



# Department of the Treasury Financial Crimes Enforcement Network

## Guidance

### **FIN-2008-G005**

**Issued: April 17, 2008**

**Subject: Guidance to Financial Institutions on  
Filing Suspicious Activity Reports regarding  
the Proceeds of Foreign Corruption**

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The Financial Crimes Enforcement Network is issuing this guidance to financial institutions so that they may better assist law enforcement when filing Suspicious Activity Reports regarding financial transactions that may involve senior foreign political figures, acting individually or through government agencies and associated front companies, seeking to move the proceeds of foreign corruption to or through the U.S. financial system.

The term “senior foreign political figure” includes: a current or former senior official of a foreign government or of a major foreign political party; a current or former 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; the immediate family members of any such individual; and the widely and publicly, or actually, known close associates of any such individual.<sup>1</sup> The term “proceeds of foreign corruption” means any asset or property that is acquired by, through, or on behalf of such corrupt public figures through misappropriation, theft, or embezzlement of public funds, the unlawful conversion of property of a foreign government, or through acts of bribery or extortion, and includes any property into which any such assets have been transformed or converted.<sup>2</sup>

In order to assist law enforcement in its efforts to target foreign corruption and related money laundering and, ultimately, deny the perpetrators access to the fruits of such corruption – and, in particular, to ensure that transactions relating to foreign corruption are identified by law enforcement as early as possible – we request that financial institutions include the term “foreign corruption” in the narrative portions of all Suspicious Activity Reports filed in connection with such activity.

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<sup>1</sup> See 31 C.F.R. § 103.175(r).

<sup>2</sup> See 31 C.F.R. § 103.178(c)(2). Various illustrative red flags regarding transactions that may be related to the proceeds of foreign corruption are described in *Guidance on Enhanced Scrutiny for Transactions That May Involve the Proceeds of Foreign Official Corruption* (January 2001) issued by the U.S. Department of the Treasury, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the U.S. Department of State, <http://www.treas.gov/press/releases/docs/guidance.htm>.

As indicated in President George W. Bush's *National Strategy to Internationalize Efforts Against Kleptocracy*,<sup>3</sup> foreign corruption threatens important American interests globally, including security and stability, the rule of law and core democratic values, prosperity, and a level playing field for lawful business activities. Additionally, such corrupt practices contribute to the spread of organized crime and terrorism, undermine public trust in government, and destabilize entire communities and economies.

Accordingly, consistent with their anti-money laundering obligations pursuant to 31 C.F.R. part 103, financial institutions are reminded of the requirement to implement appropriate risk-based policies, procedures, and processes, including conducting customer due diligence on a risk-assessed basis to aid in the identification of potentially suspicious transactions.

Financial institutions are also reminded of their responsibilities regarding the provision of private banking services to non-U.S. persons pursuant to section 312 of the USA PATRIOT Act,<sup>4</sup> which requires banks, brokers or dealers in securities, futures commission merchants and introducing brokers in commodities, and mutual funds to establish and maintain a due diligence program for such private banking accounts that is reasonably designed to detect and report any known or suspected money laundering or other suspicious activity. Included in this requirement is the duty to conduct enhanced scrutiny of any private banking account that is maintained for senior foreign political figures in order to detect and report the proceeds of foreign corruption.

Additionally, 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 law or regulation, the financial institution should then file a Suspicious Activity Report. As we noted in our *SAR Narrative Guidance Package*,<sup>5</sup> financial institutions must provide a detailed description of the known or suspected criminal violation or suspicious activity in the narrative sections of Suspicious Activity Reports.

This guidance is consistent with the Department of the Treasury's efforts to ensure that U.S. financial institutions are not used as a conduit for laundering the proceeds of financial and other crimes, including corruption.

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<sup>3</sup> <http://www.whitehouse.gov/news/releases/2006/08/20060810.html>.

<sup>4</sup> 31 U.S.C. 5318(i); 31 C.F.R. § 103.178.

<sup>5</sup> [http://www.fincen.gov/narrativeguidance\\_webintro.html](http://www.fincen.gov/narrativeguidance_webintro.html).