

FATF



FATF REPORT

Money laundering and terrorist financing related to counterfeiting of currency

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FINANCIAL ACTION TASK FORCE

The Financial Action Task Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CFT) standard.

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ABBREVIATIONS

AML	Anti-Money Laundering
APG	Asia Pacific Group on Money Laundering
CCC	Currency Counterfeiting Convention
CCN	Counterfeit Currency Notes
CDD	Customer Due diligence
CFT	Combating financing of terrorism
DNFBP	Designated Non-Financial Business and Professions
EAG	Eurasian Group on Combating Money Laundering and Terrorist Financing
ECB	European Central Bank
EU	European Union
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
FSRB	FATF-Style Regional Bodies
GIABA	Inter-Governmental Action Group against Money Laundering in West Africa
LEA	Law enforcement authority
ML	Money Laundering
MVTS	Money and value transfer service
OC	Organised crime
OCG	Organised criminal group
OCTA	Organized Crime Threat Assessment
OECD	Organisation for Economic Co-operation and Development
TF	Terrorist Financing
UN	United Nations
UNODC	United Nations Office on Drugs and Crime
USSS	United States Secret Service

DEFINITIONS

Currency:

The CCC 1929 defines currency in Article 2 as “paper money (including banknotes) and metallic money, the circulation of which is legally authorized”.

Currency counterfeiting:

Article 3 of the CCC 1929 refers to “fraudulent making or altering of currency, whatever means are employed”.

League of Nations' Currency Counterfeiting Convention (CCC) 1929:

League of Nations International Convention for the Suppression of Counterfeiting Currency of 1929.

Money laundering:

The definition is provided in the Article 6 of the *UN Palermo Convention 2000*:

The conversion or transfer of property, knowing that such property is the proceeds of crime, for the purpose of concealing or disguising the illicit origin of the property or of helping any person who is involved in the commission of the predicate offence to evade the legal consequences of his or her action; The concealment or disguise of the true nature, source, location, disposition, movement or ownership of or rights with respect to property, knowing that such property is the proceeds of crime; Subject to the basic concepts of its legal system: The acquisition, possession or use of property, knowing, at the time of receipt, that such property is the proceeds of crime; Participation in, association with or conspiracy to commit, attempts to commit and aiding, abetting, facilitating and counselling the commission of any of the offences established in accordance with this article.

Money laundering offence:

“[R]efers not only to the primary offence or offences, but also to ancillary offences” (FATF, 2013: 119).

Organised criminal group:

Article 2 of the *UN Palermo Convention 2000* defines *organised criminal group* as being “a structured group of three or more persons, existing for a period of time and acting in concert with the aim of committing one or more serious crimes or offences established in accordance with this Convention, in order to obtain, directly or indirectly, a financial or other material benefit”.

UN Palermo Convention 2000

The United Nations Convention against Transnational Organized Crime 2000

Terrorist:

“Any natural person who: (i) commits, or attempts to commit, terrorist acts by any means, directly or indirectly, unlawfully and wilfully; (ii) participates as an accomplice in terrorist acts; (iii) organises or directs others to commit terrorist acts ; or (iv) contributes to the commission of

terrorist acts by a group of persons acting with a common purpose where the contribution is made intentionally and with the aim of furthering the terrorist act or with the knowledge of the intention of the group to commit a terrorist act”.¹

Terrorist act:

The FATF standards define terrorist act according to the *International Convention for the Suppression of the Financing of Terrorism* (1999). A terrorist act therefore includes:

(a) an act which constitutes an offence within the scope of, and as defined in one of the following treaties:

- (i) *Convention for the Suppression of Unlawful Seizure of Aircraft* (1970);
- (ii) *Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation* (1971);
- (iii) *Convention on the Prevention and Punishment of Crimes against Internationally Protected Persons, including Diplomatic Agents* (1973);
- (iv) *International Convention against the Taking of Hostages* (1979);
- (v) *Convention on the Physical Protection of Nuclear Material* (1980);
- (vi) *Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation, supplementary to the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation* (1988);
- (vii) *Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation* (2005);
- (viii) *Protocol for the Suppression of Unlawful Acts against the Safety of Fixed Platforms located on the Continental Shelf* (2005);
- (ix) *International Convention for the Suppression of Terrorist Bombings* (1997); and
- (x) *International Convention for the Suppression of the Financing of Terrorism* (1999).

(b) any other act intended to cause death or serious bodily injury to a civilian, or to any other person not taking an active part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel a Government or an international organisation to do or to abstain from doing any act¹.

Terrorist financing:

Refers to the financing of terrorist acts, and of terrorists and terrorist organisations (FATF glossary)¹.

Terrorist financing offence:

Refers not only to the primary offence or offences, but also to ancillary offences¹.

¹ FATF (2012), p. 122.

Terrorist organisation:

“Any group of terrorists that: (i) commits, or attempts to commit, terrorist acts by any means, directly or indirectly, unlawfully and wilfully; (ii) participates as an accomplice in terrorist acts; (iii) organises or directs others to commit terrorist acts; or (iv) contributes to the commission of terrorist acts by a group of persons acting with a common purpose where the contribution is made intentionally and with the aim of furthering the terrorist act or with the knowledge of the intention of the group to commit a terrorist act”.²

² FATF (2012), pp. 122-123.

EXECUTIVE SUMMARY

The counterfeiting of currency emerged as a violation of law at the same time that "money" became a standardised unit of exchange. From Sumerian coin shell money to metallic coins and finally the introduction of paper money, it has always been a high profit-generating crime for individuals and criminal groups alike. With the increased demand and its acceptance beyond local markets, ample opportunities arose for counterfeiters. Over time it has evolved into more serious forms and has been, and continues to be, used as a means of economic warfare.

FATF Recommendation 3 designates counterfeiting currency as a predicate offence for money laundering (ML). However, specific aspects linked with the offence of currency counterfeiting such as the production of counterfeit currency, its smuggling and placement into the financial system, and laundering of proceeds, have not been considered directly in typologies research to better understand the differences and similarities between counterfeiting as predicate offence and the related methods of laundering these proceeds. This research project provides an overview of these different aspects of counterfeiting of currency and focuses on its relation with organised crime (OC), ML and terrorist financing (TF). It identifies and describes ML and TF aspects associated with counterfeit currency. The findings of the report are based on general research in Open Sources, on expert knowledge, and were supported by the input from 25 countries (see Annex 1) who responded to a survey developed by the research team.

The counterfeiting of currency is a widespread phenomenon. While it should be relatively easy to detect counterfeit banknotes with the "feel-look-tilt" features that many physical currency notes possess, it has become increasingly difficult for some counterfeits to be identified, especially those printed by offset printing method and with innovative techniques used to imitate some of the security features. The seizure of "high quality" counterfeit currency notes (CCN) in multiple jurisdictions throughout the world appears to indicate the involvement of criminal groups operating internationally. Organised Criminal Groups (OCGs) based in one country have been found to be smuggling counterfeit currency of other countries. These criminal groups use their already existing infrastructure in terms of a covert network of smugglers and ML businesses to introduce counterfeit currency into the financial system to multiply their profits.

Research on the involvement of OC networks in the production and distribution of counterfeit money is readily available. However, reliable and public available information on TF by means of counterfeit money is comparatively rather scarce. Six of the countries responding to the survey reported the linkage of counterfeit currency with OC and TF: India, Kyrgyzstan, Nepal, Russia, Tajikistan and the United States. They also refer to links between OCG and terrorism, including TF and the use of counterfeit money as a means of economic warfare.

Counterfeiting has become attractive to terrorists and their sympathisers, as it is very profitable, particularly when comparing the associated risks to those of other forms of criminal activity such as trafficking in drugs. While OCGs carry out currency counterfeiting throughout the world as one of many criminal activities, currency counterfeiting for the purpose of financing terrorism is seen only in certain regions. Academic research suggests that terrorist organisations active in Europe, Asia, and Latin America, rely on common criminal activities such as extortion, kidnapping, narcotics

trafficking, counterfeiting and fraud, to finance their operations and even forge relationships with OCGs. The survey responses indicate that the nature, intensity and character of the nexus between currency counterfeiting and TF have not been a subject of serious scrutiny.

Counterfeiting has evolved from a mere criminal activity generating proceeds that are then also used to fund terrorism, into an activity intended to replace real currency. In certain instances, particularly during wartime, the infiltration of high-quality counterfeit notes has been used to attack the economy of a country in an effort to erode the faith in its currency.

Since the counterfeiting of currency has an international dimension, it also becomes imperative to move the proceeds across international borders. Furthermore, the very activity of trafficking counterfeit notes results in their introduction into the regular financial stream. In this respect, the methods for introduction of counterfeit notes into a financial system are very similar to those used for “placement” of illicitly generated proceeds by other types of criminal activity. This means that a large scale currency counterfeiting operation can only be called effective when the laundering of the criminal proceeds is effective too.

The survey indicates that the most frequently used method to move the proceeds of crime is the use of cash couriers. For layering and integration of proceeds of crime related to counterfeit currency, the most frequently used techniques are intermingling in cash-intensive business, movement through multiple jurisdictions, movement through multiple accounts and false or misleading declaration of goods and services.

This study sets out a series of red flag indicators, which will help identify ML techniques related to currency counterfeiting crimes. It also highlights areas for improvement in the co-operation between Law Enforcement Agencies (LEAs) and Financial Intelligence Units (FIUs).

Governments around the world periodically review the security features of their currencies to protect against the threat of counterfeiting. Financial institutions and Designated Non-Financial Businesses and Professions (DNFBPs) by virtue of handling large volumes of physical currency have to be particularly alert in ensuring action against counterfeiting within the financial system. To do this, they need to develop and implement preventive measures for the detection and reporting of counterfeit currency notes (CCN), as well as carry out training and awareness-raising.

Legal provisions criminalising the act of counterfeiting currency as well as laundering its illegal proceeds have been established in most jurisdictions. However, the responses to the survey appear to indicate that national legislation generally focuses more on the ML and/or TF activities – with currency counterfeiting by default as one of the predicate offences – rather than foreseeing specific ML/TF activity in counterfeit currency related provisions.

The legal provisions criminalising the act of counterfeiting currency focus on this activity per se, although counterfeiting currency remains a predicate offence to ML in the legislations of many countries. The responses to the survey indicate that there is generally very low focus on the ML and/or TF activities associated with this crime.

Armed with legal provisions, police and customs authorities play a very important role, especially in the conduct of intelligence-led operations and the seizure of counterfeit currency. Data from past

operations are collated to study emerging trends. Trends and intelligence gathered are used in profiling offenders and routes and in identifying possible *modi operandi*³.

The survey reveals that the national legislation in many countries permits special investigation techniques such as undercover/sting operations, intercepting communications, controlled delivery, tracing and recovery of assets, confidence buys to be used in counterfeiting investigations. However, the extent of the use of these techniques by LEAs is sometimes limited due to resources and restrictive laws, which consequently hinders effective cross-border co-operation.

Relevant international co-operation practices were also analysed as part of the study. In most countries, this international co-operation is dealt with by LEAs, very often in co-operation with central banks.

The first international legal instrument dealing with counterfeit currency is the *International Convention for the Suppression of Counterfeiting Currency* signed at Geneva on 20 April 1929 (CCC 1929). This convention is a specific, legal, international and binding instrument for fighting against currency counterfeiting. The *UN Convention against Transnational Organized Crime* which was adopted by General Assembly on 15 November 2000 is one of the main international legally binding instruments in the fight against cross-border OC.

INTERPOL provides technical and forensic support, and operational assistance to support member countries in addressing the problem of counterfeit currency. Of particular interest is the S-Print Project⁴, an international monitoring system on the security printing industry and suppliers, including the verification of second-hand *intaglio* machines, security printing equipment and suspicious purchase orders.

With regard to international co-operation, various impediments have been identified such as late or no responses to requests, or complicated and time-consuming procedures. The survey indicates that there is room for enhanced international co-operation.

The European Union's legal framework on the protection of the euro against counterfeiting can be seen as a "best practice" example with regard to co-operation at the regional level. EUROPOL acts as the *European Central Office* for combating euro counterfeiting within the meaning of Article 12 of the CCC 1929. Even before the euro was physically introduced as physical currency in (initially) 12 European Union (EU) member states in 2002, provisions had been made to protect it against counterfeiting. Those provisions have since been further developed and are complemented by a number of institutions responsible for the exchange of strategic, technical and operational information to support efficient cross-border co-operation. The European Commission's funding programme Pericles⁵, managed by its Anti-Fraud Office OLAF, has been established to take into account the international and multidisciplinary aspects of combating counterfeiting of the euro.

³ Reference is made to a study completed in 2013 commissioned by Europol and the Dutch National Bank that made for the first time an attempt to scientifically research the profile of a person that distributes counterfeit banknotes.

⁴ www.interpol.int/Crime-areas/Financial-crime/Counterfeit-currency-and-security-documents/Project-S-Print

⁵ http://ec.europa.eu/anti_fraud/euro-protection/training/index_en.htm

I. INTRODUCTION

The menace of counterfeit currency is a global phenomenon. Related criminal activity has the capability to generate high profits and is often linked to other types of criminal activities such as trafficking in drugs and racketeering. Currency counterfeiters continue to improvise and take advantage of new technologies to keep pace with regular periodical changes in currency design and security features.

The 2003 FATF Recommendations on ML and TF designated “counterfeiting currency” as one of the 20 predicate offences for ML. Although today counterfeiting currency is among the designated categories of offences as per FATF standards, the FATF has not yet considered it directly in a typology study in order to determine its nature, the scale of the problem, and the methods of laundering these proceeds. It is also unclear how, if at all, the techniques of placing counterfeit currency into the legal financial system differ from those used to launder non-counterfeit illicit cash proceeds. Furthermore, it is little understood how the counterfeiting of currency generates illicit (non-counterfeit) proceeds that must then be laundered.

1. SCOPE OF THE STUDY

Currency counterfeiting has various manifestations:

- Individuals producing counterfeit currency to be used for personal use.
- Criminal groups producing counterfeit currency as a profit-making activity in order to sell or resell it for illegal gain.
- The use of CCN for financing terrorist activities.
- States and/or terrorist groups using counterfeit currency as a means of economic warfare.

This project provides a short overview of these different manifestations but focuses on the second and third one, since it is these activities that are the determining factors related to ML and TF.

The study reflects the situation on counterfeit banknotes only.

2. AIMS OF THE STUDY

The goals of the FATF typologies research on counterfeiting of currency are:

- To identify and describe ML and TF methods associated with counterfeit currency;
- To compare the methods of placement of counterfeit currency with those of other criminal proceeds;
- To study the links of counterfeiting of currency to organised crime, TF and other criminal activity;

- To identify AML/CFT measures that are potentially useful in detection of counterfeiting of currency and associated to ML and/or TF;
- To identify red flag indicators for detection of suspicious transactions relating to counterfeit currency;
- To identify gaps in the legal framework and/or mismatches in the operational interaction of LEAs, customs and FIUs preventing successful investigation and prosecution of ML/TF arising from counterfeit currency.

3. METHODOLOGY

This study is based on two main types of sources of information. Primary information was gathered by means of: (1) survey questionnaires sent to FATF members and FATF-Style Regional Bodies (FSRBs); (2) several workshops run by the project team; and (3) opinions, experience and knowledge of experts related to subject matters such as currency counterfeiting, ML and TF. This primary information assisted the research team in establishing the general parameters of its work and in focusing its requests for further information. The views of experts were particularly helpful to uncover shortcomings in a highly specific field of this activity.

Secondary information was systematically developed, mainly from academic articles, and used to complement the survey responses received.

Due to the limited number of survey responses received (25 in total), the report does not present a complete picture for all countries of the world. Nevertheless the information collection process and the literature review suggest that while OC and TF related to counterfeiting of currency have, to a certain degree, attracted the attention of scholars, the ML aspect of counterfeiting of currency has not been a serious subject of research up to now. Information related to currency counterfeiting has often been treated under the more general offence of fraud or incorporated into articles related to other forms of criminal activity.

4. SCALE OF THE PROBLEM

Currency counterfeiting crimes can have a high impact on the political and economic system of one country as they are able to challenge the foundation of sovereignty. The involvement of OC and terrorist groups can pose a serious threat to national economies and global security.

Estimates for the proceeds generated by currency counterfeiting are rare, and the survey does not provide comprehensive figures. According to statistical data provided by LEAs and regional institutions of the Bank of Russia, the number of counterfeit notes detected in recent years has decreased⁶. Haken suggests that the amount of counterfeit US dollars and euros is not large in the general context of all currency in circulation and cites a US Secret Service (USSS) 2005 estimate of one counterfeit USD for every USD 12 400 out of USD 760 billion in circulation⁷. European Central Bank (ECB) statistics from 2010 indicate that more than 97% of counterfeit banknotes withdrawn

⁶ Krylov, O.V. (2012).

⁷ Haken, J (2011), p. 18.

from circulation in the second half of that year were in countries of the “Euro area”⁸. Seizures of counterfeit euro notes in EU countries outside the Euro area amounted to 1.5% with a similar seizure amount for countries outside the EU⁹. These figures need to be seen from the perspective that countries outside the EU are not obliged to report euro counterfeiting seizures to the ECB. The statistics¹⁰ also do not include counterfeit banknotes that were seized before they were put into circulation, *e.g.*, counterfeits seized in dismantled print-shops. On the other hand, in India there has been an increase in the recovery and seizures of counterfeit Indian currency by about 210% in 2011 as compared to 2009.

Another factor that makes estimates of proceeds of crime difficult is “dark figures”. The 2006 final report to the US Congress by the Secretary of the Treasury refers to the unlikelihood of large amounts of counterfeit US dollars circulating for a very long time before being detected, due to the way that US currency is used and moved. Collected data, input from currency dealers, information on currency flows and analysis of economic data, appear to indicate that US banknotes “are exchanged sufficiently often that they regularly move through financial institutions and exchange houses”¹¹. Counterfeit banknotes are thus more likely to be detected.

INTERPOL publishes yearly statistics for all counterfeit currency seizures that take place in 190 countries. Data from 100 Interpol members (see Annex 2) reveal that 3.27 million pieces of CCN representing 115 different currencies were detected in 2011:

- 98 countries out of the 100 countries reported that they detected/seized counterfeit national currency.
- On average, each country reported detection/seizure of 4.35 different types of currencies other than the national currency.
- Switzerland, followed by the United Kingdom; Hong Kong, China; and the Netherlands, were the top four countries in terms of different types of counterfeit currencies detected/seized in their jurisdiction.
- The US dollar, euro, pound sterling and Yuan renminbi were the top four currencies reported as counterfeited by other countries (see Chart 1);

⁸ The “Euro area” includes those the EU members whose currency is the euro and in which a single monetary policy is conducted under the responsibility of the Governing Council of the ECB. In 2013, it comprised Belgium, Germany, Greece, Spain, Estonia, Ireland, France, Italy, Cyprus, Luxembourg, Malta, the Netherlands, Austria, Portugal, Slovenia, Slovakia and Finland.

Source: www.ecb.int/home/glossary/html/glosse.en.html, retrieved 7 May 2013.

⁹ Europol (2011a), p. 34.

¹⁰ ECB (2013).

¹¹ US Treasury Department (2006), p.X.

Chart 1. Top 10 currencies reported as counterfeit by different countries

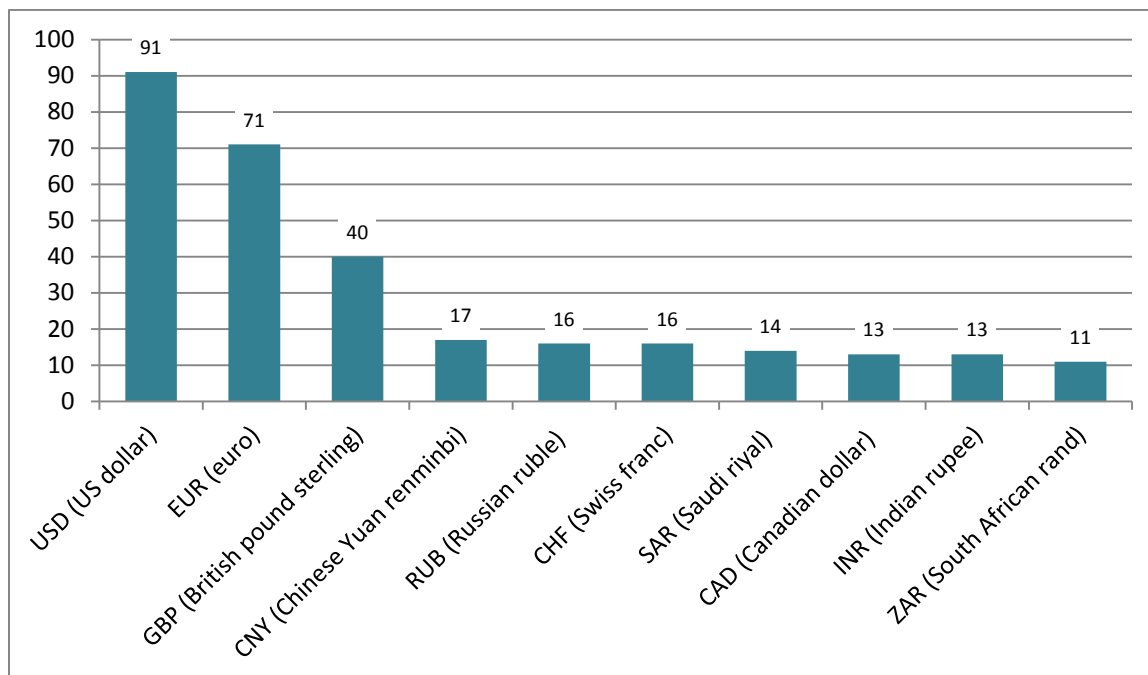
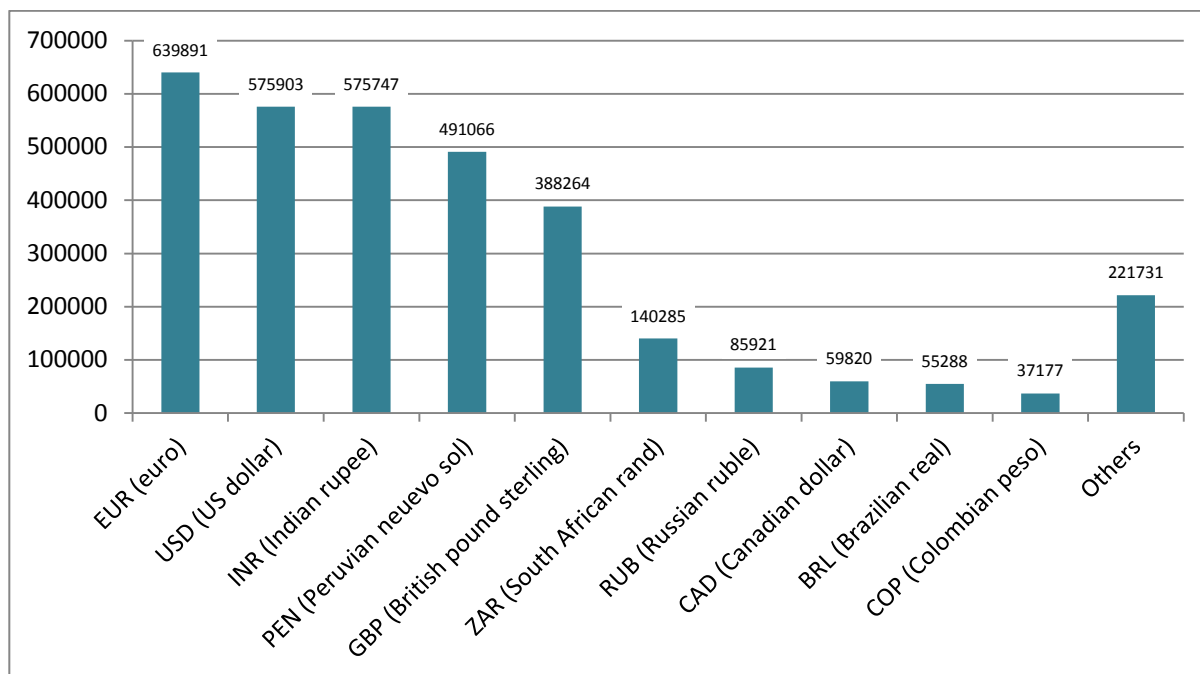
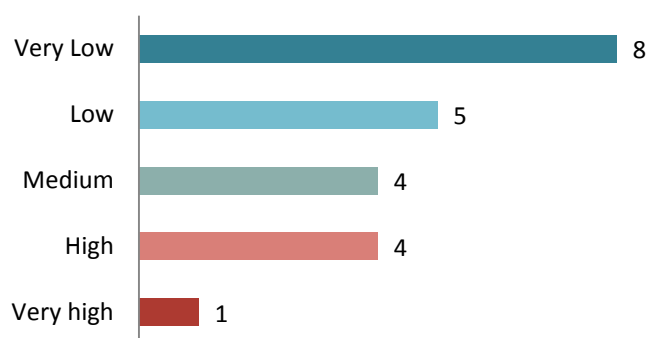


Chart 2. Top 10 currencies in terms of number of notes reported as counterfeit by different countries



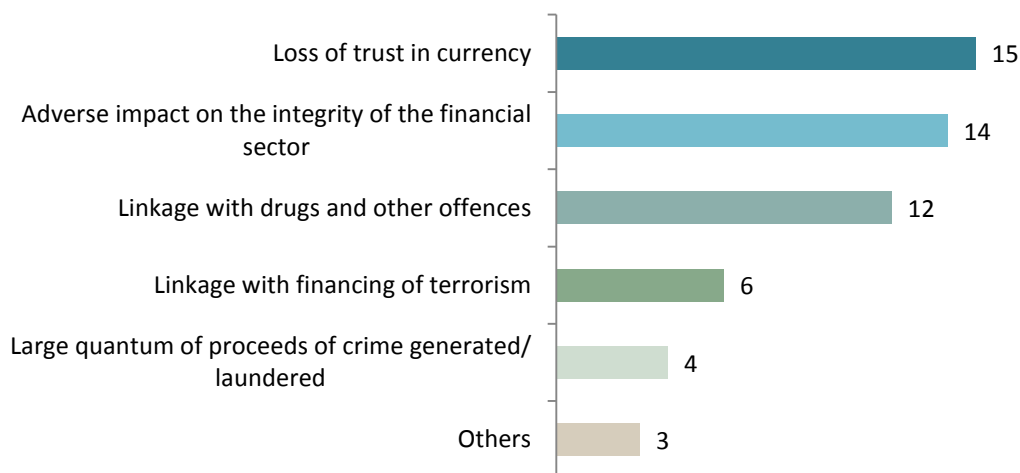
The threat from counterfeiting of currency was assessed by the responding countries on a range from “very high” to “very low”. Thirteen countries evaluated the threat from currency counterfeiting as “low” to “very low”. Five countries responded the threat as “high” to “very high” while four countries claimed the threat is “medium”.

Chart 3. **Threat rating for counterfeiting of currency**
Option selected by number of countries



When asked to identify the factors underlying the threat from currency counterfeiting, respondents referred to the “loss of trust in the currency system” followed by the “adverse impact on the integrity of the financial sector” rather than the “financial loss” one faces by “accepting” a counterfeit or the actual financial damage which is in fact compared to other forms of criminal activity quite small (for more information see Chart 4).

Chart 4. **Factors underlying the threat assessment of counterfeiting of currency**



The technology revolution in the cyberspace-age makes equipment necessary for the production of counterfeit money cheap, easy to purchase and to operate. "The advent of desktop publishing, colour printers, and photocopiers means that currency counterfeiting is no longer the exclusive domain of lithograph experts with expensive offset printers. As such, a greater number of amateurs can produce larger numbers of bogus bills"¹². Essentially, everyone with basic computer skills, access to a PC, a scanner and a printer has the potential to become a counterfeiter. However, the success of introducing counterfeit notes into legal circulation very much depends on the quality of the product. Public awareness sessions by the private banking sector in co-operation with LEAs and

¹² Schneider, S. (2002), p. 21.

central banks increased the public's attention and contributed to a reduction in counterfeit products.

Regarding the preferred currency for counterfeiting, the above mentioned report from the US Treasury Department concludes, "as much as 60 percent of genuine [US] currency is likely held abroad"¹³. Nevertheless, since the introduction of the physical euro as official means of payment in 2002, this new currency has rapidly become the second-most-traded currency in the world and in certain cases may even eventually displace the US dollar.¹⁴ Furthermore, the Euro area is expected to continue to grow in the future. The 2011 Europol Organised Crime Threat Assessment (OCTA) suggests that OCGs both inside and outside Europe will continue to target the euro for its counterfeiting activities¹⁵. With the internationalisation and broad acceptance of the euro, citizens of the Euro area have come to realise that they can exchange the euro as easily as they did before with the US dollar and might even find it more convenient¹⁶. The Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) suggests that when the full convertibility to one of the major global currencies is guaranteed, this factor contributes to the motivation of OCGs to produce counterfeits in those currencies¹⁷.

¹³ US Treasury Department (2006), p.42.

¹⁴ US Treasury Department (2006).

¹⁵ Europol (2011a), p. 34.

¹⁶ US Treasury Department (2006).

¹⁷ GIABA (2010), p. 69.

II. THE COUNTERFEITING OF CURRENCY AND ITS RELATION TO OC, ML, AND TF

1. TECHNIQUES USED IN THE PROCESS OF PRINTING AND CIRCULATION OF CCN

Counterfeiters can be classified into three categories: (1) amateurs; (2) semi-professionals; and (3) professionals. Amateur counterfeiters are people who have no or poor knowledge of graphic arts and who utilise commercially available means. Semi-professional counterfeiters have some knowledge in graphic arts and use commercially available means. Professional counterfeiters are individuals with expert knowledge in printing and who use professional printing equipment to make CCN. Counterfeiters can act alone or as part of a group.

The number of perpetrators who act alone seems to be high, but the damage they cause is marginal since the area of distribution is mostly local. One of the reasons lies in the motives for carrying out such activity. For example, the individual acting alone may be short of money due to unemployment. The counterfeiting activity serves to generate funds that can be used to replace loss of income and thus to purchase needed or luxurious goods. Such individuals are both producer and distributor. They do not have to share their knowledge with others and they do not run the risk of getting compromised by infiltrated informants or undercover agents. On the other hand, they normally do not have access to a large distribution network. Their profits are thus relatively small, although they may still run the risk to attract attention from law enforcement.

Intensive currency counterfeiting activity is mostly carried out by OCGs. These OCGs range from small, domestic groups to substantial, international groups of criminals involved in the printing and/or the circulation of CCN as a profit-making activity.

The two main techniques of production of CCN used by counterfeiters are (1) printing by offset and by (2) digital graphic chain. The traditional method of the offset production is similar to the one used for the printing of newspapers, tax labels or stamps. To use an offset press, specific know-how is needed and these machines are not easy to find on the (second-hand) market. On the other hand, the digital graphic chain production simply requires a basic hardware consisting of a computer, a scanner, a laser/inkjet printer or a colour copying machine, an image processing software and some commercial paper. The offset and the digital graphic chain techniques relate to the visual of the counterfeit banknotes. Others diversified techniques are complementary used to counterfeit the security features of the banknotes.

In the chain of CCN (from the printing to circulation), there are several different operators especially when it comes to the involvement of OCGs:

- the printer(s),
- the distributors,
- the retailers, and
- the "mules" who are the last ones in the distribution chain causing the actual financial damage.

Each of them has a specific role to play. It is difficult to estimate the proceeds of crime generated by each of them, because there is a shortage of comprehensive information available on the complete working of various layers of the OCG. Currency counterfeiting occurs more often at times when new currencies are issued, taking advantage of the usually poor knowledge amongst the public about the look and feel of new banknotes. The crime of counterfeiting of currency has become international in character. The perception that working in groups decreases the risk and increases global reach motivates these OCGs which are driven by profit, to work very efficiently. The diversity in background or ethnicity of the individual group members does not seem to affect the group's efficiency.

2. COUNTERFEIT CURRENCY AND OC

A. THE INTERNATIONAL/GLOBAL DIMENSION OF OC CURRENCY COUNTERFEITING

The connection between currency counterfeiting and transnational organised criminal groups is also reflected by the fact that the majority of high-quality counterfeit US dollars appear to be produced by counterfeiters with origins in Colombia, Peru, Israel, the Russian Caucasus region and the western Africa region: the regions known to have the presence of such organised criminal groups. Similarly, the euro is also counterfeited outside Europe.

The majority of survey responses indicate that there are no domestic OCGs involved in printing and/or circulation of counterfeit currency as a profit-making activity. The main problem is caused by international OCGs operating in their respective national/territorial jurisdiction. Members of an OCG that is running an illegal print-shop usually avoid distributing their "products" in the same country where the print-shop is located. OCGs that operate in countries with a currency as legal tender that is only accepted in that jurisdiction often turn to the production of foreign currencies with an international distribution dimension such as the US dollar or the euro to dissimulate that they are distributing CCN within the target country and for the purpose of widening the scope of distribution to other countries in order to gain more profits. In the survey eight countries replied that there is counterfeit foreign currency in circulation in their jurisdiction while five stated that counterfeit national currency is printed abroad. This is supported by INTERPOL statistics and case studies such as the one reported by Hong Kong, China, about a seizure in February 2012 of counterfeit Indian Rupees found concealed in a shipping consignment from Pakistan via Hong Kong, China, to Nepal¹⁸.

Europol's OCTA states that within Europe, Italy and Bulgaria "are among the foremost countries for counterfeit currency production sites"¹⁹. With regard to the counterfeiting of USD "Bulgaria was a country of concern because of the growth of organised crime in south-eastern Europe"²⁰. This picture began to change in 2002 when the euro was introduced. Since then "both production and trafficking of counterfeit U.S. banknotes have declined sharply"²¹. Indeed the introduction of the

¹⁸ Retrieved from the response of Hong Kong to the questionnaire.

¹⁹ Europol, 2011a, p. 34.

²⁰ US Treasury Department, 2006, p. 60.

²¹ US Treasury Department, 2006, p. 60.

Euro was consecutively followed by numerous print-shops dismantled in Bulgaria. A 2012 report of the European Commission claims that "structures of organised crime were disrupted, with a positive impact curbing prostitution, human trafficking and counterfeiting"²². "Bulgarian producers cooperate mainly with Bulgarian, Lithuanian, Turkish, Romanian and Albanian criminal groups to circulate banknotes"²³.

Belgium reported in their responses to the questionnaire that Italian nationals and those of West African origin living in certain Belgian cities are exclusively distributing counterfeits coming from Italy²⁴.

The war in the area of former Yugoslavia with economic blockades, the presence of weak states in the post-war context, the sometimes legal vacuum, and the coexistence of several OCGs, provided a favourable environment for OC. These preconditions mixed with the geographical location (being the link between Asia and the Mediterranean Sea for the trafficking of illicit commodities to and from the EU), allowed the Western Balkans to become a hub for international OC inter alia involved in currency counterfeiting crimes. Illegal euro print-shops dismantled in Bosnia and Herzegovina and Serbia with existing networks to and in EU member states reflect their specialisation and sophistication in this activity.

Chechen militants have been identified as the primary distributors of counterfeit US dollars and Russian ruble in Russia. Russian OCGs are reported to have consolidated their presence among Albanian, Chinese and Nigerian OCGs in northern and central Italy. By means of laundering the criminal proceeds Russian OCGs have acquired property in tourism and leisure industries and spread their activities in other serious crimes such as , trafficking of arms or synthetic narcotics and trafficking in human beings.²⁵

Counterfeit currency and the profit derived therefrom have been used to finance extremist and terrorist activities in North Caucasus²⁶. Russian ruble, US dollar and euro are also imported by the OCGs into Russia from Georgia, Kazakhstan, Israel, Eastern Europe and some countries of the EU²⁷. The Russian LEAs are reported to have actively suppressed the activity of OCGs associated with the production and distribution of counterfeit money.

Turkish/Kurdish OCGs, apart from being involved in currency counterfeiting, are also involved in drug and human trafficking, production of illegal documents, smuggling, blackmail and extortion; and also in ML by investing the proceeds of the crime in legal businesses²⁸.

Similarly, Chinese OCGs, commonly known as "Black Society Groups" are involved in migrant smuggling, drug trafficking, smuggling, including arms smuggling, apart from counterfeiting of

²² European Commission (2012b), p. 31.

²³ Europol (2011a), p. 35.

²⁴ Retrieved from one of the two Belgium responses to the questionnaire.

²⁵ Berry, L. *et al.* (2003), p.73.

²⁶ Krylov, O.V. (2012).

²⁷ Krylov, O.V. (2012).

²⁸ Shanty, F. (2008), p. 467.

currency²⁹. Europol's OCTA also suggests that for the production of counterfeit euro Eastern Asia "plays an increasing role in the supply of raw material and equipment"³⁰.

In India, the problem of counterfeit currency has domestic as well as international dimensions. The high-quality counterfeit Indian currency notes, however, invariably have strong international linkages. The involvement of OCGs based in the neighbouring countries is clearly seen by the Indian LEAs. Evidence with Indian LEAs indicate that high-quality counterfeit Indian notes are printed in Pakistan and then smuggled into India through transit points at Dhaka, Bangladesh, Sri Lanka, UAE and Bangkok. The other route to smuggle and pump the counterfeit Indian rupees is by smuggling through the India-Pakistan border and India-Nepal borders.

OC and OC networks of transnational character have also seriously affected Western-African countries by criminal activities such as drugs and human trafficking, smuggling, ML, terrorism and currency counterfeiting with the scale of their activities posing a serious threat to institutional development in this area. GIABA claims that "[c]ounterfeiting in the region has the capacity to generate very large quantities of illicit funds, and in its most extreme forms, to de-stabilise and weaken local currency"³¹. Between June 2008 and June 2009 the total value of counterfeit notes seized in Nigeria was 1.3 billion principally in US dollars, but also in other currencies such as the euro, Pound sterling, Canadian dollar and Nigerian naira³².

In Canada, the OCGs "have adapted their structure to facilitate the production and distribution of counterfeit currency"³³. According to the RCMP³⁴, these groups operate both domestically and internationally. The major cities, where they are generally based, provide them with anonymity and the market for their product. They are also involved in forged payment cards, weapons, drugs, stolen vehicles and forged identity documents.

In the US counterfeit currency is one of the crimes in which a number of OCGs are involved. Some of these OCGs are also involved in other illegal activities such as gambling, extortion, robbery, drug trafficking, trafficking in human beings and ML. During the Financial Year 2011 the USSS "recovered USD 154.7 million in passed and seized counterfeit currency, arresting 2 471 individuals domestically and 386 suspects in foreign countries for counterfeiting offenses"³⁵.

Europol's OCTA suggests that "the euro continues to be a target for organised crime groups active in the forgery of money, not only in Europe but also in other regions of the world such as South America"³⁶. Colombia "has historically been one of the largest producers of counterfeit [US] currency"³⁷ and "has been the chief supplier of counterfeit notes to the [US] market"³⁸. In Financial

²⁹ Zhang, X. (2001), p. 69.

³⁰ Europol (2011a), p. 34.

³¹ GIABA (2010), p. 68.

³² GIABA (2010), pp. 68-69.

³³ RCMP (2007), p. 14.

³⁴ RCMP (2007).

³⁵ USSS (2011), p. 4.

³⁶ Europol (2011a), p.34.

³⁷ USSS (2011), p. 35.

Year 2011 "more than \$ [USD]4.1 million Colombian-originated counterfeit was passed within the United States. This accounts for five percent of the total dollar amount of counterfeit passed domestically"³⁹.

Apart from the global market, the so called "temporary criminal markets" are of special interest. They work on the fact that counterfeit currency distributors often circulate their products in tourist areas and during special events (*e.g.*, in major sports events like the Olympic Games or World Championships). Experience has shown that the distribution of certain kinds of counterfeits is linked to an event where the suspected country of production is represented by a sport team. Distributors of counterfeits find favourable conditions, such as unfamiliarity with the design and security features of foreign banknotes, fast handling of cash transaction because of long queues of spectators, etc.

In the process of the enlargement of the Euro area it has also been seen in some instances that OCGs took the opportunity to produce and introduce counterfeit euro banknotes in the transition period when the level of confusion is high.

B. STRUCTURE WITHIN OCGS INVOLVED IN CURRENCY COUNTERFEITING

Generally, the OCGs that are involved in currency counterfeiting "are characterised by their rigid organisation, with a strict distribution of tasks to cells operating independently in order to minimise risk"⁴⁰ to the persons at the upper echelons of the criminal organisation and the production source. Evidence suggests that these OCGs strictly separate the production from the distribution site. The hierarchy within the organisation is commonly referred to as a "pyramid-like structure".

The pyramid-like construction makes it inherently difficult for LEAs to tackle the criminal organisation and to locate the illegal production facilities. The ones most likely to be caught by the police are those that actually cause the damage by distributing counterfeit currency to ordinary and unsuspecting citizens. Low-level distributors are recruited in a random way, most of them young people looking for quick profits (especially when compared to their national salary). In addition, this field of criminal activity usually has only low priority for LEAs compared to higher priority activity such as trafficking in human beings, drugs trafficking or cybercrime.

It seems that only very few OCGs exclusively deal with currency counterfeiting. These groups attempt to work independently; however, they must exist alongside and compete with other well-established OCGs. These independent OCGs try to establish their own criminal networks, which are usually operated by low profile and inexperienced criminals. The structure of these groups is normally not characterised by rigorous internal rules which make the whole network porous, weak and susceptible to infiltration. The weakness of these OCGs reflects their overall resources and skills not only in negotiating and distribution of CCN but also in producing them. The CCNs of such groups are often of poor quality, and their members are constantly running out of money and thus become easily susceptible to disloyalty.

³⁸ US Treasury Department (2006), p. 60.

³⁹ USSS (2011), p. 35.

⁴⁰ Europol (2011a), p.34

Typically, the evolution of a criminal group into a criminal network, where independent groups are brought together by so-called facilitators, results when the criminal co-operation is based on mutual benefits to all of the groups involved. OCGs use their illegal print shops not only for the purpose of counterfeiting money but also for gaining other profits, *e.g.*, forging tax stamps or tax labels, forging payment cards, or by facilitating their criminal activities with the production of forged documents. The operations of OCGs also cross ethnic dividing lines. They co-operate without regard to nationality; their main incentive is profit.

The real threat comes from criminal groups sponsored or financed by well-established OCGs. Though there is very little information regarding the top level of these organisations, it can be stated that it involves powerful criminals who are in control of large "mafia-style" organisations for whom counterfeiting is only one of the activities which contributes to the overall profit. "In Italy, the production and transnational distribution of counterfeit money is often tolerated, and in some cases orchestrated, by mafia-type organisations such as the Camorra in the Neapolitan region"⁴¹.

Frequently OCGs involved in currency counterfeiting activity are a branch of criminal activity or part of bigger criminal networks engaging in all kinds of illicit activities. Those groups and all branches within can rely on long-existing, reliable and well working facilitating networks. It is also seen that groups overlap; for example, drugs traffickers use currency counterfeiting channels and vice versa. A significant characteristic of these groups is their ability to adapt: if one branch is disrupted, another branch takes over the activity within a very short period of time. The fact that most of the criminals arrested have criminal records for a wide variety of criminal activities supports the theory that counterfeiting activities are only part of the entire criminal business of these organisations.

As for the links of currency counterfeiting to other forms of criminal activity, the majority of survey responses from FATF members refer to illicit trafficking in narcotic drugs and psychotropic substances (11), followed by participation in an OCG and racketeering (9), smuggling (4), trafficking in human beings and migrant smuggling (4), small-scale and street-level deception cases committed by individual criminals (1), and illicit arms trafficking (1). The fact that currency counterfeiting activity comes almost always along with other criminal activity is also strongly supported by the various case studies received.

Box 1. Seizure of counterfeit currency with arms and drugs

The Border Guarding Force along with the Police intercepted five individuals on the border, from whom following were seized, 11 kilograms of heroin, one Beretta pistol along with eight live cartridges, and high-quality counterfeit Indian currency notes having face value of INR 500 000. Investigation has revealed that these persons are smugglers with international connections and had received these contraband goods from their accomplice from across India's western border. The accused have been charged under various provisions of Narcotics Drugs and Psychotropic Substances Act, Arms Act and Indian Penal Code.

Source: India and presented in the FATF/GIABA joint experts' meeting on ML and TF Typologies, Dakar, Senegal, 26-28 November 2012

⁴¹ Europol (2011a^o), p. 35

Box 2. Seizure of Counterfeit printing facility with counterfeit US dollars and drugs

On 17 February 2012, the Dominican Republic National Drug Control Agency (NDCA) contacted the Secret Service San Juan Resident Office requesting assistance regarding a counterfeit US currency investigation. The investigation was initiated based on information provided by a reliable confidential informant.

The NDCA gathered additional intelligence through surveillance operations and other investigative techniques identifying that a residence in Mata San Juan, Dominican Republic, possibly contained 500 kilos of cocaine. The NDCA executed a search warrant revealing two suspects and an offset printing press. A search disclosed negatives containing images of USD 100 currency, paper similar to genuine money, jars of ink and USD 2.6 million in counterfeit currency. San Juan agents conducted a check of the Secret Service Counterfeit Tracking Application identifying the notes as being of record under Circular - 24806. Based on the passing history of this circular, agents believe that C-24806 is manufactured in the Dominican Republic. On 17 February 2012, two suspects were arrested under Dominican Republic law for fraud and distribution of counterfeit currency. This case is continued pending further investigation and judicial action

Source: USSS (2012).

C. TECHNOLOGY, SPECIALISATION AND THE USE OF LEGITIMATE BUSINESS STRUCTURES

The activities of some OCGs involved in printing, circulating, smuggling and distributing of CCN have a high level of sophistication which cannot be attained by ordinary criminals, such as comprehensive and covert distribution channels, transnational operations, high volumes of CCN and the use of logistics of highly sophisticated ML networks.

The production of CCN is not only restricted to illegal laboratories. The owners and employees of legitimate printing firms have also been detected in this illicit activity⁴². Legal print shops have been, and certainly continue to be, used to counterfeit currency. In some cases, the owner was aware of this, while in others, employees were on the payroll of a criminal organisation without the knowledge of the owner.

Box 3. Euro counterfeiting case

Spanish authorities, working with Europol, dismantled a criminal group responsible for drug trafficking and distributing more than two million counterfeit euros in 20 EU countries. In total 25 people from the criminal group were arrested. This criminal group had been under investigation by the Spanish National Police since 2010, for drug trafficking and euro counterfeiting. In June 2011, Spanish authorities dismantled the first part of the criminal network when they seized 1 018 tonnes of cannabis and arrested 11 suspects. The investigations nevertheless continued, and focused on euro counterfeiting. Europol played an important role in

⁴² Europol (2011a), p.34

the operation, as the European central office for the protection of the euro, by coordinating investigations among the countries affected by the activities of the counterfeiters. The main counterfeiter was the owner of a canned food distribution company, where the clandestine print shop was found. He used the company as a cover for the illicit print shop, where 50 EUR notes were printed. The criminal group also imported fake 20, 50 and 100 EUR notes from criminal counterparts in Italy for further distribution around Europe.

In this part of the operation, 9 search warrants were carried out in different Spanish cities, 14 suspects were arrested and EUR 1.5 million in counterfeit banknotes were seized, as well as materials for the mass production of more counterfeit euro notes. Machinery and tools to counterfeit Spanish identification documents were also found.

Source: Europol (2011b)

Typically, in a counterfeit currency operation, the printing facility is centralised in one location, often in a country other than the country to which the counterfeited currency belongs for reasons related to risk perception. Although a certain degree of job rotation is seen, it is rather unlikely to have printing operations at numerous locations because of the levels of technological sophistication and investments involved. It normally tends to be a high-volume operation because once the printing facilities and capabilities are in place the marginal cost of printing additional notes is very low as compared to the profits they fetch.

Production on demand avoids the exposure to LEA attention and minimises the risk of losses when depots are raided. Furthermore, the producer of CCN needs specific skills and knowledge in all different stages of the production process. The skills of those people are so sophisticated that OCGs tend to “employ” the same printer again even after serving prison sentences. Computers are increasingly used, either alone or in combination with the traditional printing method of offset for the production of counterfeits, though several preventive measures have been taken to inhibit high-tech reproduction of counterfeit banknotes. However, most of the CCN in circulation throughout the world is of such quality that it is difficult for a non-expert to distinguish the counterfeits from genuine currency.

Incorporation of such sophisticated level of security features, which require not only technologically advanced production processes but also access to restricted material, entails high levels of capital expenditure and investment. Such advanced level of production capability suggests that there may sometimes be close links between OCGs and the state apparatus.

It is no longer necessary to physically hide films and printing plates. A rapid and growing problem is the use of web-based platforms where criminals share their knowledge and deposit files and images for the production of counterfeits. Moreover, web-based companies offer counterfeit currencies of all kind. Furthermore, the jurisdictional ambiguities tend to discourage the authorities from taking up the investigations.

Operations related to ultimate infiltration of counterfeit currency in the regular financial stream must be spread over a large area, not only in the country to which the currency belongs, but also in the countries where there is a high demand for the currency. The trafficking operations from the

stage of printing to the stage of infiltration therefore require a well-organised covert distribution network, which also takes care of cross-border smuggling of CCN.

In a typical operation, several layers of intermediaries might be involved, each one dealing with one or more of the following intermediate processes:

- Procurement of CCN from printing facility.
- Distribution to a stocking facility.
- Stocking of CCN (often located in a neighbouring country and close to the borders/ports/airports for ease of smuggling to the country to which the counterfeit currency belongs).
- Smuggling of CCN to the country in which it is to be circulated.
- Distribution and integration of the CCN into the financial system of the target country.
- Ensuring collection and repatriation of the proceeds generated to all stakeholders in the chain.
- Laundering the proceeds of crime.

3. COUNTERFEIT CURRENCY AND ML

There are many factors affecting the printing, distribution and circulation of CCN across jurisdictions. The first such factor is that of "jurisdictional arbitrage". Many countries do not consider counterfeiting activity involving non-national currency as a significant problem, as such activity does not have a direct impact on them. Ultimately, the foreign financial system suffers the loss, but the "blame" goes to the jurisdiction whose currency is being counterfeited, as well as the country where OCGs are operating. Moreover, the capabilities for detection of counterfeiting foreign currencies may sometimes be lower in foreign jurisdictions simply because the financial institutions and the population in general are not familiar with security features on these currencies. As already explained, the risks associated with operations like printing and stocking of CCN are therefore much less if carried out in other countries, thus making overseas operations attractive. In addition, there is a demand for foreign currencies in cash form in every jurisdiction generated by demand factors such as the payment of wages to illegal foreign migrant workers, payments for procuring goods for smuggling, requirements of international travellers etc.

Large scale trafficking in counterfeit currency is closely and inextricably linked with ML. The increasingly global nature of the counterfeiting activity results in the requirement to move CCN and subsequent proceeds of crime across national borders. This will be illustrated in the cases in this chapter.

While illegal transactions in any product that generates proceeds or profits would entail the need for ML, the linkage of ML with illicit trafficking in counterfeit currency operates at two distinct levels. Firstly, like any other criminal activity, illicit trafficking in counterfeit currency generates proceeds of crime which need to be laundered for their integration into the regular financial stream. Secondly, the very activity involved in illicit trafficking in counterfeit currency is placement of

currency notes, albeit fake, into the same regular financial stream. This can only be done through an effective laundering process, which not only conceals and camouflages the origin of the fake currency, but also the fact that they are counterfeits.

The following sections are based on the survey responses from countries regarding the ML techniques that are used to place counterfeit currency into the regular financial network, to transfer proceeds of crime and ultimately to integrate proceeds of crime into that network.

A. PLACEMENT OF CCN

In the process of distributing CCN, each intermediary stage in the process has its share of profits or remuneration which may be given in the form of a commission or a discount on the face value of the currency. For example, counterfeit currency would be sold from the printing facilities at a discount ranging from 75% to 80%, *i.e.*, counterfeit currency equivalent to USD 100 would be sold to the first stage distributor at USD 20 to USD 25 depending upon the quality of counterfeiting. Thereafter each stage will have its margin of profit/commission depending on the risk perception associated with each stage. For example, the courier smuggling counterfeit notes across a border would demand a higher commission as compared to a courier transporting it within the country. Finally, at the end-user level the counterfeit currency sells at a discount ranging from 25% to 35%, *i.e.*, counterfeit currency equivalent to USD 100 would be sold at the end user stage at USD 65 to USD 75. The actual commission or discount given would vary from case to case, given the various factors and nuances of the activity.

As explained earlier there are only a few people on top level and numerous low level distributors. While in sum all the low level distributors generate huge profits, the profit for a single perpetrator is quite small. Hence, those profits for a single perpetrator might not raise any suspicion at all and do not necessarily need to be laundered. Considering that every stage in the process of distribution has its profits and that the higher you go up in the hierarchy of the organisation the fewer people there are, there is a stage where profits no longer go undetected and illicit profits need to be laundered.

The methods used for the placement of counterfeit currency note are numerous and vary. Chart 5 identifies the most commonly used methods reported by the responding countries:

Chart 5. **Methods used for placement of counterfeit currency**

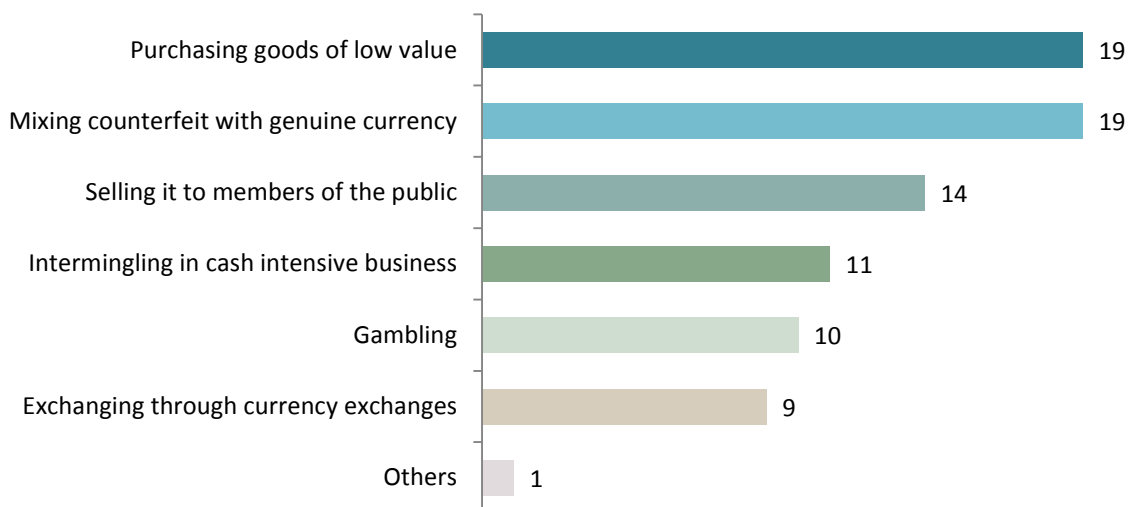
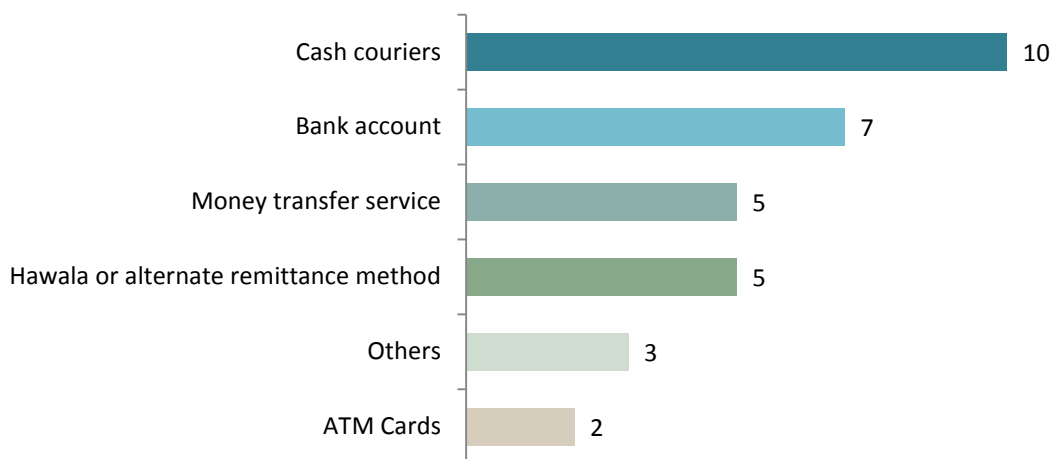


Chart 5 indicates that the most common method used for placement are mixing of counterfeit notes with genuine currency and/or purchasing of goods of low value. The risk of detection in these methods is low and hence preferred by the criminals. Selling it to children considerably lowers the risk in getting caught, while children might not be punished because they are minors.

B. TRANSFER OF PROCEEDS OF CRIME

Chart 6 identifies these methods used for the transfer of proceeds of crime related to counterfeit currency.

Chart 6. **Methods used for transfer of proceeds of crime related to counterfeit currency**



It should be noted that all techniques identified are similar to the ones associated to any other types of criminal activities. The most used method is the system of the cash couriers. The term “cash

couriers” refers to the natural persons who physically transport currency and bearer negotiable instruments on their person or accompanying luggage from one jurisdiction to another⁴³.

Box 4: Selling of Counterfeit currency of third country smuggled by a foreigner through use of money exchange

The police in India have registered a case against two Omani nationals and counterfeit Indian currency notes having face value of INR 25 000 from their possession. It was revealed that the accused had exchanged an amount of INR 40 000 from Asia Express Exchange, Khaboura, Oman on 29 January 2013 and came to India on 30 January 2013. The case is under investigation.

Another case was registered against an Omani national by the police in India for possessing eight counterfeit Indian currency notes of INR 1 000 denomination. As per the statement of the accused, he had exchanged his Oman currency to Indian currency from an exchange centre situated at Oman airport. The accused came to India on 7 February 2013. The case is under investigation.

The police in India have also registered a case on against one Indian National who remitted an amount of counterfeit Indian currency notes for INR 17 000 for treatment of her daughter at a hospital in India. According to the statement of the suspected accused she exchanged UAE Dirhams into Indian currency of INR 20 000 from AI Fala Plaza situated at Lulu Centre, Sharjah and she got 20 notes of INR 1 000 denomination.

According to the statements of the suspected accused in the above three cases, the counterfeit notes possessed by them were received from the currency exchange centre in foreign countries, *i.e.*, two offences from Oman and one offence from Sharjah.

An investigation by the Royal Oman police identified a Pakistani national for involvement in the circulation of counterfeit Indian currency notes in Oman, possession of which led to the detention of the Omani nationals in India. An arrest warrant has been issued in Oman against the Pakistani suspect, who is understood to have left Oman. Omani authorities have obtained confirmation that the Pakistani national was also involved in circulation of counterfeit Indian currency notes in other countries.

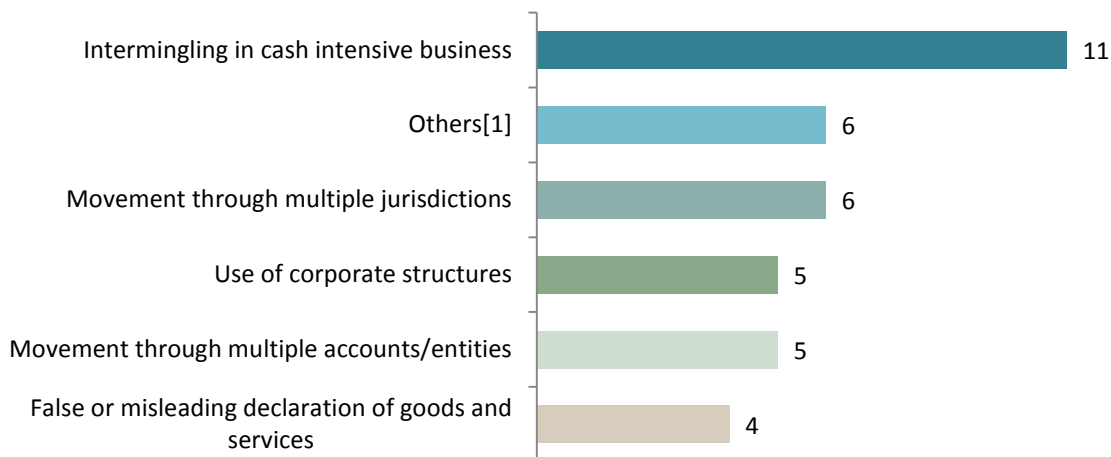
Source: India

C. LAYERING AND INTEGRATION

Concerning the methods for layering and integration of proceeds of crime related to counterfeit currency, the following techniques are currently seen:

⁴³ FATF (2005).

Chart 7. **Methods used for layering and integration of proceeds of crime related to counterfeit currency**



The survey indicates that vulnerabilities of the financial system for the purpose of ML are being misused by adopting different methods. In a given case, there may be more than one method used for placement and integration of illegal proceeds, usually also associated with cash-intensive businesses. The other methods are general in nature. All techniques identified are similar to the ones associated to many other types of criminal activities too. Intermingling in cash intensive business, not surprisingly, leads the chart because it comprises two actions at one time:

- (1) introducing the counterfeit currency into the legal financial flow by exchanging it with genuine currency, generating the profit; and
- (2) integrating the proceeds of crime.

There are various types of techniques used for ML. It is important to highlight some of them in order to understand the nature of techniques for integration of not only the proceeds of crime relating to counterfeit currency but also the integration of counterfeit notes in the regular financial stream. Some of the techniques used for laundering of money related to currency counterfeiting activity are highlighted in the following chapters.

Use of bank accounts, multiple bank accounts, different type of bank accounts, debit cards, credit cards, etc.

This technique is used to escape detection of the proceeds of crime by the reporting entities, because the deposits may not match with the profile of the account holder: the beneficiary of the proceeds of crime. The criminals, therefore, are known to use multiple bank accounts into which to deposit the proceeds of crime. These multiple bank accounts are also opened and operated by the sellers of counterfeit currency in the name of other gullible individuals. A common typology that has been seen is that the seller of the counterfeit currency asks his buyers to deposit the proceeds of crime in different bank accounts, which are established outside the geographical area in which the seller operates. The seller in turn withdraws the proceeds of crime by use of ATM cards. In this manner, the seller evades the reporting entities by keeping the deposits below the threshold, in each of the multiple bank accounts.

Box 5: Transfer of proceeds using bank accounts and ATM cards

On the basis of information received, the Police searched four persons and found counterfeit Indian currency having face value of INR 40 000 (Indian rupees). Subsequent search of the residential premises of one of these four apprehended persons led to the recovery of counterfeit currency having face value of INR 110 000. The verification of the backgrounds of the arrested persons revealed that two of them were dedicated members of a banned terrorist organisation. In fact, one of them was involved in raising and collecting funds for the banned terrorist organisation. The CCN were to be used to finance terrorist activities and for providing to terrorists and their sympathisers. Later, another person who provided the counterfeit currency to these arrested persons and in return accepted the proceeds of the counterfeit currency was also arrested.

The investigations revealed that the counterfeit currency was brought in from a neighbouring country into a border town by one counterfeit currency dealer. One of the accused procured the CCN from this dealer and provided it to activists of terrorist groups. His standard *modus operandi* to collect the proceeds of the counterfeit currency was use of ATM cards of the recipients of the counterfeit currency to withdraw payments in the border town, which was deposited by the recipients of counterfeit currency in bank accounts located at various places. The other *modus operandi* was the use of bank accounts held in the name of other persons (not directly connected with the underlying activity) to receive and withdraw the payments deposited by the recipients of counterfeit currency at different places.

Source: India

Another practice involving the use of bank accounts is the use of accounts maintained by the bank for individuals who are residing in a foreign country. Such accounts are maintained in convertible foreign exchange and can be accessed from anywhere in the world. Hence, the dealer of counterfeit currency, who is located in a foreign country, deposits his proceeds of crime in this account and then transfers it to different (normal) domestic bank accounts. The domestic reporting entities do not suspect any wrongdoing on the part of the account holder based abroad, as they feel that the deposits are coming through banking channels and that the requisite due diligence has been performed by the bank in which the deposits were made initially. The criminals take advantage of the fact that the domestic banks are not aware of the activities of the sellers abroad and the banks abroad are not aware of the various nuances of trade in counterfeit currency of a different country. This is accentuated by the lack of international co-operation amongst LEAs and also lack of exchange of information on risk between financial regulators and banks.

The beneficiary of such bank accounts also resort to use of credit cards, linked to these particular bank accounts, to access these funds. The use of ATM/ debit cards and credit cards are typical of non-face-to-face transactions. It effectively circumvents the effect of CDD measures by the banks.

Smuggling of cash

Smuggling of cash involves physical movement of cash from one country to another in a clandestine manner. This method avoids the banking system, so that the proceeds of crime go undetected by the

reporting entities. One simple *modus operandi*, where the borders between countries are fenced, is to throw the purchase price in genuine currency of the counterfeit currency over the fence and similarly the counterfeit is thrown over the fence from the other side of the border. In such cases, the seller uses the proceeds of crime to convert it in the currency of the native country of the seller, using money changers, including those operating underground. On the other hand, the buyer of the counterfeit sells the same to lower rung of operators who use it or sell it further. These persons get their proceeds of crime, either by collecting the cost of the counterfeit currency directly or by use of bank accounts, as explained above.

The other *modus operandi* used is to smuggle physical cash in genuine currency to a foreign country, in which the criminal syndicate is located, to buy the counterfeit currency. The counterfeit currency is also smuggled either in baggage or on the person into the country where it is to be circulated. The cash so smuggled is then either deposited in the bank in the recipient country or laundered through other techniques in the recipient country.

Box 6: Smuggling of proceeds in cash

The customs authorities seized an amount of about INR 7 million at the airport from baggage checked in for a Middle East bound flight. The investigations revealed that this represented the proceeds derived from selling CCN and was meant for the top level players of the syndicate abroad. In another case, the customs authorities, similarly intercepted and examined baggage of a Middle East airline and recovered Indian currency of approximately INR 10 million. The said amount was the proceeds derived from selling CCN and was meant for the top-level players of the syndicate abroad.

Source: India

Box 7: Conversion of proceeds in foreign exchange and smuggling

At times, the proceeds of crime derived in genuine currency are converted into foreign currency from underground money changers which is smuggled to the foreign-based criminal syndicates. The foreign currency chosen is one which has very high exchange rate compared to Indian rupee, as this reduces the volume of the currency to be smuggled and facilitates further conversion in the local currency of the country in which the syndicate is based. The use of this *modus operandi* has come to the notice of LEAs. In one case, the LEA seized assorted foreign currency, equivalent to about INR 3 million, from a South East Asia bound passenger at an Indian airport. On another occasion, the LEA seized USD 79 200 (equivalent to about INR 3.4 million) from two passengers at an Indian airport.

Source: India

False Description of Goods

In this method, the cargo containing the CCN is generally falsely declared on the invoices, bill of lading and other shipping documents, including the letter of credit for settling the transaction of the imported consignment that contains the counterfeit currency.

Box 8: False Description of Goods

In this case, an importer from a company based in a foreign country attempted to import a container full of waste paper. The importer was under the control of criminal syndicates who concealed a huge quantity of fake Indian currency in the container. The importer was the subject of an intelligence-led operation and an intense search of the cargo led to the discovery of the counterfeit Indian currency. The payment to the foreign syndicate (both for junk cargo as well as for fake Indian currency) was to be paid through banking channels by opening the letter of credit, based on false declaration of the goods contained in the cargo and by over-invoicing the falsely declared goods on the documents.

Source: India

Use of bank for placement and deriving the proceeds of crime

The use of banks to place counterfeit currency in the system, its circulation and replacing the counterfeit currency with genuine currency notes, thereby generating the proceeds of crime, is an extremely rare phenomenon.

Box 9: Use of bank for placement and deriving the proceeds of crime

The police intercepted a person with counterfeit Indian currency notes with a face value of about INR 500 000. Interrogation of this person revealed that he used to receive the CCN from two persons, who in turn smuggled the counterfeit currency from a neighbouring country, for delivery to the cashier at a bank. Investigations at the currency chest of the bank revealed the presence of fake Indian currency notes with a face value of about INR 40 million in the currency chest. There was also a shortage of genuine currency of about INR 7 million in the currency chest. It is understood that the counterfeits were used to replace the genuine notes in the currency chest and the counterfeits were circulated through ATMs.

Source: India

Use of Alternate Remittance System

The most common method to remit the proceeds of crime (cost of counterfeit currency) to a foreign country from where the counterfeit currency is to be purchased is by use of an alternate remittance system. The buyer pays the cost of the counterfeit currency to a *hawala* dealer, and the seller receives the same in his country of residence or any other country of choice, in the currency of that country. The CCN is then smuggled or sent to the buyer concealed in cargo. The buyer sells the

counterfeit currency to other criminals and the proceeds of crime generated at each stage are brought into the system by various techniques.

Box 10: Transfer of proceeds through informal channel

In one case, the proceeds of crime were transferred from a foreign jurisdiction by a criminal syndicate through informal channels. The proceeds of crime received in cash were put into the bank account of another person, who then transferred it out of his account by cheque, which was used as legitimate money by the criminal syndicate. In an another case, the cash amount which was in fact the proceeds of crime (genuine money) was used to purchase the bank draft to make payment towards a life insurance policy.

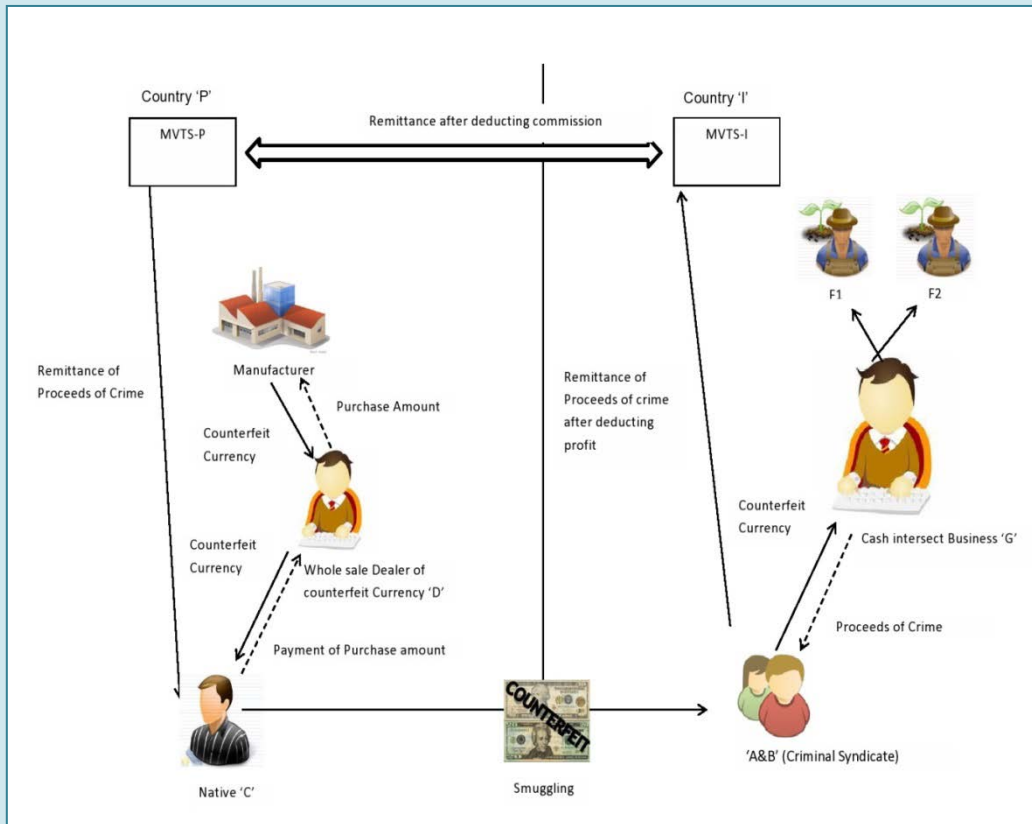
Source: India

Box 11: Use of MVTs

Person 'A' was intercepted by the Customs authorities of Country 'I'. Search of the said person resulted in the recovery and seizure of CCN of country 'I' with face value equivalent to USD 4 000. The search at his residence resulted in the recovery and seizure of more CCN of country 'I' with face value equivalent to USD 27 500 as well as the arrest of 'B', an accomplice of 'A'. During interrogation 'A' revealed that he had received the consignment of counterfeit currency equivalent to USD 135 000 from his uncle/associate 'C' a resident of a neighbouring country. The consignment of counterfeit currency was handed over to 'A' and 'B' by a person who had smuggled the currency from the neighbouring country 'P' on the directions of 'C'. Investigation further revealed that the remaining consignment of counterfeit currency equivalent to USD 103 500 had shifted to another safe place. Domestic co-operation between the different LEAs led to further recovery of counterfeit currency of face value equivalent to USD 68 500. The matrix of the case that has been constructed based on the facts revealed during investigations is as follows:

The investigations revealed that 'D' is the main counterfeit currency operator in Country 'P' who deals in the counterfeit currency of Country 'I'. 'C', also a resident of country 'P', procures counterfeit currency valued at USD 135 000 at a discount of 60% *i.e.*, currency worth USD 100 is purchased for USD 40. 'C' contacts criminal syndicate/relative in country 'I' and enters into a contract with them to distribute counterfeit currency in country 'I' for a commission of 10% *i.e.*, USD 10 for every distribution equivalent to USD 100. These natives of country 'I' sell the currency notes at a discount of 30% to cash intensive businesses in Country 'I' like sugar manufacturers ('G') who have to pay the farmers ('F1' & 'F2') they procure sugar from in cash. 'G' mixes CCN with genuine currency notes while making payment to the farmers. This is the ML activity taking place in the course of placement of CCN in the regular financial stream. The proceeds of crime or the proceeds of sale of CCN are to be remitted to 'C' in country 'P'. After retaining a commission of 10%, for counterfeit currency equivalent to USD 100 distributed in country 'I' USD 50 has to be remitted back. 'A' gets in touch with *hawala* or 'money or value Transfer service or, 'MVTs-I'. 'MVTs -I along with *hawala* operator 'MVTs-P' in country 'P' runs

an MVTS or a *hawala* operation wherein for a commission of 1.5% they transfer money between countries 'I' and 'P'.



Source: India

Use of high denomination banknotes

The Annual Report 2010 on the "Suspicious Activity Report Regime" of the United Kingdom Serious Organised Crime Agency (SOCA) states that the United Kingdom banned the use of the EUR 500 banknote from retail foreign exchange within the country, based on evidence of significant use by criminals⁴⁴. The report indicates that over 90% of the UK demand for EUR 500 banknotes came from criminals. UK authorities developed evidence of this usage by criminals through analysis of suspicious activity reports (SARs) filed by financial institutions and through information obtained from successful investigations. The SAR analysis indicated that individuals were regularly exchanging in single transactions lower denomination banknotes for the EUR 500 notes. Often these individuals requesting such transactions offered reasons for needing such large volumes of cash. Because of the ban on exchanging small denominations for the EUR 500 notes, the smuggling of funds in cash out of the country has become a bulkier process and thus more susceptible to detection. This experience of the UK reinforces the evidence that the demand in large volumes for

⁴⁴ SOCA (2010), p.35.

high-denomination banknotes, when not justified by clear legitimate economic reasons, can serve as a potential indicator of criminal activity⁴⁵.

The fact that EUR 500 and EUR 200 banknotes have been, and are still, counterfeited, attracts particular interest to this phenomenon on the use of high denomination banknotes and would seem to justify further consideration as an indicator for counterfeiting activity.

4. COUNTERFEIT CURRENCY AND FINANCING OF TERRORISM

Most jurisdictions have not reported TF patterns involving CCN. However, Nepal and Kyrgyzstan have instances of currency counterfeiting as a method used for financing of terrorist act and/or terrorists. India, Bangladesh and the United States, have seen a similar development. The United States and India have both reported that individual terrorists use counterfeit currency and distribute it through terrorist networks. The proceeds are invested to strengthen a terrorist support infrastructure and to finance individual attacks.

Box 12: Use of counterfeit currency in Mumbai terrorist attack by Lashkar- e-Taiba, a proscribed organisation in India

Person X who was involved in the 26/11 attacks in Mumbai, said that for doing the reconnaissance of Mumbai before 26/11 attacks, an agency of a neighbouring country provided him INR 40 000 (approx. USD 1 000) of high quality Fake Indian currency notes for his expenses by his handlers based in a neighbouring country, which includes the top rung of Lashkar-e-Taiba a terrorist organisation. Person X has been charged, and non-bailable warrants have been issued against him.

Source: India

The United States, India and Tajikistan have reported that counterfeit currency is also used as a method of economic warfare and is used to liaison with OCGs. In addition, India has reported that counterfeit currency is produced in liaison with sovereign states. The role of state actors is apparent, based on forensic examination of the counterfeit currencies seized by the LEAs. Russia, has reported that according to its intelligence agencies, the counterfeit currency manufactured in Dagestan was used to finance extremist groups, purchase arms and in settlements for terrorist activities conducted.

Box 13: Use of CCN of different countries by terrorists in Russia

On 15 May 2011, two residents of Dagestan engaged in the distribution of fake Ukrainian hryvnias (UAH) and Russian rubbles (RUB), were detained in Rostov region. Four lots of RUB 1000 banknotes, eleven lots of UAH 200 bills and 12 lots of USD 100 bills were seized. Searches of their premises in Dagestan yielded printing equipment, along with 30 and 100 lots of

⁴⁵ SOCA (2010), p.35.

RUB 1000 and UAH 200 notes respectively. The maker of the fake bills escaped. During a special operation conducted 1 December 2012 in the city of Makhachkala, law enforcement units eliminated a group of militants, including a maker of fake banknotes, and seized Makarov pistols, improvised explosive devices, RUB 734 000 in fake roubles, UAH 580 200 and USD 1 200. Operative intelligence showed that one of the militants killed was linked to the explosion in Kaspisk in 2009.

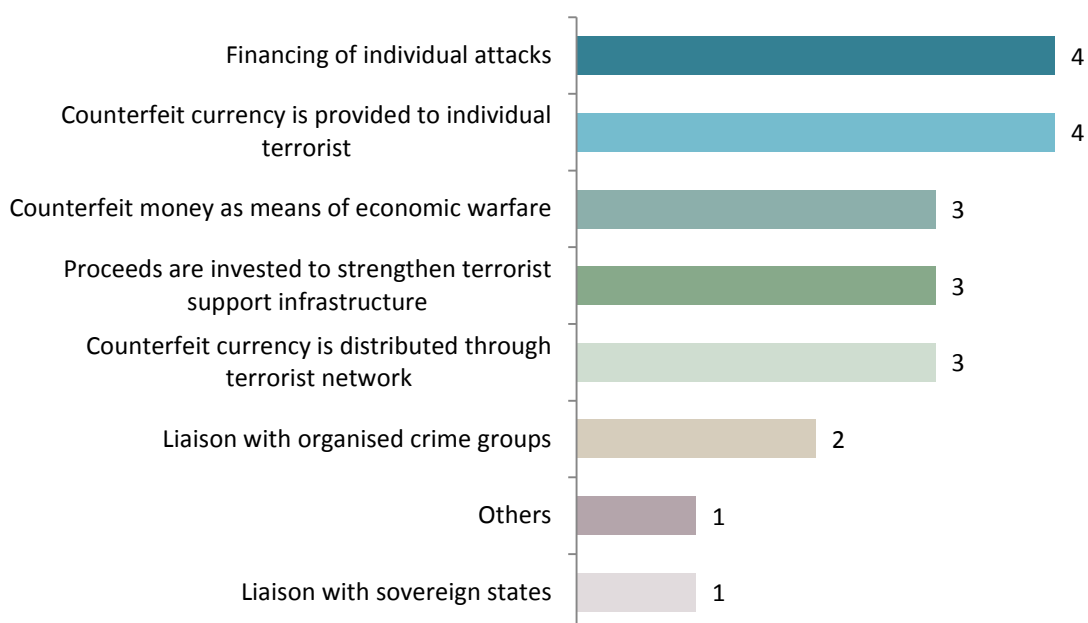
Source: Russia

Before looking more closely at the link between TF and counterfeiting, it makes sense to consider the motives that terrorist groups might have for getting involved in such activity, a realm that is far away from their ideological principles and dominated by medium to large-scale OCGs.

A starting point to explain this – at first glance – strange relationship could be chapter “Crime-Terrorism Toolbox” in Rollins, Wyler, and Rosen’s report *International Terrorism and Transnational Crime* from 2010⁴⁶. They split criminal activities associated with terrorist groups in three main categories:

- Fundraising through criminal activities;
- Materials and logistics support; and
- Exploitation of corruption and gaps in the rule of law.

Chart 8. **Methods used for resourcing/financing of terrorism from counterfeit currency**



⁴⁶ Rollins, J. Wyler, L.S. & Rosen, S. (2010), p. 8.

Fundraising by different means is an important factor for terrorist organisations to ensure their continued existence and for the purpose of achieving their goals. Experience of LEAs has clearly shown that terrorists need relatively small amounts of funding for the actual execution of the terror attack. However, the architecture of the entire activity, which includes: recruitment, training, motivation, planning, etc., requires a big amount of funding. They need large sums of funds to recruit, train and maintain their infrastructure. Terrorist organisations are open to accepting funds from any source and therefore, raise funds from a variety of sources ranging from extortion to arms and drug trafficking to counterfeit currency, smuggling, human trafficking, kidnapping for ransom and other criminal activities. They are also known to accept donations from charities and use non-profit organisations, front companies and state sponsorship to meet their funding requirements. It is believed that it was the proceeds from drug trafficking that helped Taliban to support and protect Osama bin Laden and the Al Qaida network⁴⁷.

The terrorist organisations have the propensity to be attracted to any 'enterprise' provided that it is lucrative and comparatively unnoticed by the LEAs. The reason for the close association between the terrorists and OCGs is the high profit that organised crime yields and this profit is too attractive for the terrorist organisation to ignore. "Terrorist groups find trading in counterfeit or pirated goods as an easy way to finance their operations with low-entry costs and high-profit margins"⁴⁸. It is widely believed that the IRA was the first terrorist organisation that took to use the profit from counterfeiting of currency as a major source to generate funds. The Hezbollah has also used counterfeiting of currency to generate funds.

Box 14: Use of Counterfeit currency by terrorists of Hizb-ul-Mujahideen, a proscribed organisation in India

A network of overground workers were used to collect counterfeit Indian currency notes from Bangladesh and transfer it to Jammu, India (1 500 km away) to be further handed over to the terrorists of the Hizb-ul-Mujahideen. (Proscribed terrorist organisation in India and EU.)

Source: India

While criminal activity as a means of financing terrorism is found in terrorist groups throughout the world, counterfeiting as a mode of terrorist financing appears to occur only in certain regions. There is a wealth of academic literature that suggests terrorist organisations, such as those in Europe, East Asia, and Latin America, rely on common criminal activities, such as extortion, kidnapping, narcotics trafficking, counterfeiting and fraud, to support their operations.⁴⁹

⁴⁷ Wright, A. (2006), p. 87.

⁴⁸ Bedi, R. (2005), p. 3.

⁴⁹ Wesley, A.J.L. (2007), p. 15.

Box 15: Conspiring to Provide Material Support to Terrorist Organisation Hezbollah

In a complaint brought before the US District Court for the Eastern District of Pennsylvania, the jury detailed efforts by defendants X, Y, and Z to sell the co-operating witness (CW) counterfeit United States currency for the purpose of raising funds for terrorist organisation A. In total, the conspirators provided the CW with approximately USD 9 800 in counterfeit US currency. From around July 2008 through to around November 2009, in the Eastern District of Pennsylvania and elsewhere, the accused conspired and agreed with others known and unknown to the grand jury to commit offences against the United States, that is, to provide “material support or resources,” including false documentation, false identification, currency, monetary instruments and financial securities, to a designated foreign terrorist organisation.

This conspiracy led the accused and others known and unknown to the grand jury to commit the following overt acts, among others, in the Eastern District of Pennsylvania and elsewhere:

Around 18 September 2008, X met with CW and stated that the Country P manufactured high-quality counterfeit US currency for the benefit of terrorist organisation A and that, consequently, representatives of A would need to approve the sale of this type of counterfeit currency.

Around 25 November 2008, Y met with the CW in Philadelphia to discuss the sale of counterfeit United States currency.

Around 24 February 2009, Z caused his assistant (“Individual A”) to deliver a sample of counterfeit EUR 200 and USD 100 notes to the CW.

Around 25 April 2009, defendant X met with the CW in Florida and told the CW, among other things, that Hezbollah’s representatives worked 18 to 20 hours a day counterfeiting many currencies, including those of the United States, Kuwait, Saudi Arabia and the European Union.

Around 3 September 2009, X confirmed to the CW via telephone that he had mailed a package that the CW received in Philadelphia that same day containing approximately USD 9 200 counterfeit US currency hidden inside a photo album.

Source: Charges brought before the United States District Court for the Eastern District of Pennsylvania, United States of America v. Hassan Hodroj & Others, Date filed: November 24, 2009.

The counterfeiting rackets run by Hezbollah and Hamas are active in different parts of the world and they have apparently co-located with a variety of other OCGs in the tri-border region of Argentina, Brazil and Paraguay⁵⁰. Tamil networks are also believed to be involved in wide range of criminal activities including currency counterfeiting⁵¹. The Al Qaida’s training manual “*Declaration of Jihad against the Country’s Tyrants*”, seized by the Manchester Metropolitan Police in May 2000 declares currency counterfeiting a requirement “to assist in confrontation and endurance”⁵².

⁵⁰ Lowe (2006), p. 256 and Rollins, J., Wyler, L.S., & Rosen. S.. (2010), p.8.

⁵¹ Biersteker, T.J. & Eckert, S.E. (2008), p. 139.

⁵² US Department of Justice (n.d.), UK/BM-12 TRANSLATION.

A. THE TERRORISM – ORGANISED CRIME NEXUS

LEAs around the globe have come across a close nexus between the OCGs and terrorist organisations. One of the characteristics of terrorism is that this relationship between OCGs and the terrorist organisations is growing. The sleeper cells and OCGs conspire in fundraising as well as the organisation of crimes to raise funds for their activities. As the LEAs focus on state sponsored terrorism, the sleeper cells use the lack of focus on them to conduct their nefarious activities.

The terrorist organisations have drawn on the structure and activities of OCGs as models to structure their organisations and to finance their operations, although for different purposes; OCGs focus on profiteering while the terrorist organisations use it to accomplish their 'ideological' goals. Crimes such as drug or arms trafficking, trafficking in human beings, counterfeiting, and credit card fraud, etc. have proved to be profitable to both the OCGs and the terrorist organisations. Apart from sharing their profits with terrorist groups in certain cases, OCGs also assist the terrorist organisations by providing fake identity documents, arms, illicit border crossing for men and material.

"The newly emerging hybrid group of 'organised criminal terrorists' would be the group of individuals to sponsor, support, and actively engage in terrorist activity, and thus to try to promote their own personal interests or strive to acquire more power and wealth from their organised crime-linked activities"⁵³. However, Galeotti in his study of OC in light of the financial crises says that connections between OC and terrorists "have tended to be essentially short-lived and low level"⁵⁴.

There are specific instances, *e.g.*, in India, which show the close nexus between terrorist financing and the use of hawala for routing the funds to terrorists. The *hawala* networks, in many a case, are controlled by OCGs or have close operational linkages with them. The close nexus between the OCGs and terrorist organisations is best exemplified by the use of counterfeit Indian currency notes by terrorists to fund their activities, which is printed, distributed and circulated by the OCGs.

The report of the Asia/Pacific Group on ML on "Timor-Leste" summarises AML and counter TF measures in place. Its "Key Findings" say that the country "is vulnerable as a target for organised crime smuggling and potentially terrorist activities, particularly given that the economy is 'dollarised' and cash-based, providing an attractive environment for the placement and layering of funds. The risk are intensified given controls at the land border with Indonesia are weak as are the maritime border controls in respect to the cross border movement of currency, goods and/or persons. In this environment, assessments suggest that the majority of proceeds of crime could stem from corruption, tax avoidance, smuggling, human trafficking, counterfeiting of currency, illegal gambling and prostitution".⁵⁵

It is not necessary that the link between counterfeiting and terrorism should always be direct. Such nexus between the two is also indirect where the terrorist sympathizers involved in counterfeiting

⁵³ Bovenkerk, F. & Chakra, B.A. (2007), p. 39.

⁵⁴ Galeotti, M. (2009), p. 6.

⁵⁵ Asia/Pacific Group on Money Laundering (2012), p. 2.

transfer part of the proceeds of counterfeiting to the terrorists or terrorist organisations through third parties, by way of donations (Zakat).

B. ECONOMIC WARFARE

Currency counterfeiting and ML have the potential to destabilise national economies and threaten global security as they are key ways in which terrorists and other criminals finance their activities and conceal their profits⁵⁶. However, the character of counterfeiting has undergone transformation over time. It has transitioned from a mere criminal activity, into an activity to replace real currency. In certain instances, particularly during wartime, it has become the 'act' in itself, where the infusion of high quality counterfeit currency has been used to attack the economy of a country by eroding faith in its currency. The most prominent and commonly known cases are Operation Bernhard in World War II when Germany tried to destroy the British economy by counterfeiting huge amounts of British pounds; and the Hungarian plot to destabilise the economy in France as an act of revenge after having lost huge parts of their territories in the Peace Treaty of Versailles in 1919 after World War I. The plot and the level of political involvement in Hungary were of such a magnitude that it triggered the international community to establish the CCC 1929.

In recent times, India has also reported large scale use of counterfeit currency, by both State and non-State actors, to assist/fund terrorist acts. The case studies in this regard furnished by India, expose the scale and intensity of the problem. In particular, there is evidence of multiple bases being used to flood the country with counterfeit notes, thereby attempting to attack the 'economic security' of the country, besides, using it to fund/ assist specific terrorist acts. This in turn, constitutes a new dimension to the phenomenon of criminal activity related to currency counterfeiting. It is in this light that India has taken measures to amend laws relating to terrorism, to include within its ambit, trafficking of high quality counterfeit currency, as a 'terrorist act' (PRS Legislative Research India, 2013). The amendments redefine "raising funds" to mean, raising, collecting, and providing funds through the production, smuggling, and circulation of counterfeit currency.

The involvement of some state actors in counterfeiting of currency also in other parts of the world has been suspected; e.g., there have been reports of North Korea being involved in production and smuggling abroad of counterfeit US currency, as well as other contraband items⁵⁷.

India's experience shows that counterfeit Indian currency notes have been known to be a source of terrorist financing in India. Apart from the trade being a profitable business venture, the protracted involvement of agencies located abroad in the manufacture and supply of counterfeit Indian currency notes has revealed its usage in terror financing activities in India. These instances uncovered the TF element of counterfeit Indian currency notes for terrorist groups such as:

- Lashkar-e- Taiba LeT
- Al-Badr
- Harkat-ul-Jehad-E-Islami/*Harkatul Jihad al Islami* (HuJI)

⁵⁶ UNODC (2012).

⁵⁷ Hesterman, J.L. (2004) and US Government (2011).

- Jamait-ul-Mujahidden Bangladesh (JMB), and
- Specially designated global terrorist Dawood Ibrahim and his associates.

Box 16: Seizure of Counterfeit Currency with Explosives from Terrorists in Bangladesh and linkage with terror outfit

On 30 March 2013, Dhaka Metropolitan police arrested four Pakistani and 7 Bangladeshi nationals from Mirpur, Dhaka on charges of conspiring to carry out subversive activities in Bangladesh and illegal possession of counterfeit Indian currency notes. The seizure included counterfeit Indian currency notes with a face value of INR 12.9 million, USD 4 000 in cash, a small amount of Pakistani currency and some explosive materials. The arrested Pakistani nationals were professional counterfeit Indian currency notes carriers and had visited Bangladesh on several occasions in the past. Two of the arrested persons also functioned as Hawala operators besides engaging in counterfeit currency notes trafficking. One of the arrested Bangladesh nationals had figured in several cases in the past and frequently travelled to Pakistan, Singapore, Thailand and India in connection with counterfeit currency notes business. Two of the arrested were in possession of both Pakistani and Bangladesh citizenship documents.

Source: India

In conclusion, and by answering the question raised at the beginning of this chapter it can be said that although terrorists may not be directly involved in the production of counterfeit currency, they are known to circulate it and benefit from the proceeds of currency counterfeiting. The combination of high profits stemming from currency counterfeiting crimes, coupled with comparatively low priority assigned to it by the LEAs, has attracted both terrorists and their sympathisers.

III. PREVENTING AND COMBATING COUNTERFEITING OF CURRENCY AND RELATED CRIMINAL ACTIVITY

The success of any counterfeit currency trafficking operation depends on several factors. Foremost amongst them is the quality of the counterfeit currency. The more security features a banknote has, the more difficult it is to be counterfeited. Governments around the world continually review the security features of their currency to protect it against the threat of counterfeiting. Regular assessment of the usefulness and public acceptance as well as upgrading of visible and machine-readable security features are found to be very effective preventive measures in most jurisdictions.

Useful security features for banknotes include *inter alia* security paper and embedded features such as fibres and security threads, different types of watermarks, the use of optical variable inks (OVI), micro and macro lettering, the use of *intaglio* printing techniques and hologram patches. Currently, it is very difficult for criminals to produce counterfeits by incorporating imitated security features in a manner that will go undetected. Nevertheless, their level of sophistication and innovation is getting better by the day.

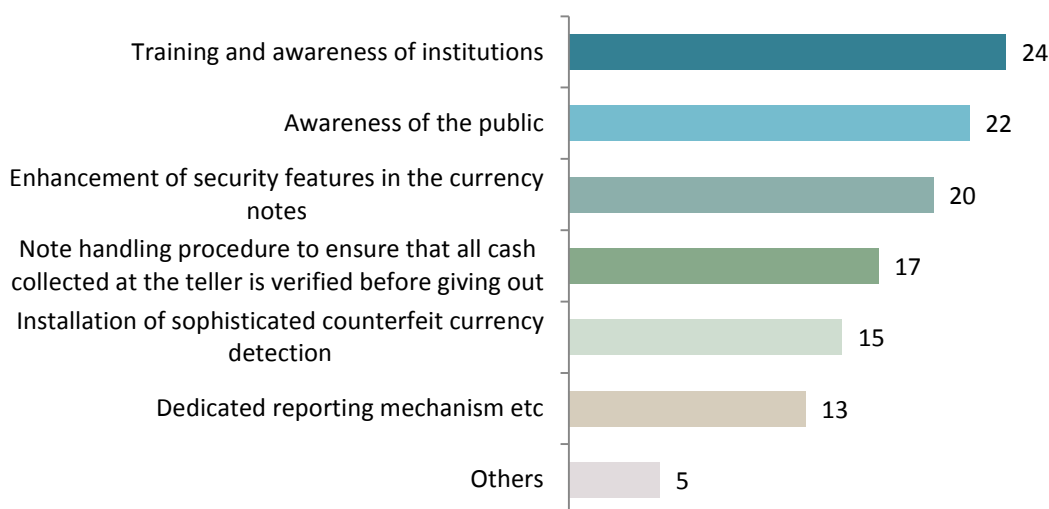
Other factors that help prevent easy introduction of counterfeit currency into the financial system include an alert and knowledgeable public that is familiar with the features of the genuine currency, and the availability of cheap and user-friendly technology capable of aiding identification of counterfeits.

Preventive measures therefore need to encompass all measures mentioned above and need a multidisciplinary approach involving close co-operation between banknote issuing authorities, LEAs, financial institutions and DNFBPs. Such measures need to be applied in several ways including measures to, design banknotes to make them difficult to replicate, train the public and raise their awareness, and monitor currency in circulation to detect counterfeits.

Financial institutions and DNFBPs by virtue of handling large volumes of physical currency have to be particularly alert in ensuring that counterfeit currency does not enter the legal money flow. The survey responses revealed that banks, MVTs, foreign exchange agencies, post offices, dealers in precious metals and stones, insurance companies and real estate agents are some of the key actors dealing with large volumes of currency. The preventive measures taken by the financial institutions and DNFBPs therefore mainly involve detection, reporting, training and awareness.

All currency notes generally have machine-readable features which can be used for detection of counterfeit notes. Ultraviolet light is an easy and common method used in the detection of counterfeit notes. Financial institutions dealing in large amounts of currency notes therefore generally use high precision and sophisticated note sorting machines and/or desktop sorters through which all currency notes tendered are passed. ATMs frequently also have inbuilt features that ensure detection of CCN and consequently do not disburse them in ATMs. The 'Cassette Swap System' which enables tamper proof transportation of cash to the ATMs and other destinations could be more widely used while transporting currency notes through cash transport companies to avoid possibility of substitution en route. Further, on detection, the counterfeit notes should be impounded and defaced/stamped as counterfeit and should under no circumstances be allowed to re-enter the financial system.

Chart 9. Preventive measures employed to combat to counterfeit currency



After detection of the CCN, the next logical step is reporting to the police as well as a central agency for investigation and/or feeding of a database for later cross-referencing abilities. Most of the jurisdictions which responded to the survey have a system of reporting to the police as well as to a central agency, generally the central bank or finance ministry. The detections are reported to the police for investigation and prosecution depending on the legal system in each jurisdiction.

A joint Europol/Dutch National Bank study indicates that the reporting can be quite influential in whether prosecuting a counterfeiting case is mandatory following the principle of legality opposed to the mere principle of opportunity.

Training and awareness are crucial to the success of the preventive measures adopted for all parties involved in dealing with the recognition of genuine and counterfeit currencies. The best way the public can protect itself from counterfeit currency is to be familiar with security features. A large number of countries have reported lack of awareness amongst the population as the main impediment to the effective detection of CCN. Almost all countries responding to the survey reported the use of one or several awareness-raising programmes, such as using posters, pamphlets, and brochures. Some countries also reported using short documentary films and web pages having audio visual contents on genuine and counterfeit notes. Interactive games are another media used for that purpose. Seminars, exhibitions, and press conferences by LEAs; direct enquiry hot line, student ambassadors, workshops and display of signage at traffic signals have also been used to spread awareness among members of the public. The impediments in effective detection of counterfeit currency are shown in the following chart.

Chart 10. Impediments to effective detection of counterfeit currency by the financial institutions and DNFBPs



1. ROLE OF REGULATORS AND FIUS

According to information collected from the questionnaires, FIUs are currently not involved in combating currency counterfeiting but nevertheless have an important role to play in its prevention in association with ML.

Financial sector regulators, such as central banks, play a major role in detecting and reporting CCN. Based on the reports received, regulators can assess the requirement and need for training and awareness programmes as well as for increased or more widespread use of devices for detection of counterfeit notes. The assessment and feedback is used for taking policy decisions and issuing necessary instructions to the financial institutions regarding detection, impounding, defacing and reporting of the CCN. Most regulators also put a proper oversight mechanism in place in all financial institutions, particularly where large amounts of currency notes are handled, to ensure that effective measures are in place for detection and reporting of the counterfeit notes.

FIUs can use the reports of detections of CCN for trend analysis (temporal as well as geographical/spatial) and to identify scenarios and possible red flag indicators from a ML and TF perspectives. From the analysis of the reports and information received from the financial institutions and with the help of possible red flag indicators (see below), important inferences can be drawn about the locations, accounts and suspected persons that might be involved in dealing with CCNs. This analysis can be further exploited with supporting information from LEAs that undertake enforcement functions in respect of the CCN, to identify suspects engaged in currency counterfeiting. The results of analysis can then be used either to collect more intelligence, if necessary, or for the LEA to undertake investigations against the suspected persons. The information that the financial institutions have about these suspects may also be obtained to help identify their assets. This information could then be used as justification for the use of provisional

measures (for example, the attachment of properties) in the event that a ML and/or TF case is established.

A. RED FLAG INDICATORS

In general, red flag indicators that apply to counterfeiting also apply to most of the predicate offences. Red flag indicators for detection of suspicious transactions relating, *inter alia*, also to counterfeit currency have been identified as follows ('e' and 'h' relate specifically to counterfeit currency):

- a) Activity inconsistent with customer profile;
- b) Multiple deposits below a certain threshold;
- c) Same day transactions conducted at different bank branches;
- d) Deposit from different counters under the designated threshold;
- e) Cash deposits made to one account at the same place by multiple individuals;
- f) Splitting large currency deposits among several accounts.
- g) Customer makes frequent deposits or withdrawals of large amounts of currencies for no apparent business reason or for a business that generally does not generate large amounts of cash;
- h) Small value cash deposits in multiple locations followed by immediate cash withdrawals in locations where counterfeit currency groups are active;
- i) Subjects wanted by the authority for currency counterfeiting offences;
- j) Cash deposits with small denomination banknotes, to perform wire transfers;
- k) The banknotes brought by customers; being small denominated and dirty, existence of stains demonstrating that it has been carried concealing in various elements and giving off smell, packaged carelessly and precipitately, lacking or exceeding substantially than the declaration of customer when counted, coming across with counterfeit banknotes in the bankroll;
- l) The involvement of high denomination banknotes – this is by virtue of the fact that high denomination bank notes carry larger intrinsic value (see SOCA, 2010).

2. ROLE OF LEA AND OTHER INVESTIGATIVE AUTHORITIES

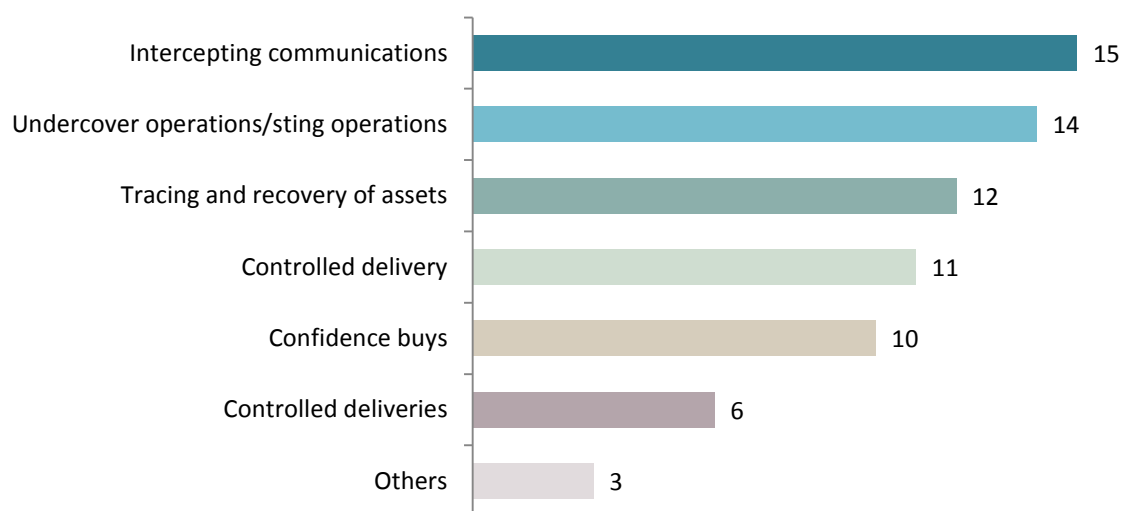
LEAs play a very important role. Firstly, by preventing physical entry of CCNs into the jurisdictions in case of cross-border movements and into the economy in case of domestically CCN. Secondly, by taking effective action against the offenders involved in currency counterfeiting. Such LEAs that are established as a national contact point for other branches within and across one jurisdiction are often associated to the National Central Office with regard to Article 12 of the CCC 1929. Those LEAs collect and produce information and intelligence, co-operate with other key institutions and with counterparts across borders. The data obtained is analysed to study trends, profile persons and routes, to identify possible *modus operandi*, and to identify possible weaknesses and risk areas for

further suitable preventive measures and, although rarely seen, socio-economic reports on the phenomenon.

Effective prosecution ensuring timely and commensurate punishment, including financial sanctions and attachment of properties, can serve as a major deterrent to the offenders.

The situation regarding the possibility of using ‘special investigative techniques’ to combat counterfeit currency: namely undercover/sting operations, intercepting communications, controlled deliveries, tracing and recovery of assets, confidence buys or fictitious purchases, varies from jurisdiction to jurisdiction. However, it seems that the most important of those techniques are – if not widely used – at least allowed by the legislation in many countries. The Survey responses provide some detail on the frequency of usage of these techniques by countries as shown in the chart below.

Chart 11. **Special investigative techniques used to combat counterfeit currency**



The survey responses also provided some indication of the obstacles facing countries in investigations which need to be considered in assessing the effectiveness of the domestic legal regime.

LEAs and other key institutions in the fight against currency counterfeiting such as central banks, and finance or treasury ministries also develop tailor-made strategic analysis products to combat currency counterfeiting such as:

- Trends over time in detection of counterfeit currency in terms of face value and number of notes of each denomination;
- Geographical distribution in detection of counterfeit currency in terms of face value and number of notes of each denomination;
- Statistics showing sudden increase in detection of counterfeit currency in terms of face value and number of notes of each denomination in a particular geographical area;

- Periodic identification of reports related to currency counterfeiting, and trends of information contained in said reports;

Chart 12. **Impediments encountered when conducting investigations related to counterfeiting of currency**



Having efficient reporting mechanisms in place is the primary basis for analysis of any kind of criminal phenomenon. At national and international level, obligations regarding the reporting of counterfeit money and the establishment of a specific chain of reporting should exist. Another critical aspect is the legal obligation to withdraw counterfeits from circulation. In most jurisdictions, unsurprisingly, both obligations are in place. It is also seen that the reporting obligation is widely used with few exceptions. For example, EU member states have the obligation to report to Europol in its role as being European Central Office for combating euro counterfeiting⁵⁸.

There are shortcomings in LEAs and their preventive measures, the following have been identified: the lack of reinforced controls at strategic advantageous locations such as airports, train and bus stations or border crossing points, specialised research and studies (e.g. socio-economic reports on the phenomenon), forecasting and scenario planning, training including the education of money sniffing dogs, and in the light of advanced technology and digital offset also enhanced co-operation with manufacturers such as the Japan Business Machine and Information System Industries Association (JBMIA) or the Central Banks Counterfeit Deterrence Group (CBCDG).

3. ROLE OF CUSTOMS AUTHORITIES

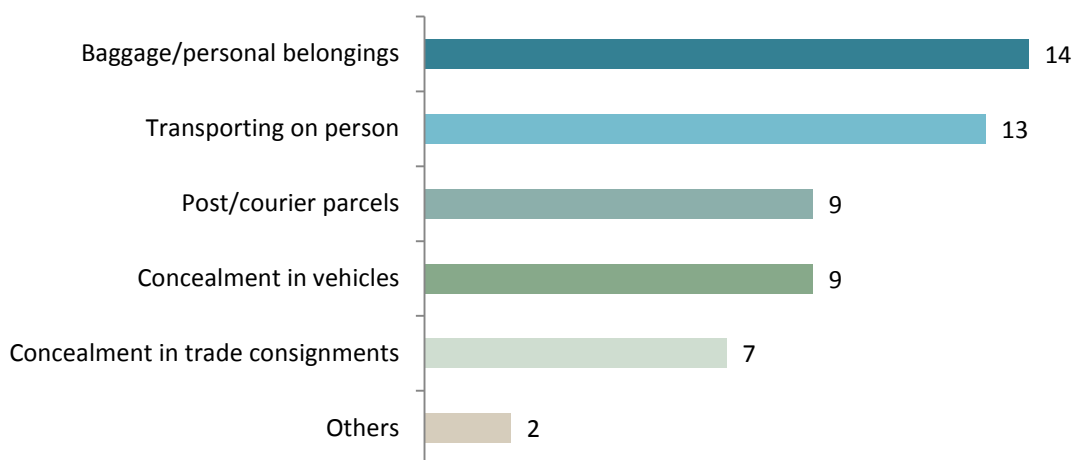
Customs authorities have a primary responsibility in preventing the entry of CCN into the country. Pre-entry measures include developing intelligence about routes, criminals, and criminal gangs

⁵⁸ See Council Decision 2005/511/JHA of 12 July 2005 on protecting the euro against counterfeiting, by designating Europol as the Central Office for combating euro counterfeiting.

involved in production, movement or distribution of CCN and *modus operandi* adopted. This may be done through risk-based screening of goods and persons entering into their jurisdiction, border management and patrolling. As part of the strategy, sea, land or air routes susceptible to misuse need to be identified on a dynamic basis. Proper co-ordination with other LEAs and necessary domestic as well as international cooperation is the key to any effective preventive strategy.

The transnational character of currency counterfeiting implies the use of techniques for cross border smuggling. Those techniques are diversified but are in principal comparable to the techniques used to smuggle genuine money:

Chart 13. Modes used for cross border smuggling of counterfeit currency



However, the first two techniques, that is to say transporting CNN on person and baggage/personal belongings, are by far the most used by smugglers of CCN. The nature of the methods used for the transport also depends on the geography of the country concerned.

The role of customs in investigations is similar to that of other LEAs as discussed in the previous section. Since the seizures by customs of CCNs are essentially transnational in nature, international co-operation and mutual assistance amongst various customs formations become imperative in combating counterfeiting. Various international conventions such as the Nairobi Convention of 1977 and the Johannesburg Convention of 2003 emphasise the need for bilateral co-operation on enforcement of customs laws. Mutual assistance between customs authorities can significantly mitigate risk and limitations of jurisdiction thereby leading to improvement in detection, interdiction and prosecution of such activity.

In any case, all the provisions of FATF Recommendation 32, which requires jurisdictions to implement measures to detect and prevent the physical cross-border transportation of currency and bearer negotiable instruments, cover both incoming and outgoing cross-border transportations of currency (and bearer negotiable instruments) by any of the following three methods of transportation: (1) by cash couriers, (2) through the post or (3) by containerised cargo. Based on the experience of jurisdictions with the implementation of Recommendation 32, the FATF published a revised best practices paper on the subject in 2010 (replacing an older paper from 2005⁵⁹).

⁵⁹ FATF (2005).

IV. LEGAL FRAMEWORK AND INTERNATIONAL COOPERATION

The study has so far shown that currency counterfeiting activities carried out by OCGs and to a certain degree by terrorist groups have an international dimension.

Box 17: **Smuggling of counterfeit Algerian dinars printed on stolen fiduciary paper, disruption of offset illegal print shop**

In September 2008, two Turkish citizens were inspected by the French customs at the airport of Marignane as they were about to fly back to Turkey. They were in possession of 51 103 counterfeit DZD 1 000 (Algerian dinars) banknotes with a face value of EUR 520 000.

The individuals denied knowing the counterfeit aspects of those dinar banknotes. They argued that the money represented the payment of an invoice by an Algerian client having bought some possessions in Turkey and having given mandate to one of the two Turkish citizens arrested for the recovering in France of his claim.

The first parallels tend to draw a link between this case and the armed robbery, committed in November 2006 in Marseille (South East of France) by a commando of 3 armed men. They robbed a road convoy transporting 22 tons of Algerian fiduciary paper.

Italian Central Office (UCIFM) informed the French police that an illegal print-shop of counterfeit dinar banknotes was broken up in January 2009 in the south of Italy by the Italian *Guardia di Finanza*. During this break-up operation, 345 000 counterfeit banknotes of DZD 1 000 were found with a roll (400 kg) of genuine Algerian fiduciary paper (including the watermark and the complete hologram of the Algerian State) produced in Germany.

It was established that the arrested Turkish citizen had a contact in Marseille who received Algerian counterfeit banknotes from an Italian citizen considered to be the supervisor of the production of counterfeit dinar banknotes within the Camorra's organisation.

In conclusion, after an armed robbery of dinar fiduciary paper rolls (for the Central bank of Algeria), two illegal print-shops manufacturing fake DZD 1 000 were discovered in Naples, Italy (in January 2009) and in Lyon, France (in October 2009). There were many arrests of "Naples group" members in Italy and organised crime gangs in France. The judgment of this case in France was delivered in December 2012 with sentences of 2 to 10 years of imprisonment.

Sources: France & Italy

In this scenario, special attention should be paid to two aspects which are key points in enhancing the efficiency and effectiveness of trans-border investigation, namely: (1) the legal framework - with particular attention to the available international instruments; and (2) the way the competent national authorities take advantage of those (international) tools by carrying out and putting in place international co-operation.

1. LEGAL FRAMEWORK

It would be impossible, or rather not that practical, to list all international and national rules and regulations established with regard to the legal provisions referring to counterfeiting of currency and/or aspects linked to ML and TF. Practical experience of the members of the project team and the information collected through the survey circulated prior to the drafting of this report, indicated that from the national point of view, the legal provisions about the way the (predicate) offence of counterfeit currency is tackled are generally adequate. This is in particular evident if one refers to the level of the penalties/punishments of criminal offences linked to counterfeit currency (including printing, circulation, smuggling, possession) or, in the case of ML and/or TF (related or not) to counterfeiting currency. The range of penalties - from three to more than 20 years of imprisonment can be in general terms considered as dissuasive and proportionate.

However, based on the survey responses, it seems that national legislation is more focussed on the ML and/or TF activity by itself and covers currency counterfeiting by default as one of the predicate offences rather than foreseeing specific ML/TF provisions relating to counterfeit currency.

For national provisions, the situation varies when it concerns the possibility of using the so-called special investigative techniques to combat counterfeit currency, namely: undercover operations/sting operations, intercepting communication, controlled delivery, tracing and recovery of assets, confidence buys, and controlled deliveries. Great prudence should be given to the fact that the number of survey response received cannot support a definitive conclusion. However, it seems that the most important of those techniques are - if not widely used - at least allowed by national legislation. This consideration also takes into account the practical experience of the experts of the project team. A different evaluation is possible when referring to the practical use of those special forms of investigation, but in this case, the questions did not request any figures on the use of those tools.

Investigations on counterfeit currency almost always require the need for establishing contacts with counterparts abroad, with the aim of making the investigation effective, researching evidence of an offence, apprehending fugitives, etc.

It is not by chance that the international community identified the need for establishing an international specific multilateral instrument: the CCC 1929, which is still “the” convention by definition in this field. Other instruments are of course in force at regional and/or bilateral level but it is still the most important reference in force worldwide. The Geneva Convention is a reference to look at with regards to the basic principle of co-operation, including binding measures (with some exceptions) that contribute to create a system and ensure important multidisciplinary tools, useful for enhancing the defence of national currencies.

The CCC 1929 actually includes important concepts for co-operation reflected in its articles enhancing identification, investigation, prosecution of counterfeit currency with a transnational dimension, the establishment of contacts between competent authorities, the provisions for the establishment and function of central offices to facilitate the exchange of information and or experience, etc.

Specific figures on the use of the CCC 1929 are not available. The last conference of the high contracting parties took place more than ten years ago, organised by INTERPOL. According to some

of the replies and the experience in the field, it seems that the concepts and tools offered by the CCC 1929 are in use in many contracting parties, next to other instruments at regional or bilateral level. Its ratification and use should be further supported and promoted, since it contributes to creating a system, and the multidisciplinary tools, for protecting currency and fighting against its counterfeiting at national and international co-operation level.

When referring to the issue of regional legal instruments in place that supplement the provisions of the CCC 1929, it is interesting to note the system in place within the EU, in particular for the protection of the euro (see Box 18). The EU legal instruments for the protection of the euro are in particular useful as one possible example of legal mechanism that national legislators could take into account when addressing the issue of administrative and criminal protection of their national currency, including by means of specific training programmes like the Pericles funding programme, managed by OLAF, the Anti-Fraud Office of the European Commission. Even if the EU legislation itself requires continuous updates to address new challenges and threats caused by the counterfeiters (and specific legislative initiatives in the field have been recently proposed by the European Commission), it represents today a valid basis for supplementing the provisions under the CCC 1929 and facilitates its application, without prejudice to the obligations under the CCC 1929 itself.

The legal instruments of the EU allow for co-operation and exchange of a wide range of information:

- exchange of technical and operational information
- harmonisation of laws,
- definitions
- co-operation between LEAs, judicial authorities and central banks, and
- technical expert analyses;
 - EU expert analysis authorities (Counterfeit Analysis Centre for banknotes at the ECB and the coin analysis centre at the European Technical and Scientific Centre)
 - National analysis centres (National Analysis Centres for banknotes and Coin National Analysis Centres).

Box 18. Examples provided by the EU instruments

Council Framework Decision 2000/383/JHA of 29 May 2000 on increasing protection by establishing penal sanctions and other sanctions against money counterfeiting in connection with the introduction of the euro;

Council Framework Decision 2001/888/JHA of 6 December 2001 amending Framework Decision 2000/383/JHA on increasing protection by criminal penalties and other sanctions against counterfeiting in connection with the introduction of the euro;

Council Regulation (EC) 1338/2001 of 28 June 2001 laying down measures necessary for the protection of the euro against counterfeiting;

Council Regulation (EC) 1339/2001 of 28 June 2001 extending the effects of Regulation 1338/2001 laying down measures necessary for the protection of the euro against counterfeiting to those member states which have not adopted the euro as their single currency;

Council Regulation (EC) No 44/2009 of 18 December 2008 amending Regulation (EC) No 1338/2001 laying down measures necessary for the protection of the euro against counterfeiting;

Council Regulation (EC) No 45/2009 of 18 December 2008 amending Regulation (EC) No 1339/2001 extending the effects of Regulation (EC) No 1338/2001 laying down measures necessary for the protection of the euro against counterfeiting to those member states which have not adopted the euro as their single currency;

Council Decision 2001/887/JHA of 6 December 2001 on the protection of the euro against counterfeiting;

Council Decision 2001/923/EC of 17 December 2001 establishing an exchange, assistance and training programme for the protection of the euro against counterfeiting (the so called 'Pericles' funding programme, managed by the Anti-fraud Office of the European Commission/OLAF);

Council Decision 2001/924/EC of 17 December 2001 extending the effects of the Decision establishing the "Pericles" programme to the member states which have not adopted the euro as the single currency;

Council Decision 2005/511/JHA dated 12 July 2005 on protecting the euro against counterfeiting, by designating Europol as the Central Office for combating euro counterfeiting (based on which, Europol is also allowed to support - from a special budget - specific euro counterfeiting operations);

Commission Decision 2005/37/EC of 29 October 2004 establishing the ETSC and providing for coordination of technical actions to protect euro coins against counterfeiting;

Regulation (EU) No 1210/2010 of the European Parliament and of the Council of 15 December 2010 concerning authentication of euro coins and handling of euro coins unfit for circulation;

Council Regulation (EC) No 2182/2004 of 6 December 2004 concerning medals and tokens similar to euro coins;

Council Regulation (EC) No 46/2009 of 18 December 2008 amending Regulation (EC) No 2182/2004 concerning medals and tokens similar to euro coins;

Council Regulation (EC) No 2183/2004 of 6 December 2004 extending to the non-participating member states the application of Regulation (EC) No 2182/2004 concerning medals and tokens similar to euro coins;

Council Regulation (EC) No 47/2009 of 18 December 2008 amending Regulation (EC) No 2183/2004 extending to the non-participating member states the application of Regulation (EC) No 2182/2004 concerning medals and tokens similar to euro coins.

Additional instruments are also quite interesting in terms of judicial co-operation, namely the "European Arrest Warrant", applicable to counterfeiting and ML irrespectively of the dual criminality principle.

With respect to international instruments available for fighting the (possible) ML aspects linked to currency counterfeiting cases, it is appropriate to highlight that generally speaking – also according to the survey responses – the national legal frameworks do not address the ML or TF aspects of currency counterfeit *per se*, but rather by considering it in the framework of “predicate offences”.

2. INTERNATIONAL CO-OPERATION

Given the trans-national characteristics of currency counterfeiting, it is important to address the issue of international cooperation. The UN Palermo Convention 2000, provides tools for international co-operation on prevention, investigation and prosecution, once a criminal offence is established and once the recognition of the requirements for making it applicable are satisfied

The survey in support of this research included specific questions not only on the role played by FIUs, LEA and customs, but also referred to some of the tools established through the international instruments mentioned in the previous section. Unfortunately, the picture is not complete, due to the limited number of replies received, including (for those who gave some feedback) with reference to possible comprehensive figures for example on the number of requests for co-operation or assistance sent or received.

Nevertheless, even in the absence of comprehensive replies, some conclusions can be drawn from the information obtained. With regard to the interaction between FIUs, customs and, LEA, the legal frameworks at national level are heterogeneous. If the view is limited to the analysis of currency counterfeiting and related ML or TF aspects, the majority of the cases appear to indicate either that there is no specific role played by one or more institution (FIU/customs), or that the role is not specifically recognised by the legislation but was undertaken as one of the core tasks of the agency, for example:

- ML provisions address any predicate offence, not exclusively currency counterfeiting.
- Cash controls at border lead to the detection of counterfeiting currency.
- Special forms of co-operation are used (also at international level) in the presence of certain types of criminal activity (for example when minimum thresholds enable the use of special investigative techniques, rather than specific provisions on currency counterfeiting).

In general terms, when it comes to international co-operation (to send/receive assistance), it seems the FIUs and customs play a limited role in purely counterfeit currency cases, since in the majority of the countries such cases fall under the competence of LEAs. The international LEA community is used to benefit from the opportunity offered by the contact with counterparts abroad.

However, the figures provided by those who replied are not enough to be considered as a representative sample of the actual situation. This is the reason why, for example, the project team could not focus more on the exchange of information, joint investigation, mutual legal assistance etc.

It is also true that there is a feeling that international co-operation resulting from informal, or not officially recorded, statistics is wider than what is said by official figures. This is an aspect of the international mutual assistance which is very well known to international law enforcement

“practitioners”, whose networks of informal contacts are often used or based on personal relationships and thus are not reflected in official figures.

Box 19: Counterfeiting of US dollars and euros

On 19 December 2012, the Peruvian National Police (DIRINCRI - *Dirección de Investigación Criminal*), in co-operation with the *Brigada de Investigación Del Banco de España* (BIBE), the US Secret Service and Europol, dismantled a counterfeit banknote print shop in Lima and arrested one suspect. A total amount of EUR 4 437 000 and USD 4 460 000 in counterfeit banknotes were seized, all 100 denomination notes. Printing equipment, including an offset press and materials for the production of banknotes, were also confiscated. The raid was the culmination of an extensive operation that has been ongoing for a number of months and has involved information sharing across a number of international law enforcement agencies. A Europol expert was on location to provide technical support to Peruvian authorities and to evaluate the counterfeit euro notes and machinery seized.

Source: Europol (2013)

Moreover, even if not addressing exclusively the currency counterfeiting sector, the experience made within some regions of the use of joint investigation teams or the network of liaison officers are evidence of a level of international co-operation that is most probably much higher than those expressed by available figures. Examples of structure and legal procedures for the establishment and conduct of such joint investigation actions or on the use of international liaison office/officers network are again offered also by the EU legislation/initiatives.⁶⁰

On the other hand, the case studies collected by the project group about the use of special investigative techniques and/or the use of international co-operation testify of the significant cross-border aspects of currency counterfeiting and the benefits of international co-operation to the effectiveness of an investigation.

Box 20: Organised crime syndicate involved in smuggling and distribution of counterfeit US dollars

In September 2012, Secret Service agents in Lima, working closely with the Peruvian National Police (PNP) Dirincrici “Estafas” unit, obtained investigative intelligence from a confidential informant regarding a transnational organised group distributing counterfeit US currency. The investigation identified “A” as the primary suspect, a former PNP officer and cousin of the “godfather” of the *Familia Nique* crime syndicate and creator of the Peruvian counterfeit note

⁶⁰ Examples involving joint investigation team structures and use of liaison officers:

www.europol.europa.eu/content/page/joint-investigation-teams-989

<http://eurojust.europa.eu/Practitioners/Eurojust-Support-JITs/JITs/Pages/history.aspx>

<http://eurojust.europa.eu/Practitioners/Eurojust-Support-JITs/JITS-Funding/Pages/jits-funding-project.aspx>

family.

Through extensive surveillance and the use of other electronic investigative techniques, Lima agents and PNP investigators discovered a group of co-conspirators who distributed large quantities of counterfeit US currency through commercial ground transportation. The suspects concealed the counterfeit notes in boxes of pastries and shipped the contraband on buses that travelled from Peru to Ecuador, Colombia and Venezuela. Once in Venezuela, the suspects transported the counterfeit cash, through various smuggling methods, such as hiding the notes in false bottom luggage and children's toys and bibles on commercial flights, to locations in the United States, primarily New York and Miami. During surveillance in Lima, agents and PNP officers observed three suspects smuggle counterfeit currency onto a passenger bus. The investigative coalition force executed a search warrant on the vehicle and seized USD 600 000 in USD 100 Federal Reserve Notes and arrested "A". A query of the Secret Service Counterfeit Tracking Application identified the seized currency as a member of circular family C-23985. These notes first appeared in Detroit, Michigan in 2009, and are forensically linked to the Peruvian note family, with a total passing history in excess of USD 26 million. On 6 October 2012, Lima agents and the PNP arrested under Peruvian Criminal Code for possessing and distributing counterfeit currency.

Source: USSS (2012)

Most jurisdictions have identified impediments in respect of international co-operation. In the study questionnaire, the following six issues were identified:

- Different types, operating standards, and powers of individual FIUs/LEAs;
- Different priorities of the countries;
- Differing quality and credibility of information exchanged;
- Late or no responses to requests; insufficient/ low quality of responses; unduly rejected requests;
- Lengthy and complicated (time-consuming) procedures for implementation of MoUs and other agreements on international cooperation;
- Language barriers make communication more difficult (especially for non-English speaking jurisdictions).

Box 21: **Project Colombia**

Since 1996, the US Secret Service has had a significant presence in Colombia working in collaboration with Colombian law enforcement officials toward the suppression of counterfeit US currency. Success in the fight against criminal organisations dedicated to the manufacturing of counterfeit US currency is a direct result of the Secret Service's commitment to providing support and leadership within both the law enforcement and prosecutorial entities in Colombia. The Secret Service operates and maintains a "Vetted Anti-Counterfeiting Task Force" (VACF) in Colombia, comprised of Colombian law enforcement officials from both their federal and national police

forces. Members of the VACF Task force undergo background investigations and ultimately are required to pass a polygraph examination given by a certified US Secret Service polygrapher before he/she can become a certified member of the VACF. This vetting process ensures the integrity of the VACF unit, and allows members to receive specific training including wire tracking, counterfeit detection, firearms training and tactical strategies.

Since the inception of the VACF Task force, the Secret Service has not only provided continued financial support but has worked with Colombian Government Officials to change Colombian Federal Statutes, ensuring criminals and criminal organisations responsible for counterfeiting can be punished appropriately within their judicial system. This relationship between the Secret Service and the Colombian Law Enforcement has proven so successful it has served as a model for forming additional Secret Service led anti-counterfeiting task forces throughout the world.

Since the Bogota Resident Office opened in 1996 thru 2011, total counterfeit currency related to the Colombian Note, seized is USD 372 319 095. The establishment of the Secret Service Resident Office in Bogota, Colombia and formation of the VACF has had a significant impact on the production of counterfeit US currency in Colombia. These successes, coupled with the ability to cripple organisations manufacturing US counterfeit currency would not have been possible without the establishment of the VACF and the noted cooperation between the Secret Service and Colombian law enforcement officials.

Source: United States

INTERPOL provides forensic support, operational assistance, and technical databases, in order to assist member countries in addressing counterfeit currency. The agency seeks to provide partnerships between LEAs, financial institutions, and central banks, as well as with security printing industry and high grade suppliers. Interpol provides the following services⁶¹:

- Classifying, analysing and storing genuine currency specimens and counterfeit banknotes;
- Circulating analytical reports among INTERPOL member countries;
- Determining whether suspect specimens are genuine or counterfeit;
- Allocating international indicatives to newly discovered counterfeits;
- Publishing descriptions of new counterfeit banknotes;
- Preparing and circulating tables of statistics on worldwide counterfeit
- Organising best practices exchanges.

Of particular interest are the yearly statistics published by INTERPOL for all counterfeit currencies discovered in INTERPOL member countries.⁶²

⁶¹ Interpol (2013).

⁶² For detailed analysis of trends in counterfeiting please see Annexes.

One INTERPOL project to counter counterfeiting is Project S-Print – an international monitoring system on the security printing industry and suppliers, including the verification of second-hand *intaglio* machines, security printing equipment and suspicious purchase orders. The objective of the project is to reduce currency counterfeiting and altered security documents by preventing the necessary production materials and supplies from reaching the counterfeiters. The project has also formulated a checklist to help suppliers of printing materials identify orders that could be related to the manufacture of banknotes or identity documents⁶³.

In the FATF AML/CFT regime, counterfeiting finds a place. The interpretative note to the FATF Recommendation 3 (which deals with ML), states that countries should include a range of offences within each of the ‘designated categories of offences’. The offence of ML should extend to any type of property, regardless of its value, that directly or indirectly represents the proceeds of crime. When proving that property is the proceeds of crime, it should not be necessary that a person be convicted of a predicate offence⁶⁴. ‘Counterfeiting currency’ is one of the designated categories of offences⁶⁵. This is in addition to the regulations in respect of terror financing which find a place in Recommendation 5-8 of the FATF Recommendations and the International Convention for the Suppression of the Financing of Terrorism.

Europol plays an important role in the efforts of the EU in combatting euro counterfeiting. Europol acts as the Central Office for combating euro-counterfeiting within the meaning of Article 12 of the Geneva Convention⁶⁶. Within the context of its mandate, Europol:

- Works closely together with key playing institutions such as the ECB, the European Commission/OLAF, Eurojust and Interpol.
- Centralises, processes and analyses all information of a nature to facilitate the investigation, prevention and combating of euro counterfeiting and shares this information with the National Central Offices of the EU member states.
- Corresponds through the EU Liaison Office network with the National Central Offices of third countries in accordance with the rules on the transmission of personal data.
- Forwards on requests, and in line with the provisions of the CCC 1929, to the National Central Offices of third countries a set of specimens of actual euros.

Where counterfeiting of all other currencies is concerned, the National Central Offices retain their respective competence. The EU seeks to step up co-operation among member states and between member states and Europol with a view to protecting the euro against counterfeiting at

⁶³ Interpol (2013).

⁶⁴ FATF (2012), p. 34.

⁶⁵ FATF (2012), p. 112.

⁶⁶ See Council Decision 2005/511/JHA of 12 July 2005 on protecting the euro against counterfeiting, by designating Europol as the central office for combating euro counterfeiting.

international level. Third countries need a central contact for information on counterfeit euros. All such information is to be brought together for purposes of analysis at Europol.

The purpose of the Pericles Programme is to strengthen the protection of the euro against counterfeiting, taking into consideration transnational and multidisciplinary aspects. It seeks to promote content-convergence of the measures taken at European level to combat the counterfeiting of the euro and to ensure equivalence and homogeneity of the protection while observing the distinct traditions of each EU member states.

The programme envisages a four pronged strategy- of

- strengthening co-operation,
- technical, scientific and operational assistance,
- providing training and
- raising awareness to combat euro counterfeiting.

The programme seeks to closely support the establishment and completion of relevant protection structures (for example, national central offices against counterfeiting) in “relevant” third countries, enhance co-operation between countries as well between enforcement/financial structures, establish homogeneous and effective frameworks (legislation, procedures, and offices), support intelligence gathering, training, studies etc.⁶⁷.

The nature and scale of counterfeiting makes it obvious that counterfeiting cannot be exclusively tackled at the domestic level but needs sustained and substantial international co-operation. This is more so in the case of TF through counterfeiting, where the actors are often based in multiple jurisdictions.

International co-operation amongst states to combat counterfeiting with AML/CFT dimensions is usually based on time tested legal instruments such as bilateral treaties and multilateral conventions. Co-operation in individual cases is mostly through the processes of mutual legal assistance and extradition. Specifically, Recommendations 36-40 of the FATF Recommendations provide mechanisms for international co-operation in ML and TF cases. Mutual legal assistance could encompass a range of activity, from freezing/ confiscation/ evidence collection/ aids to investigation to prosecution assistance, extradition etc. Domestically, the agencies seeking such co-operation could be FIUs/LEAs.

FIUs seek co-operation through the Egmont Group, as well as the FATF or FSRBs⁶⁸. The police typically use the extensive Interpol system for mutual assistance.

⁶⁷ See European Commission (2012a).

⁶⁸ There are 8 FSRBs which include The Eurasian Group (EAG), Asia/Pacific Group on combating money laundering (APG), Caribbean Financial Action Task Force (CFATF), Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism of the Council of Europe (MONEYVAL), Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), Financial Action Task Force on Money Laundering in South America (GAFISUD), Intergovernmental Action Group against Money-Laundering in West Africa (GIABA), Middle East and North Africa Financial Action Task Force (MENAFATF).

Import of counterfeit currency is also covered by customs laws in most jurisdictions, and international co-operation mechanism in respect of customs laws therefore also apply. Besides the World Customs Organisation, the International Convention on Mutual Administrative Assistance for the Prevention, Investigation and Repression of Customs Offences (Nairobi Convention 1977), and the International Convention on Mutual Administrative Assistance in Customs Matters (Johannesburg Convention 2003) provide a framework mechanism in this regard. This is in addition to bilateral and regional customs agreements, as well as regular informal channels of communication. Mutual legal assistance between customs administrations significantly mitigates risk and limitations of countries, thereby leading to an increase in detection, interdiction and prosecution of such activity.

In respect of the role of FIUs, these units have dealt with counterfeit currency queries in Australia, India, Spain, Tajikistan and the United States. No such queries had been dealt with in France, Mexico, Nepal and Turkey.

In respect of LEAs, all countries which responded to the survey have suggested that LEAs do send/receive requests for international co-operation in counterfeit currency cases. Particularly, with regard to exchange of information, Belgium has substantial engagement, having sent 58, and received 96 requests. In respect of requests for conducting enquiries/ trials, France (1 sent, 12 received) and Belgium (3 sent, 75 received), have utilised this mode of co-operation. In respect of joint investigations, Turkey was the only country which reported use of this method.

Box 22: International co-operation and exchange of information

A planned operation was initiated in accordance with the analysis based on the information given by German liaison officers about the suspects of counterfeiting of currency who were arrested in Germany.

A meeting was held with German officials at the later stages of the investigation. Thanks to the international co-operation, many suspects were arrested in the operation and counterfeit Russian rubbles (valued at USD 994 500) were seized.

Source: Turkey

Italy in particular, stated that since it is a country known for producing counterfeit currency, there is a continuous flow of information from/to foreign countries both in and outside Europe. Furthermore, operational meetings between investigators are quite frequently organised and, in some cases, joint investigations conducted by Italian and foreign law enforcement agencies have been carried out, sometimes with the involvement of their respective judicial authorities. In this regard, the most active co-operation has been with France, Germany and Spain due to the importance of these countries from the standpoint of economy, finance, circulation of money as well as the statistical impact of currency counterfeiting within their national territories. Italy submitted 893 requests for information in 2012 and received 1554.

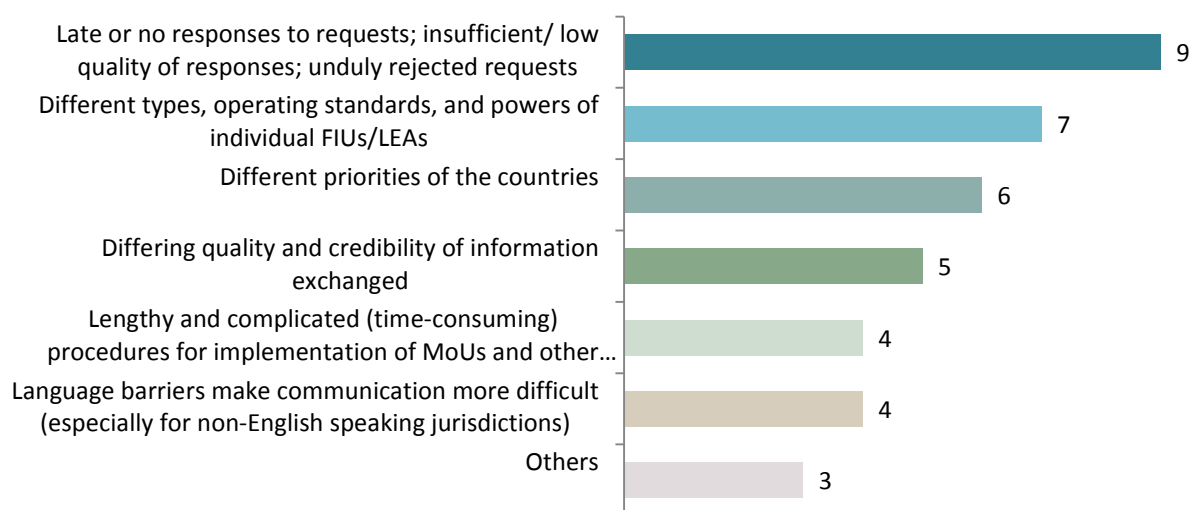
Box 23: International co-operation (Printing of counterfeit US dollars)

In October 2011, Italian law enforcement officials from the *Polizia di Stato* contacted the US Secret Service Rome Field Office requesting assistance with a counterfeit US currency investigation. The initial investigation identified a primary suspect. *Polizia di Stato* informed the Secret Service Rome Field Office of an investigation regarding an organised criminal group involved in a series of bank robberies throughout Italy. Utilising electronic investigative techniques and surveillance conducted during the investigation, *Polizia di Stato* identified an apartment located in La Spezia, Italy believed to contain counterfeit US currency. On 7 October 2011, members of the *Polizia di Stato* executed a search warrant revealing USD 1.78 million in counterfeit USD 100 banknotes, an offset printer, printing plates and negatives. On 7 October 2011, the primary suspect was arrested by Italian law enforcement and was charged with manufacturing counterfeit foreign currency. Criminal and MCI checks of the suspect revealed that suspect was of record with the Secret Service regarding previous counterfeit investigations dating back to 1986 and 1989.

Source: USSS (2012)

Survey responses to the question on the impediments encountered in providing or receiving international co-operation are indicated in the chart below.

Chart 14. Impediments to international co-operation related to counterfeit currency



The United States, in addition to the above, suggested that participation by inappropriate government officials as another matter of concern.

V. CONCLUSIONS

Currency counterfeiting is as old as money as a unit of exchange itself. With the internationalisation of money and its acceptance beyond local markets, currency became more attractive to counterfeiters. The US dollar, the euro or the British pound sterling are being circulated worldwide and trusted to hold their value. Favourable conditions such as inflation, political and economic instability, an underdeveloped banking sector, or a lack of convertibility of the domestic currency, prompt people to use such “hard currencies”. As seen by the example of Bulgarian based OCGs, changing preferences for certain hard currencies has the potential to make counterfeiters switch to the production of other currencies.

The importance of currency as a symbol of sovereignty and main contributor to economic stability triggered the international community to establish the CCC 1929. Still today, currency counterfeiting presents a threat to national economies. It is not so much the financial damage, which in fact is quite low compared to other forms of criminal activity, but the impact it has on the “trustworthiness” of the currency. In contrast, and as the survey results show, it seems that governments, LEAs and FIUs give a relatively low priority to combating currency counterfeiting. The problem is further accentuated by the fact that hardly any scientific research has been undertaken on this subject and its relationship to other forms of criminal activity. Estimates of the related proceeds of crime are rare, incomplete (only 100 out of 190 Interpol members reported actual figures), difficult to calculate and mainly reflect circulated counterfeit banknotes that have been seized, while police seizures in print-shops dismantled are not taken into account for statistical purposes. For understandable reasons, regulatory bodies and central banks are not in favour of attracting big media attention to the issue of counterfeiting. There is an apparent underestimation of how much attention is needed to protect currencies and the way resources should be allocated to achieve an adequate level of protection against counterfeiting. Furthermore, that counterfeiting receives lower priority may in part be due to the fact that a number of jurisdictions have not yet felt the impact of this activity on their domestic economy.

Improvements in digital printing techniques play an increasing role in facilitating the business of counterfeiting. Today, in principle, anyone with basic computer skills has the tools at hand to become a counterfeiter. Cheap, but sophisticated, printers and software make counterfeiting a lucrative, easy and opportunistic activity.

Currency counterfeiting crimes generate high profits only when powerful mafia-style OCGs are involved. The research appears to indicate that internationally operating OCGs are heavily involved in the illegal business of currency counterfeiting on a global scale. The complexities involved in the large-scale printing, smuggling and distribution of counterfeit currency when produced by offset printing machines requires the involvement of organised criminal syndicates with international linkages. The study confirms the strong links between currency counterfeiting and other forms of criminal activity, such as drug trafficking and arms smuggling.

The involvement of international OCGs makes it extremely difficult for a single country to address counterfeiting on its own, and an urgent need for enhanced international co-operation appears to be necessary.

This report has focussed on the ML and TF aspects of this currency counterfeiting and concludes that there is a lack of awareness on this activity and its links to ML, and thus taking a closer look at the relationship between currency counterfeiting and ML appears to be justified. One important aspect is the fact that proceeds generated by currency counterfeiting are often "laundered" by investing them in other criminal enterprises, especially in relation to drugs trafficking and actual figures originating from the proceeds of counterfeiting are lost.

The survey responses indicate that various methods, such as intermingling counterfeit with genuine currency, purchasing goods of low value or use of cash-intensive business as a front for introducing counterfeit currency into the financial system are preferred *modus operandi*. Similarly, various methods such as, use of cash couriers; bank account; *hawala* or other types of alternate remittance methods are employed by criminal syndicates to move the proceeds of crime related to counterfeit currency. The proceeds of this activity are integrated by intermingling in cash intensive business, movement through multiple jurisdictions, movement through multiple accounts/entities, use of corporate structure and false declaration of goods and services. The study did not identify distinctive methods only used to transfer proceeds of crime generated by currency counterfeiting or their integration into the legal financial flow. More likely, methods associated with counterfeiting follow the same patterns as those for other forms of criminal activity. Among a number of red flag indicators, the use of high-denomination banknotes such as the EUR 200 and the EUR 500 banknotes raised some suspicion. The fact that they are object of counterfeiters in principle contradicts the finding that the commonly used denominations are also the most counterfeited ones.

The study concludes that terrorist organisations have resorted to the use of counterfeit currency for a variety of reasons. Training, recruitment, attacks and propaganda require large amount of funds; and terrorist groups have often resorted to the business of counterfeiting of currency as one of the means to fund such activities. While currency counterfeiting in relation to OCGs is a global phenomenon, its relation to TF is seen only in some regions around the globe and in isolated cases. There is growing evidence that some terrorist groups co-operate with OCG to produce counterfeit currency in order to fund their activities.

It has also been observed that in some instances, counterfeit currency has been used as a tool to destabilize the economy of a country. Huge quantities of high quality CCN are being infused into the financial system of a country which lowers the value of the currency, triggers inflation and thus does not only erode the faith of the people in their currency but might have the power – in its worst case scenario – to make the whole economic system collapse.

The survey responses indicate that international instruments of co-operation exist between countries for criminal matters in general. International co-operation is continuously evolving, and there are still substantial, unresolved challenges. Some of the responses indicate that there is still considerable room for improvement at international level with regard to co-operation, in order to ensure a wider awareness of the existence of specific legal tools, the use of such instruments and enhancement of mutual trust. To ensure wider acceptance and use of the international co-operation mechanisms indicated above, there is an urgent need for international funding programmes for training and staff exchanges. Significantly, there is also a need for better understanding of the fact that in international co-operation- "the more you give the more you receive".

While many countries are dealing with the problem of counterfeit currency, some are still not signatories to the CCC 1929, and some of them are not even aware of the existence of such a convention. The responses also indicate that LEAs have so far, largely dealt with counterfeit currency as a distinct form of criminal activity but have rarely focussed on the ML and TF aspects associated with it.

All countries who responded to the survey indicated that they have their own internal reporting mechanisms in place regarding counterfeit currency; but there appears to be room for improvement here too. The need to report and compile all the information pertaining to counterfeit currency in each jurisdiction by a single authority, a national central office, is stipulated in Article 12 of the CCC 1929. The role of FIUs and customs in collecting and compiling this data needs to be explored. Countries also undertake training programmes for the LEAs, improving and upgrading security features and conduct public awareness programmes.

The laws pertaining to counterfeit currency seem to be in place and sufficient but need international/regional harmonisation to avoid the creation of “safe havens”. The case studies and international examples show that special investigative techniques are very efficient tools in dealing with currency counterfeiting. Considering the involvement of OCGs and terrorist groups which operate in an inherently highly secret environment, it makes sense to encourage further use of these techniques in the context of currency counterfeiting investigations.

VI. POLICY IMPLICATIONS

The project has identified several policy implications for possible improvements:

There is an urgent need for enhanced international co-operation between all the actors involved, at different levels of responsibility such as: regulators, LEAs and judicial authorities, and other stakeholders in the field, including financial intermediaries. All jurisdictions need to consider ratifying and/or acceding to the CCC 1929 and consequently put in place all its required legal and organisational measures, in particular those on the establishment of a national central office as outlined in Article 12.

The findings of this study clearly indicate that counterfeiting currency and associated ML and TF risks are transnational in character. The activity is carried out by organized criminal syndicates with a transnational presence. The transnational nature of the risk could be further considered by the FATF and FSRB assessors during a country's assessment of compliance with the FATF Recommendations. This includes any information with respect to the use of that country for producing and/or smuggling of counterfeit currency of another country. This information would help to form an objective, authentic and comprehensive view for addressing transnational risk by the country under assessment.

For the purpose of getting a more complete picture of the subject matter, Interpol could be encouraged to expand its relevant questionnaire to include more on ML and TF issues.

At the national level, efficient reporting mechanisms and establishment of adequate institutional frameworks could also be further promoted. These mechanisms and institutions could help to achieve more effective co-operation amongst regulatory bodies, FIUs and LEAs. This could then also reinforce efforts to detect currency counterfeiting within entities dealing with large amount of cash (*i.e.*, financial institutions and DNFBPs).

Countries could focus on setting up national training programmes and multidisciplinary working groups. National authorities could also look at improving mechanisms for monitoring convicted "printers"/producers of counterfeit currency. Within such monitoring frameworks, authorities could also consider extending the length of time for data retention on currency counterfeiting activity to ensure that known criminals do not escape LEA and judicial attention. Within this framework, the possibility of launching regional or international funding programmes such as the European Commission's Pericles programme could be explored.

The continuous review and enhancement of security features of national currency as an effective preventive measure for combating counterfeiting seems to be an essential element of addressing the issue. The development of such security features should, to the extent possible, take advantage of the practical knowledge gained by LEAs.

LEAs – and in particular – customs authorities – need to pay greater attention to shipments of any material which can be used for printing counterfeit currency such as security inks, security paper and holograms. Manufacturers of key raw material used for printing money, such as security paper and security ink, could be encouraged to take more responsibility in ensuring that their products do

not fall in the hands of criminal enterprises. This could also facilitate investigations undertaken by the LEAs across the world. The Interpol S-PRINT project could help to reinforce this effort.

LEAs and other public authorities or initiatives, such as the Central Banks Counterfeit Deterrence Group (CBCDG), may wish to further develop co-operation with business machine manufacturers such as the Japan Business Machine and Information System Industries Association (JBMIA). It is necessary that the FIUs receive the information not only from the financial institutions where CCN is detected and impounded but also from the LEAs that intercept, seize and confiscate CCN and prosecute the offenders.

Due to the lack of knowledge and understanding on the subject matter, countries should consider undertaking multidisciplinary studies on the economic and social impact of counterfeiting by putting focus on ML and TF related issues. Scenario planning could also help to address possible unforeseen/unexpected new challenges.

Countries may also want to examine more closely the OCG pyramid-like structure and identify the level at which ML takes place. Finally, future studies of currency counterfeiting and associated money laundering could assist in better understanding how the use of high denomination banknotes is related to both activities.

ANNEX 1: RESPONDING JURISDICTIONS TO THE QUESTIONNAIRE⁶⁹

No.	Jurisdiction
1	Anguilla
2	Australia
3	Austria
4	Bangladesh
5	Belarus
6	Belgium
7	Brazil
8	Curaçao
9	France
10	Germany
11	Hong Kong, China
12	India
13	Italy
14	Japan
15	Kyrgyz Republic
16	Latvia
17	México
18	Nepal
19	Russia
20	South Africa
21	Spain
22	Tajikistan
23	Turkey
24	United States
25	Uzbekistan

⁶⁹ Austria, Belgium, France, Germany, Italy, and Spain have the same currency: the euro.

ANNEX 2: LIST OF 100 COUNTRIES, WHICH PROVIDED STATISTICS TO INTERPOL ON DISCOVERY OF COUNTERFEIT NOTES IN 2011

No.	Country	No.	Country
1	Andorra	28	Czech Republic
2	Argentina	29	Denmark
3	Armenia	30	Egypt
4	Australia	31	El Salvador
5	Austria	32	Estonia
6	Azerbaijan	33	Fiji
7	Bahamas	34	Finland
8	Bahrain	35	France
9	Bangladesh	36	Germany
10	Belarus	37	Hong Kong, China
11	Belgium	38	Hungary
12	Benin	39	Iceland
13	Bolivia	40	India
14	Bosnia and Herzegovina	41	Iran
15	Botswana	42	Israel
16	Brazil	43	Italy
17	Brunei Darussalam	44	Japan
18	Bulgaria	45	Jordan
19	Burkina Faso	46	Kenya
20	Cameroon	47	Kuwait
21	Canada	48	Latvia
22	Chad	49	Lebanon
23	Chile	50	Liechtenstein
24	Colombia	51	Lithuania
25	Croatia	52	Luxembourg
26	Cuba	53	Macao, China
27	Cyprus	54	Malaysia

No.	Country	No.	Country
55	Malta	80	Slovakia
56	Mauritius	81	Slovenia
57	Monaco	82	South Africa
58	Mongolia	83	Spain
59	Montenegro	84	Sudan
60	Morocco	85	Swaziland
61	Mozambique	86	Sweden
62	Namibia	87	Switzerland
63	Nepal	88	Syrian Arab Republic
64	New Zealand	89	The Former Yugoslav Republic of Macedonia
65	Norway	90	The Netherlands
66	Oman	91	Trinidad and Tobago
67	Paraguay	92	Tunisia
68	Peru	93	Turkey
69	Philippines	94	Turkmenistan
70	Poland	95	Ukraine
71	Portugal	96	United Kingdom
72	Qatar	97	Uruguay
73	Romania	98	Uzbekistan
74	Russian Federation	99	Venezuela
75	San Marino	100	Zimbabwe
76	Saudi Arabia		
77	Serbia		
78	Seychelles		
79	Singapore		

ANNEX 3: RESEARCH SURVEY

FATF TYPOLOGIES PROJECT

MONEY LAUNDERING AND TERRORIST FINANCING RELATED TO COUNTERFEITING OF CURRENCY

Initial Questionnaire

The goals of the FATF typologies project on counterfeiting of currency are:

- To identify and describe money laundering and terrorist financing methods associated with counterfeit currency
- To contrast the methods of placement of counterfeit currency with those of other criminal proceeds
- To study the linkage of counterfeiting of currency with organised crime, terrorist financing and other types of criminal activity.
- To identify AML/CFT measures that are useful in detection of counterfeiting of currency and associated ML/TF
- To identify red flag indicators for detection of suspicious transactions relating to counterfeit currency
- To identify gaps in the legal framework and/or mismatch in the operational interaction of LEAs, customs and FIUs preventing successful investigation and prosecution of ML/TF arising from counterfeit currency

A questionnaire has been developed to solicit basic information from FATF members and other participants. The information obtained through this questionnaire will assist the Project Team in establishing the general parameters of its work and in focusing its requests for further information.

The typology project does not cover counterfeit coins.

The questionnaire is divided into following sections:

- Section A: About Counterfeiting of Currency in general
- Section B: Money Laundering
- Section C: Terrorist Financing
- Section D: Preventive Measures
- Section E: Financial Intelligence Unit
- Section F: Customs Authorities
- Section G: Law Enforcement and Investigative Authorities
- Section H: International Cooperation

■ Section I: Legal Framework

Respondents are requested to return their completed questionnaires by December 11, 2012 to the FATF Secretariat.

THANK YOU FOR PARTICIPATING IN THE PROJECT.

October 26, 2012

	Country or Jurisdiction	
	Contact name and organisation	
	Contact Email	
SECTION A: GENERAL		
Q.1	What is the national currency ⁷⁰ / legal tender of your jurisdiction?	
Q.2	What is the face value of the counterfeit currency (in USD) detected/seized in your jurisdiction in and before circulation? (The following two tables capture counterfeit currency detected by the financial institutions/DNFBPs ⁷¹ and seizure by the law enforcement agencies separately. Please make a copy of the table if there are more than one counterfeit currency in the jurisdiction)	

Name of Currency:		Exchange rate to USD as on July 1, 2012:				
	In circulation ⁷²					
	Detected by financial institutions or DNFBPs		Seized by Law Enforcement (excluding detection by financial institutions or DNFBPs)		Total counterfeit currency detected/seized	
	Number of Notes	Face Value (in USD ⁷³)	Number of Notes	Face Value (in USD ⁷³)	Number of Notes (1+3)	Face Value (in USD ⁷³) (2+4)
	(1)	(2)	(3)	(4)	(5)	(6)
2009						
2010						
2011						
Total						

⁷⁰ National currency means, a currency which is issued by the sovereign Government of the country.

⁷¹ DNFBPs: Designated Non-Financial Businesses and Professions.

⁷² Counterfeit banknotes seized after they had caused damage (financial loss).

⁷³ The face value has been sought in USD and the rate of conversion for all three years should be taken at the exchange rate of the national currency vis-à-vis USD as at 1 July 2012.

Name of Currency:		Exchange rate to USD as on July 1, 2012:			
Before ⁷⁴ circulation					
Detected by financial institutions or DNFBPs		Seized by Law Enforcement (excluding detection by financial institutions or DNFBPs)		Total counterfeit currency detected/seized	
Number of Notes	Face Value (in USD ⁷⁵)	Number of Notes	Face Value (in USD ⁷⁵)	Number of Notes (1+3)	Face Value (in USD ⁷⁵) (2+4)
(1)	(2)	(3)	(4)	(5)	(6)
2009					
2010					
2011					
Total					

Q.3	What is the threat rating for counterfeiting of currency in your jurisdiction? Please check the relevant rating.	<input type="checkbox"/> Very High <input type="checkbox"/> High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/> Very Low <input type="checkbox"/> Others (Please use the space below to specify)
Q.4	What are the factors underlying the threat assessment of counterfeiting of currency in your jurisdiction? Please check all that apply.	<input type="checkbox"/> Adverse impact on the integrity of the financial sector <input type="checkbox"/> Loss of trust in currency <input type="checkbox"/> Large quantum of proceeds of crime generated/laundered <input type="checkbox"/> Linkage with financing of terrorism <input type="checkbox"/> Linkage with drugs and other offences <input type="checkbox"/> Others (Please use the space below to specify)
Q.5	Is there one currency production facility or multiple facilities that produce the currency notes?	
Q.6	Is there a methodology to estimate for the value of counterfeit currency in circulation in your jurisdiction? If yes, please provide the salient features of the methodology.	
Q.7	Is there an estimate as to how much of your domestic currency in circulation is counterfeit? If yes, please provide estimates of the value of such counterfeit currency in circulation in your jurisdiction?	
Q.8	Is there a national strategy to combat counterfeiting of currency? If yes, please provide the salient features of the strategy.	
Q.9	What is the competent authority for identifying and verifying that the suspected currency is counterfeit?	
Q.10	Name of the competent authority(ies) responsible for combating currency counterfeiting.	
Q.11	What is the name of the unit designated as the dedicated Nation Central Office (NCO) for combating currency counterfeiting according to Article 12 of the International Convention for the Suppression of Counterfeiting Currency of 1929?	

⁷⁴ Counterfeit banknotes seized before they caused damage (financial loss), e.g., seizures in confidence buys/sting operations, counterfeits seized in illegal print-shops or deposits.

⁷⁵ The face value has been sought in USD and the rate of conversion for all three years should be taken at the exchange rate of the national currency vis-à-vis USD as at 1 July 2012.

Q.12	What equipment is utilized to examine the suspected counterfeit currency? (Microscopes, various light sources, magnetic detector, scanning electron microscope, RAMAN, GC/MS?)	
Q.13	Is there a certain special budget available for combating currency counterfeiting? Who provides this budget (police, national bank, international organisation or funding programmes, etc.?)	
Q.14	Are currency counterfeiting cases reported and administered at a central body?	
Q.15	Name of the competent authority(ies) responsible for combating money laundering related to counterfeit currency.	
Q.16	Name of the competent authority(ies) responsible for combating financing of terrorism related to counterfeit currency.	
Q.17	Is counterfeit currency linked with other predicate offences? Please check all that apply.	<input type="checkbox"/> Participation in an organised criminal group and racketeering <input type="checkbox"/> Terrorism, including terrorist financing <input type="checkbox"/> Trafficking in human beings and migrant smuggling <input type="checkbox"/> Illicit trafficking in narcotic drugs and psychotropic substances <input type="checkbox"/> Illicit arms trafficking <input type="checkbox"/> Smuggling <input type="checkbox"/> Others (Please use the space below to specify)
Q.18	Please provide case studies to show linkage of counterfeiting of currency with other predicate offences. (E.g. Cases in which counterfeit currency was seized along with drugs, illicit arms etc.)	
SECTION B: MONEY LAUNDERING		
Q.19	Are domestic organised criminal groups involved in printing and / or circulation of counterfeit currency as a profit-making activity? If yes, please provide percentage share of organised criminal groups in counterfeit currency.	
Q.20	Are international organised criminal groups involved in printing and / or circulation of counterfeit currency as a profit-making activity? If yes, please provide percentage share of organised criminal groups in counterfeit currency.	
Q.21	What methods are used for placement of counterfeit currency? Please check all that apply.	<input type="checkbox"/> Mixing counterfeit with genuine currency <input type="checkbox"/> Intermingling in cash intensive business <input type="checkbox"/> Gambling <input type="checkbox"/> Purchasing goods of low value <input type="checkbox"/> Selling it to people/kids <input type="checkbox"/> Exchanging through currency exchanges <input type="checkbox"/> Others (Please use the space below to specify)
Q.22	What methods are used for transfer of proceeds of crime related to counterfeit currency? Please check all that apply.	<input type="checkbox"/> Cash couriers <input type="checkbox"/> Hawala or alternate remittance method <input type="checkbox"/> Bank account <input type="checkbox"/> Money transfer service <input type="checkbox"/> ATM ⁷⁶ Cards <input type="checkbox"/> Others (Please use the space below to specify)
Q.23	What methods are used for layering and integration of proceeds of crime related to counterfeit currency? Please check all that apply.	<input type="checkbox"/> Movement through multiple accounts/entities <input type="checkbox"/> Movement through multiple jurisdictions <input type="checkbox"/> Mis-declaration of goods and services <input type="checkbox"/> Intermingling in cash intensive business <input type="checkbox"/> Use of corporate structures <input type="checkbox"/> Others (Please use the space below to specify)

⁷⁶ ATM : Automated Teller Machine.

Q.24	Is there any estimate of proceeds of crime generated by the main operators in the chain of counterfeiting currency distribution chain (printer, distributor, retailer etc.)? (E.g. Distributors of counterfeit currency collect X% of the face value of the counterfeit currency from the retailer)		
Q.25	Please provide the quantum of counterfeit currency involved in top few (around five) cases (based on the number of counterfeit notes) that were investigated by your jurisdiction in last three years (2009, 2010 and 2011) and the quantum of counterfeit currency involved?		
	Year	No. of cases	Value of counterfeit currency involved (in USD)
	2009		
	2010		
Q.26	How many cases of money laundering were investigated by your jurisdiction in last three years (2009, 2010 and 2011) and the quantum of counterfeit currency involved?		
	Year	No. of cases	Value of counterfeit currency involved (in USD)
	2009		
	2010		
Q.27	Please provide case studies to show use of ML methods and techniques in counterfeit currency.		
SECTION C: TERRORIST FINANCING			
Q.28	Is counterfeit currency used for resourcing/financing of terrorism?		
Q.29	What methods are used for resourcing/financing of terrorism from counterfeit currency? Please check all that apply.	<input type="checkbox"/> Counterfeit currency is provided to individual terrorist <input type="checkbox"/> Counterfeit currency is distributed through terrorist network <input type="checkbox"/> Proceeds are invested to strengthen terrorist support infrastructure <input type="checkbox"/> Counterfeit money as means of economical warfare <input type="checkbox"/> Financing of individual attacks <input type="checkbox"/> Liaison with Organised Crime Groups <input type="checkbox"/> Liaison with sovereign states <input type="checkbox"/> Others (Please use the space below to specify)	
Q.30	How many cases of terrorist financing related to counterfeit currency have been investigated by your jurisdiction in last three years (2009, 2010 and 2011)?		
	Year	No. of cases	Value of counterfeit currency involved (in USD)
	2009		
	2010		
Q.31	Please provide case studies to show linkage of counterfeit currency with resourcing/ financing of terrorism.		

SECTION D: PREVENTIVE MEASURES		
Q.32	What preventive measures are employed by your jurisdiction to combat counterfeit currency? Please check all that apply.	<input type="checkbox"/> Enhancement of security features in the currency notes <input type="checkbox"/> Installation of sophisticated counterfeit currency detection <input type="checkbox"/> Note handling procedure to ensure that all cash collected at the teller is verified before giving out <input type="checkbox"/> Dedicated reporting mechanism etc. <input type="checkbox"/> Training and awareness of institutions <input type="checkbox"/> Awareness of the public <input type="checkbox"/> Others (Please use the space below to specify)
Q.33	Describe any education or awareness-raising provided to the public on genuine and/or counterfeit currency?	
Q.34	What type of financial institutions and DNFBPs deal with large amount of cash in your jurisdiction? Please check all that apply.	<input type="checkbox"/> Banks <input type="checkbox"/> Insurance companies <input type="checkbox"/> Money transfer service providers <input type="checkbox"/> Foreign exchange agents <input type="checkbox"/> Securities market intermediaries <input type="checkbox"/> Post offices <input type="checkbox"/> Real estate agents <input type="checkbox"/> Dealers in precious metals and stones <input type="checkbox"/> Others (Please use the space below to specify)
Q.35	What are the impediments in effective detection of counterfeit currency by the financial institutions and DNFBPs? Please check all that apply.	<input type="checkbox"/> Lack of awareness and training <input type="checkbox"/> Gaps in currency handling procedures <input type="checkbox"/> Inadequacy of mechanism to detect counterfeit currency <input type="checkbox"/> Lack of expertise to detect counterfeit currency <input type="checkbox"/> Compliance cost in handling/reporting seized counterfeit currency <input type="checkbox"/> Fear of losing bona fide customers <input type="checkbox"/> Apprehension of getting involved in legal proceedings <input type="checkbox"/> Others (Please use the space below to specify)
Q.36	Is detection of counterfeit currency reported to the central authority such as Central Bank/ Ministry of Finance/Department of Treasury?	
Q.37	In the last two decades, how many times the security features of the national currency has been redesigned?	
Q.38	Are there machine readable components in your national currency?	
Q.39	Are law enforcement officials involved in the currency design and production process?	
Q.40	What happens to the counterfeits after examination (destruction, deposit, court, etc.)? Whether counterfeit currency is turned over to law enforcement officials?	
Q.41	Whether the counterfeit currency is subsequently collected and stored in a centralised location? If so, who maintains custody of the counterfeit specimens?	
SECTION E: FINANCIAL INTELLIGENCE UNIT (FIU)		
Q.42	Do financial institutions and DNFBPs report detection of counterfeit currency to the FIU in STRs ⁷⁷ ?	
Q.43	How many reports (including STR) related to counterfeit currency were received by the FIU in last three years (2009, 2010 and 2011) and the quantum of counterfeit currency involved?	

⁷⁷ STRs: Suspicious Transaction Reports.

	Year	No. of reports	Value of counterfeit currency involved (in USD)
	2009		
	2010		
	2011		
Q.44	Does FIU conduct outreach and training relating to counterfeit currency? If yes, please provide details.		
Q.45	What red flag indicators are used by the financial institutions/DNFbps to detect proceeds of counterfeit currency? (E.g.: Small value cash deposits in multiple locations followed by immediate cash withdrawals in specific location, etc.)		
Q.46	What type of operational analysis is conducted by FIU to combat counterfeit currency? (E.g. Large value of counterfeit currency detected in one incident; Repeated incidents of counterfeit currency linked to the same person etc.)		
Q.47	What type of strategic analysis products are developed by the FIU to combat currency counterfeiting? (E.g. Identification of temporal and geographical trends and patterns in detection of counterfeit currency; Identification of localities showing sudden increase in detection of counterfeit currency for a period, etc.)		
SECTION F: CUSTOMS AUTHORITIES			
Q.48	Does Currency counterfeiting have a transnational character? Please check all that apply.	<input type="checkbox"/> Counterfeit national currency is printed abroad <input type="checkbox"/> Counterfeit foreign currency is in circulation in the jurisdiction <input type="checkbox"/> Others (Please use the space below to specify)	
Q.49	What are modes used for cross border smuggling of counterfeit currency? Please check all that apply.	<input type="checkbox"/> Carriage on person <input type="checkbox"/> Baggage / Personal belongings <input type="checkbox"/> Post/courier parcels <input type="checkbox"/> Concealment in trade consignments <input type="checkbox"/> Concealment in vehicles <input type="checkbox"/> Others (Please use the space below to specify)	
Q.50	Do customs authorities give special attention to shipment of materials (e.g. security inks, security paper, printing-presses etc.) which can be used for printing counterfeit currency? If yes, please provide details.		
Q.51	Do customs authorities investigate cases of counterfeit currency?		
Q.52	Do customs authorities conduct the money laundering aspect of this investigation, or is it referred to a law enforcement agency?		
Q.53	Do customs authorities conduct the terrorist financing aspect of this investigation, or is it referred to a law enforcement agency?		
Q.54	Please provide case studies to show the role of customs authorities in combating counterfeit currency.		
SECTION G: LAW ENFORCEMENT AND INVESTIGATIVE AUTHORITIES			
Q.55	Are special investigative techniques used to combat counterfeit currency? Please check all that apply.	<input type="checkbox"/> Undercover operations/sting operations <input type="checkbox"/> Intercepting communications <input type="checkbox"/> Controlled delivery <input type="checkbox"/> Tracing and recovery of assets <input type="checkbox"/> Confidence buys <input type="checkbox"/> Controlled deliveries <input type="checkbox"/> Others (Please use the space below to specify)	
Q.56	Are permanent or temporary multi-disciplinary groups specialised in financial or asset investigations formed to combat currency counterfeiting.		
Q.57	Is there any evidence available to suggest that counterfeit currency production is being sponsored by a foreign government?		

Q.58	Is there an analytical procedure in place to determine how suspected counterfeit has been produced and where the components for production are located?	
Q.59	What are the penalties/punishments related to following activities? Please mention penalty and punishment for the following.	
	Printing of counterfeit currency	
	Circulation of counterfeit currency	
	Smuggling of counterfeit currency	
	Possession of counterfeit currency	
	Money laundering related to counterfeit currency	
	Financing of terrorism related to counterfeit currency	
	Possession of equipment and raw material to produce counterfeits	
Q.60	Please mention any impediments encountered when conducting investigations related to counterfeiting of currency? Please check all that apply.	<input type="checkbox"/> Inadequate special investigative techniques <input type="checkbox"/> Inadequate financial or asset investigations <input type="checkbox"/> Inadequate training and expertise <input type="checkbox"/> Inadequate forensic facilities <input type="checkbox"/> Inadequate coordination between domestic agencies <input type="checkbox"/> Transnational nature of activities <input type="checkbox"/> Difficulty in bringing kingpins to justice <input type="checkbox"/> Low priority compared to other fields of crime <input type="checkbox"/> Others (Please use the space below to specify)
Q.61	Please provide case studies to show use of special investigative technique, multi-disciplinary coordination for combating counterfeit currency.	

SECTION H: INTERNATIONAL COOPERATION

Q.62	Does the FIU send or receive requests for information with international counterparts related to counterfeit currency? If yes, please provide number of requests	
Q.63	Do Law enforcement authorities send or receive request for international cooperation with international counterparts related to counterfeit currency? Please mention whether request for following types of international cooperation was sent or received.	
	Type of international cooperation	Number of Requests sent
	Exchange of information	
	Conduct inquiries and obtain information	
	Joint investigation to conduct cooperative investigations	
	Establish bilateral or multilateral arrangements to enable joint investigations	
Others (please specify)		

Q.64	<p>What are the impediments encountered in providing or receiving international cooperation related to counterfeit currency? Please check all that apply.</p>	<input type="checkbox"/> Different types, operating standards, and powers of individual FIUs/LEAs <input type="checkbox"/> Different priorities of the countries <input type="checkbox"/> Differing quality and credibility of information exchanged <input type="checkbox"/> Late or no responses to requests; insufficient/ low quality of responses; unduly rejected requests <input type="checkbox"/> Lengthy and complicated (time-consuming) procedures for implementation of MoUs and other agreements on international cooperation <input type="checkbox"/> Language barriers make communication more difficult (especially for non-English speaking jurisdictions) <input type="checkbox"/> Others (Please use the space below to specify)
Q.65	Please provide case studies to show use of international cooperation for combating counterfeit currency.	
SECTION I: LEGAL FRAMEWORK		
Q. 66	Did your country ratify the International Convention for the Suppression of Counterfeiting Currency of 1929 (commonly known by "Geneva Convention" of 1929)?	
Q. 67	On which basis (legal framework) does your country combat currency counterfeiting?	
Q. 68	Are there any obligations as regards the transmission of international law into your domestic law?	
Q. 69	Are there any obligations about the reporting of counterfeit money or is there a specific chain of reporting (e.g. to a superior office, institution, organisation)?	
Q. 70	Are there any legal obligations to withdraw counterfeits from circulation after detection?	

ANNEX 4: STATISTICAL ANALYSIS OF QUESTIONNAIRE

Q. No.	Question	Options	Selected	Total	Percentage
Q.3	What is the threat rating for counterfeiting of currency in your jurisdiction? Please check the relevant rating.	Very High	1	22	5%
		High	4		18%
		Medium	4		18%
		Low	5		23%
		Very Low	8		36%
		Others	0		0%
Q.4	What are the factors underlying the threat assessment of counterfeiting of currency in your jurisdiction? Please check all that apply.	Adverse impact on the integrity of the financial sector	14	25	56%
		Loss of trust in currency	15		60%
		Large quantum of proceeds of crime generated/ laundered	4		16%
		Linkage with financing of terrorism	5		20%
		Linkage with drugs and other offences	12		48%
		Others	3		12%
Q.17	Is counterfeit currency linked with other predicate offences? Please check all that apply.	Participation in an organised criminal group and racketeering	12	25	48%
		Terrorism, including terrorist financing	5		20%
		Trafficking in human beings and migrant smuggling	5		20%
		Illicit trafficking in narcotic drugs and psychotropic substances	13		52%
		Illicit arms trafficking	3		12%
		Smuggling	9		36%
		Others	3		12%
Q.21	What methods are used for placement of counterfeit currency? Please check all that apply.	Mixing counterfeit with genuine currency	19	25	76%
		Intermingling in cash intensive business	11		44%
		Gambling	10		40%
		Purchasing goods of low value	19		76%
		Selling it to people/kids	14		56%
		Exchanging through currency exchanges	9		36%
		Others	1		4%
Q.22	What methods are used for transfer of proceeds of crime	Cash couriers	10	25	40%
		Hawala or alternate remittance method	5		20%

Q. No.	Question	Options	Selected	Total	Percentage
	related to counterfeit currency? Please check all that apply.	Bank account	7		28%
		Money transfer service	5		20%
		ATM Cards	2		8%
		Others	3		12%
Q.23	What methods are used for layering and integration of proceeds of crime related to counterfeit currency? Please check all that apply.	Movement through multiple accounts/entities	5	25	20%
		Movement through multiple jurisdictions	6		24%
		Mis-declaration of goods and services	4		16%
		Intermingling in cash intensive business	11		44%
		Use of corporate structures	5		20%
		Others	6		24%
Q.29	What methods are used for resourcing/financing of terrorism from counterfeit currency? Please check all that apply.	Counterfeit currency is provided to individual terrorist	4	25	16%
		Counterfeit currency is distributed through terrorist network	3		12%
		Proceeds are invested to strengthen terrorist support infrastructure	3		12%
		Counterfeit money as means of economical warfare	3		12%
		Financing of individual attacks	4		16%
		Liaison with Organised Crime Groups	2		8%
		Liaison with sovereign states	1		4%
		Others	1		4%
Q.32	What preventive measures are employed by your jurisdiction to combat counterfeit currency? Please check all that apply.	Enhancement of security features in the currency notes	20	25	80%
		Installation of sophisticated counterfeit currency detection	15		60%
		Note handling procedure to ensure that all cash collected at the teller is verified before giving out	17		68%
		Dedicated reporting mechanism etc	13		52%
		Training and awareness of institutions	24		96%
		Awareness of the public	22		88%
		Others	5		20%
Q.34	What type of financial institutions and DNFBPs deal with large amount of cash in your jurisdiction? Please check all that	Banks	24	25	96%
		Insurance companies	7		28%
		Money transfer service providers	19		76%
		Foreign exchange agents	15		60%

Q. No.	Question	Options	Selected	Total	Percentage
	apply.	Securities market intermediaries	3		12%
		Post offices	12		48%
		Real estate agents	7		28%
		Dealers in precious metals and stones	9		36%
		Others	7		28%
Q.35	What are the impediments in effective detection of counterfeit currency by the financial institutions and DNFBPs? Please check all that apply.	Lack of awareness and training	14	25	56%
		Gaps in currency handling procedures	10		40%
		Inadequacy of mechanism to detect counterfeit currency	10		40%
		Lack of expertise to detect counterfeit currency	15		60%
		Compliance cost in handling/reporting seized counterfeit currency	4		16%
		Fear of losing bona fide customers	9		36%
		Apprehension of getting involved in legal proceedings	8		32%
		Others	2		8%
Q.48	Does Currency counterfeiting have a transnational character? Please check all that apply.	Counterfeit national currency is printed abroad	10	25	40%
		Counterfeit foreign currency is in circulation in the jurisdiction	13		52%
		Others	2		8%
Q.49	What are modes used for cross border smuggling of counterfeit currency? Please check all that apply.	Carriage on person	13	25	52%
		Baggage / Personal belongings	14		56%
		Post/courier parcels	9		36%
		Concealment in trade consignments	7		28%
		Concealment in vehicles	9		36%
		Others	2		8%
Q.55	Are special investigative techniques used to combat counterfeit currency? Please check all that apply.	Undercover operations/sting operations	14	25	56%
		Intercepting communications	15		60%
		Controlled delivery	11		44%
		Tracing and recovery of assets	12		48%
		Confidence buys	10		40%
		Controlled deliveries	6		24%
		Others	3		12%
Q.60	Please mention any impediments	Inadequate special investigative techniques	4	25	16%

Q. No.	Question	Options	Selected	Total	Percentage
	encountered when conducting investigations related to counterfeiting of currency? Please check all that apply.	Inadequate financial or asset investigations	4	25	16%
		Inadequate training and expertise	7		28%
		Inadequate forensic facilities	3		12%
		Inadequate coordination between domestic agencies	5		20%
		Transnational nature of activities	8		32%
		Difficulty in bringing kingpins to justice	5		20%
		Low priority compared to other fields of crime	6		24%
		Others	4		16%
Q.64	What are the impediments encountered in providing or receiving international cooperation related to counterfeit currency? Please check all that apply.	Different types, operating standards, and powers of individual FIUs/LEAs	7	25	28%
		Different priorities of the countries	6		24%
		Differing quality and credibility of information exchanged	5		20%
		Late or no responses to requests; insufficient/ low quality of responses; unduly rejected requests	9		36%
		Lengthy and complicated (time-consuming) procedures for implementation of MoUs and other agreements on international cooperation	4		16%
		Language barriers make communication more difficult (especially for non-English speaking jurisdictions)	4		16%
		Others	3		12%

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