contents of this advisory should be addressed to the FinCEN Resource Center at [FRC@fincen.gov](mailto:FRC@fincen.gov). *Financial institutions wanting to report suspicious transactions that may potentially relate to terrorist activity should call the Financial Institutions Toll-Free Hotline at (866) 556-3974 (7 days a week, 24 hours a day).* The purpose of the hotline is to expedite the delivery of this information to law enforcement. Financial institutions should immediately report any imminent threat to local-area law enforcement officials.

**FinCEN’s mission is to safeguard the financial system from illicit use and combat money laundering and promote national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities.**

22. See example case studies in SAR Activity Review, Issue 19, May 2011, beginning on page 25 and [Law Enforcement Case Examples](#).

## APPENDIX 1: Case Examples of Financial Facilitation Methods

This appendix includes general case examples which illustrate some of the methods used by financial facilitators.

### ***DRC: Use of Tax Haven Shell Companies by Financial Facilitator of DRC President to Move and Launder Stolen Mining Revenues***

On December 20, 2017, the President of the United States included Dan Gertler (Gertler) in the Annex to Executive Order (E.O.) 13818, “Blocking the Property of Persons Involved in Serious Human Rights Abuses and Corruption.” In an action simultaneous to E.O. 13818, OFAC designated 19 companies and one individual affiliated with Gertler.<sup>23</sup> Gertler is an international businessman and billionaire who has amassed hundreds of millions of dollars through opaque and corrupt shell company-facilitated mining and oil deals in the Democratic Republic of Congo (DRC), in part, by leveraging his close friendship with DRC President Joseph Kabila. Alongside Gertler’s designation, Treasury identified 19 entities owned or controlled by Gertler or his Gibraltar-registered Fleurette Properties Limited (Fleurette), which owns stakes in various Congolese mines through holding companies in offshore tax havens such as the British Virgin Islands (BVI) and the Cayman Islands. Of the companies Treasury designated, six are registered in the BVI and all known addresses correspond to P.O. Box mailing addresses, with multiple companies using the same addresses. Although Gertler does business more publicly through Fleurette, it is the names of these offshore companies that appear on contracts and agreements. The companies appear to have been created for a singular purpose and were rarely disclosed until said agreements had been completed.<sup>24</sup> Between 2010 and 2012 alone, the DRC reportedly lost over \$1.36 billion in revenues from the underpricing of mining assets that were sold to offshore companies linked to Gertler. In those instances, Gertler used his close friendship with Kabila to act as an intermediary for mining asset sales in the DRC, requiring some multinational companies to go through Gertler to do business with the Congolese state.<sup>25</sup>

### ***Iran: Treasury Targets Human Rights Abuses, Censorship, and Enhanced Monitoring by the Iranian Government***

On May 30, 2018, OFAC designated Ansar-e Hizballah pursuant to E.O. 13553 for being an official of the Government of Iran or a person acting on behalf of the Government of Iran (including members of paramilitary organizations) who is responsible for or complicit in, or

23. See Executive Order 13818, “Blocking the Property of Persons Involved in Serious Human Rights Abuse and Corruption,” December 20, 2017; see also [United States Sanctions Human Rights Abusers and Corrupt Actors across the Globe](#) December 21, 2017.

24. See [United States Sanctions Human Rights Abusers and Corrupt Actors across the Globe](#) December 21, 2017.

25. *Ibid.*

responsible for ordering, controlling, or otherwise directing, the commission of serious human rights abuses against persons in Iran or Iranian citizens or residents, or the family members of the foregoing.<sup>26</sup> Ansar-e Hizballah is an organization supported by the Iranian regime that is responsible for ordering, controlling, or otherwise directing, serious human rights abuses against the Iranian people. Ansar-e Hizballah has been involved in the violent suppression of Iranian citizens and has collaborated with the Basij Resistance Force to attack Iranian students with knives, tear gas, and electric batons. In addition, the U.S. Government has linked Ansar-e Hizballah to acid attacks against women in the city of Isfahan. Multiple women who were not dressed in accordance with the regime's standards had acid thrown at them, severely injuring them and creating a climate of fear. Abdolhamid Mohtasham, a founding member and key leader of the group, plays a significant role in overseeing the group's actions. He has threatened to use Ansar-e Hizballah to patrol Iranian streets and attack women whom he deems to be unvirtuous. Additionally, OFAC designated Hanista Programing Group, an entity that has operated information or communications technology that facilitates monitoring or tracking that could assist or enable serious human rights abuses by or on behalf of the Government of Iran. Hanista Programing Group is responsible for creating and distributing alternative versions of the popular messaging and social media application Telegram that facilitate the Iranian regime's monitoring and tracking of Iranian and international users. This monitoring and tracking functionality could assist or enable serious human rights abuses by the Government of Iran.

### ***The Gambia, Hizballah, and Iran: Laundering of Stolen Government Funds***

On May 17, 2018, OFAC designated Mohammad Ibrahim Bazzi (Bazzi) and Abdallah Safi-Al-Din as Specially Designated Global Terrorists (SDGTs) pursuant to E.O. 13224, which targets terrorists and those providing support to terrorists or acts of terrorism. Mohammad Ibrahim Bazzi, is a key Hizballah financier who provided Hizballah financial assistance for many years, including millions of dollars generated from his business activities. Bazzi was a close associate of Yahya Jammeh, the former President of The Gambia, whose administration was accused of many human rights abuses, including harsh and potentially life threatening prison conditions; arbitrary arrests; lack of accountability in cases involving violence against women, including rape and female genital mutilation/cutting; trafficking in persons; and child labor.<sup>27</sup> Jammeh personally, or through facilitators (such as Bazzi) acting under his instructions, directed the unlawful withdrawal of at least \$50 million of state funds from The Gambia. OFAC also designated that day five companies located in West Africa, Europe, and the Middle East for being owned or controlled by Mohammad Bazzi and another Specially Designated Global Terrorist.<sup>28</sup> According to Treasury, Bazzi operates or transacts in or through Belgium, Lebanon,

26. See [Treasury Targets Human Rights Abuses, Censorship, and Enhanced Monitoring by the Iranian Government](#) May 30, 2018.

27. "Annual Country Reports on Human Rights Practices" 2017 (aka the Human Rights Reports), United States Department of State, see background in link, <https://www.state.gov/documents/organization/277247.pdf>.

28. See [Treasury Targets Key Hizballah Financing Network and Iranian Conduit](#) May 17, 2018.

Iraq, and several countries in West Africa.<sup>29</sup> Bazzi also has business ties to the designated Ayman Joumaa Drug Trafficking and Money Laundering Organization. Between 2009 and 2010, Bazzi also worked with Abdallah Safi-Al-Din, Hizballah’s representative to Iran, and the Central Bank of Iran to expand banking access between Iran and Lebanon.<sup>30</sup> Bazzi maintains ties to Hizballah financiers Adham Tabaja and Ali Youssef Charara, who facilitate commercial investments on behalf of Hizballah.<sup>31</sup>

### ***Laundering of Embezzled Funds by Venezuelan Vice President and Financial Facilitator***

On May 18, 2018, OFAC designated Diosdado Cabello Rondón pursuant to E.O. 13692, for being a current or former official of the Government of Venezuela. Diosdado Cabello Rondón (Cabello) is the First-Vice President of the United Socialist Party of Venezuela (PSUV), the political party of Venezuelan President Nicolas Maduro Moros. Cabello is a former army lieutenant who forged a close link at the Venezuelan military academy with former, now-deceased Venezuelan President Hugo Chavez. Cabello has conducted a significant amount of illicit business with others, including Francisco Jose Rangel Gomez (Rangel Gomez), who reported to Cabello. Cabello, Rangel Gomez, and their associates laundered money from the embezzlement of Venezuelan state funds and their dealings with drug traffickers through leasing a series of apartment buildings and commercial shopping centers,<sup>32</sup> and also worked together to illegally access and exploit mines through a subsidiary of a state-owned Venezuelan conglomerate. Although the subsidiary was a legitimate business, Cabello and his associates had front men inside the company who facilitated the illegal extraction and export of natural resources. Venezuelan officials have also used state-owned enterprises to launder money intentionally, to include state-owned enterprises as a cover for drug trafficking and money laundering.<sup>33</sup> Cabello also maintained a relationship with a third party, known as his “testaferro,” who advised, assisted, and profited from Cabello’s corrupt profits and illegal proceeds. This front person laundered money for Venezuelan officials, like Cabello, by buying real estate in the United States and controlling U.S. companies that owned additional properties., and used a state-owned enterprise as cover for these operations.<sup>34</sup>

29. See [Treasury Targets Key Hizballah Financing Network and Iranian Conduit](#) May 17, 2018.

30. *Ibid.*

31. See [Treasury Sanctions Hizballah Financier and His Company](#) January 7, 2016.

32. See [Treasury Targets Influential Former Venezuelan Official and His Corruption](#) Network May 18, 2018.

33. *Ibid.*

34. *Ibid.*

## ***Misappropriation of State Assets into Legal Entities Controlled by Facilitators***

In 2014, the U.S. filed a civil forfeiture complaint seeking assets allegedly stolen from the government of Nigeria by dictator, General Sani Abacha, and various co-conspirators. The assets are allegedly linked to a scheme to embezzle money from the Nigerian Government during the 1990s and early 2000s through a number of schemes. In one alleged scheme, Abacha and his co-conspirators falsified numerous letters declaring national security emergencies requiring the disbursement of funds by the Central Bank. Through this procedure, the Central Bank disbursed funds worth over \$2 billion to Abacha and his associates, who then engaged in a series of complex transactions to transfer those funds to overseas accounts held by legal entities.<sup>35</sup>

## ***Corruption and Residential Real Estate***

A high-profile case illustrating money laundering risks in the real estate sector involves Teodoro Nguema Obiang Mangue, the Vice President of Equatorial Guinea, in which the U.S. Department of Justice filed a forfeiture complaint seeking forfeiture of over \$68 million in assets—including a \$30 million Malibu estate—associated with funds allegedly misappropriated from the Equatorial Guinean government. In laundering these funds in or through the United States from in or about 2006 through 2010, Obiang used several U.S. nominees to open shell accounts and banks accounts on his behalf while concealing from U.S. banks his ownership, control and association with these funds. The nominees identified included lawyers, and other employees of his. The assets purchased using the proceeds of this scheme included a 10-acre estate in Beverly Hills, a \$38 million jet aircraft, a Ferrari and several items of Michael Jackson memorabilia.<sup>36</sup>

FinCEN's analysis of Bank Secrecy Act (BSA) and other data, particularly data gathered through the use of FinCEN's recent Geographic Targeting Orders requiring the collection of beneficial ownership information of companies purchasing real estate in a number of markets in the U.S., indicates that high-value residential real estate markets are vulnerable to misuse by foreign and domestic criminal organizations and corrupt actors, especially those misusing otherwise legitimate limited liability companies or other legal entities to shield their identities.<sup>37</sup> In addition, when these transactions are conducted without any financing (e.g., "all-cash"), they mostly avoid traditional anti-money laundering measures adopted by lending financial institutions, presenting increased risk.

35. See [United States v. All Assets Held in Account Number 80020796, in the Name of Doraville Props. Corp., Case No. 1:13-cv-01832 \(D.D.C. Nov.18, 2013\)](#).

36. See [One Michael Jackson Signed Thriller Jacket, et al., No. CV-13-9169-GW-SS \(C.D. Cal. Oct. 10, 2014\)](#).

37. See [Advisory to Financial Institutions and Real Estate Firms and Professionals](#) August 22, 2017.