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BANK PROGRAMS TO INTERDICT CORRUPTION-RELATED MONEY LAUNDERING

Under the USA PATRIOT Act, banks must conduct enhanced scrutiny of private banking accounts of senior foreign political figures to prevent such accounts from being used to launder the proceeds of corruption. The level of diligence depends on a number of factors, which the authors describe. They also identify red-flag transactions involving suspicious activity in accounts for such persons. Levels of scrutiny may vary significantly, but banks must be capable of detecting and investigating a wide range of questionable transactions.

By Douglas N. Greenburg and John Roth *

The wave of change that swept the Middle East and North Africa in 2011 provided a vivid reminder to financial institutions of the risks they face in providing banking services for senior political leaders. As long-time autocrats toppled or tottered on the brink, bank regulators pointedly reminded institutions of their obligations to apply enhanced scrutiny to these accounts and “monitor transactions that could potentially represent misappropriated or diverted state assets, proceeds of bribery or other illegal payments, or other public corruption proceeds.”¹ The message was simple.

Banks needed to be alert that these foreign leaders – whether friend or foe of the United States – would attempt to move or conceal stolen wealth as they fell from power. Such concerns rest in well-established history.

In 1999, the Chairman of a major international bank was subpoenaed to testify before a subcommittee of the United States Senate, regarding the accounts that Raul Salinas, the brother of the President of Mexico, held at

¹ *Guidance to Financial Institutions on Recent Events in Libya*, Department of the Treasury Advisory (February 24, 2011),

footnote continued from previous column...

available at http://www.fincen.gov/statutes_regs/guidance/html/FIN-2011-A004.html.

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