



# Belgian Financial Intelligence Processing Unit

17th Annual Report  
2010

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## I. PREFACE

The key figures of the statistics of CTIF-CFI's activities in 2010 point to a continuous increase in the number of disclosures received and processed in accordance with the Law of 11 January 1993 on preventing use of the financial system for purposes of money laundering and terrorist financing.

In total 18.673 disclosures were received over a full year, averaging 1.556 a month. This is an increase of 8,7% compared to the monthly average in 2009 and of 20% compared to that of 2008.

Eighty five percent of the disclosures received in 2010 were sent by disclosing entities in the financial sector *strictu sensu*.

All of these disclosures were analysed by CTIF-CFI and grouped into 4.928 new files. Together with the 2.631 files still being processed on 31 December 2009 this adds up to a total of 7.559 files.

On 31 December 2010 2.662 files were still being processed, about one in three files involved money remittance for small amounts. Last year CTIF-CFI finalised the analysis of 4.897 files, around 75% of which were closed.

In this period 1.259 new files were reported to the judicial authorities for a total amount of EUR 594,93 million. One should also add the files additionally reported to the Public Prosecutor's Offices or the Federal Public Prosecutor's Office in case of suspicions of money laundering or terrorist financing in files reported in or prior to 2010. These additional reported files represent a total amount of EUR 727 million.

The information received and processed reported to the competent Public Prosecutors or Federal Public Prosecutor in 2010 reflect a total amount of EUR 1 billion 321 million. With respect to this amount CTIF-CFI's analytical department identified serious indications of laundering the proceeds of one or more serious offences mentioned in the Law of 11 January 1993.

Economic and financial crime remains important in 2010. Cross-border transactions and the presence of multiple offences have been identified as well as an increasing involvement of human trafficking networks and trafficking in illegal labour.

With respect to the reported files money laundering transactions related to organised fraud come in first place with 306 reported files for an amount of EUR 33,61 million.

CTIF-CFI also posted various warnings on its website warning for this type of fraud. In these times of crisis fraud is becoming ever more common and modern means of communication are used to remotely misuse the credulity and weaknesses of a large number of people.

As to the number of reported files by offence fraud is followed by trafficking in illegal labour (187 reported files), illicit trafficking in narcotics (138 reported files), serious and organised fiscal fraud (123 reported files), fraudulent bankruptcy (115 reported files), illicit trafficking in goods and merchandise (92 reported files), misappropriation of corporate assets (86 reported files) and human trafficking (53 reported files).

With respect to the detected and reported amount the amount of EUR 192,67 million identified in money laundering transactions probably related to serious and organised fiscal fraud come in first place. In terms of amounts they are followed by files reported for laundering the proceeds of illicit trafficking in goods and merchandise (EUR 142 million), followed by fraudulent bankruptcy (EUR 77,11 million), misappropriation of corporate assets (EUR 34,13 million), trafficking in illegal labour (EUR 33,67 million), fraud (EUR 33,61 million), organised crime (EUR 23,54 million) and improper public offering of securities (EUR 12,29 million).

In some 75% of the reported files the Belgian financial system is used to channel criminal proceeds. Whether these transactions are carried out in a very short period of time or take place over a longer period criminals are most vulnerable when at one point in time a large amount of money is present as this urges the Belgian authorities to intervene directly.

To enhance efficiency CTIF-CFI has adopted the principle of prioritizing files where the money can be seized in Belgium. It should be noted that 44% of the individuals in the files reported to the judicial authorities have Belgian nationality.

In 2010 CTIF-CFI used its power to halt a transaction for two working days on 60 occasions. A cumulative amount of EUR 135 million was blocked before reporting the relevant files to the competent Public Prosecutors. This amount is much higher than previous years as CTIF-CFI issued a freezing order against a transaction of over EUR 112 million in a file involving VAT carousel fraud, which is discussed in this annual report.

Compared to the amount of CTIF-CFI's freezing orders in 2010 the various Public Prosecutors' Offices (cf. Statistics page [35](#)) subsequently seized an amount of EUR 116 million.

This urgent procedure was carried out more efficiently at operational level as there was excellent communication between CTIF-CFI and the Public Prosecutors when CTIF-CFI halted the transactions and decided to report the file to the judicial authorities.

Good cooperation at all levels remains the best method to combat money laundering especially because it forms a threat for the legitimate and democratic functions of our economic and financial activities but can also damage social cohesion. According to a recent study of the United Nations the global proceeds of crime are estimated to amount to 2.100 billion USD in 2009. Money laundering remains a very profitable activity without very high risks. It is believed that less than one percent of global proceeds from drug trafficking and other criminal activities are actually seized.

This is a global phenomenon that largely takes place underground, making it difficult to assess at national or global level. Whether using the local and partial approach related to CTIF-CFI's activities or the broader approach of the United Nations one cannot make the mistake of not taking money laundering and terrorist financing as well as its permanent and harmful consequences seriously. Substantial awareness raising is essential.

Crime and criminal proceeds will always be present around us. *A fortiori* this means that all parties involved in combating money laundering and terrorist financing should always be fully aware that the threat remains very serious and that they have a very important role to play within the framework of the law.

We will probably always come to the conclusion that we “should be able to do better”.

This is not a negative but a realistic finding. Any other finding would be a denial of reality or an illusion.

The aim is to better combine the efforts of the private and public sectors in order to operate as efficiently as possible and obtain better results with respect to prosecution and confiscation of criminal money and develop a global preventive and repressive approach.

Thanks to the cooperation of all parties directly or indirectly involved in the application of the Law of 11 January 1993 on preventing use of the financial system for purposes of money laundering and terrorist financing good results have already been achieved. I hope this annual report emphasizes these efforts and obtained results and further improves them in the future.

I would like to thank all of them.

Jean-Claude DELEPIÈRE

## II. COMPOSITION OF CTIF-CFI <sup>1</sup>

President:	Mr.	Jean-Claude DELEPIÈRE
Vice-President:	Mr.	Philippe de MÛELENAERE
Deputy Directors:	Mr.	Boudewijn VERHELST
	Mr.	Philippe de KOSTER
Members:	Mr.	Michel J. DE SAMBLANX
	Mr.	Luc BATSELIER
	Mr.	Jean-Claude LEYS
	Mr.	Johan DENOLF
Head of Analysis:	Mr.	Kris MESKENS
Head of Administration:	Mr.	Philippe BOSMAN

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<sup>1</sup> Situation on 31/12/2010

### III. STATISTICS

#### 1. KEY FIGURES

##### 1.1. In the past 5 years

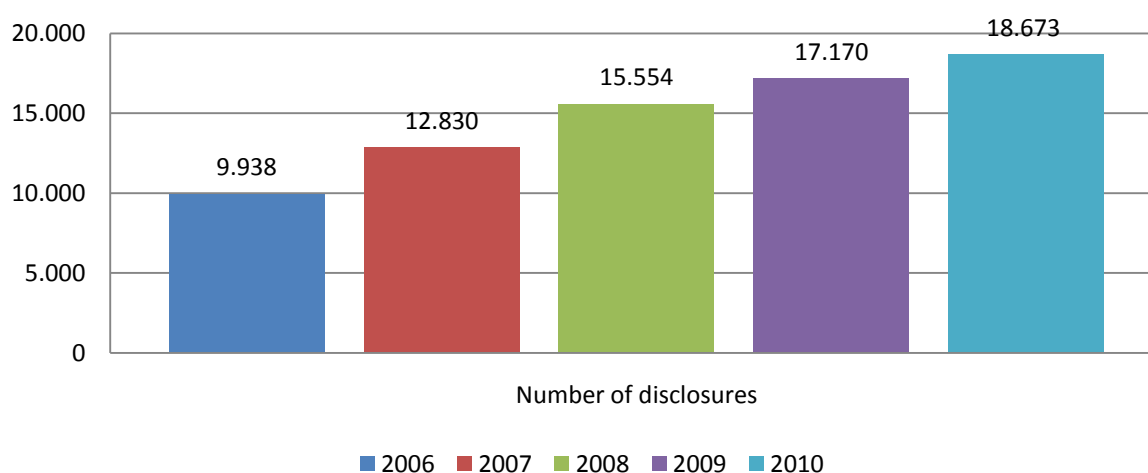
	2006	2007	2008	2009	2010
Number of disclosures received <sup>(1)</sup>	9.938	12.830	15.554	17.170	18.673
Number of new files <sup>(1)</sup>	3.367	4.927	4.875	4.925	4.928
Number of files reported to the Public Prosecutor's Office	912	1.166	937	1.020	1.259
Amounts involved in the files reported to the Public Prosecutor's Office <sup>(1) (2)</sup>	799,50	623,70	711,30	2.141,42	594,93
Number of freezing orders <sup>(1)</sup>	41	39	21	38	60
Total amount of freezing orders <sup>(2)</sup>	10,02	5,05	8,99	10,47	135,84

<sup>(1)</sup> Cf. [glossary](#)

<sup>(2)</sup> Amounts in million EUR

The 2009 statistics (amounts in reported files) were influenced by a large file for a total amount of over 1,7 billion EUR reported to the Public Prosecutor's Office because of serious indications of laundering proceeds from organized crime. This file was explained in further detail in part III "Money laundering and terrorism financing trends" of the annual report 2009.

In 2010 CTIF-CFI used its power to halt a transaction in 60 cases, temporarily freezing 135,84 million EUR. This amount is significantly higher than previous years because CTIF-CFI issued a freezing order against a transaction of over 112 million EUR in a file regarding serious and organised fiscal fraud. This file is described in chapter IV "Money laundering and terrorist financing trends" (page 39).

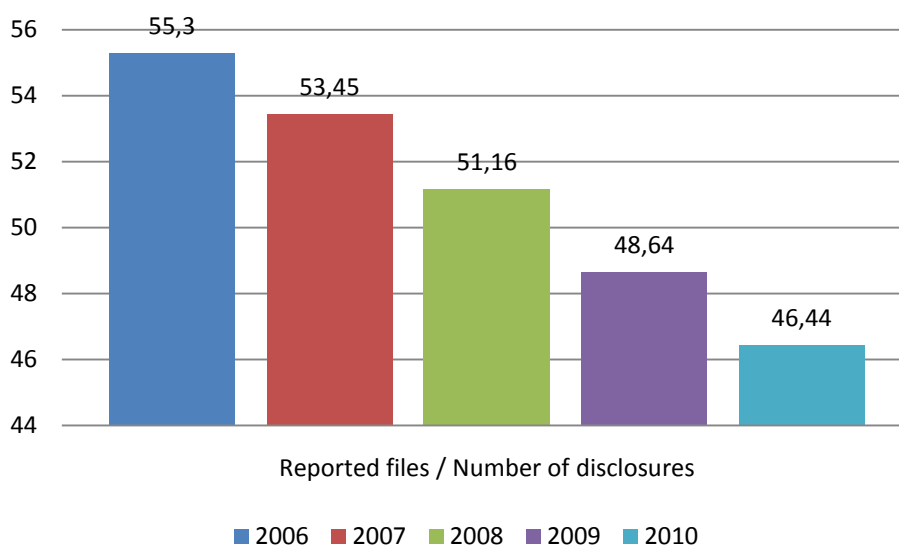


## 1.2. From 1 December 1993 until 31 December 2010

Number of disclosures	178.697
Number of disclosures reported to the Public Prosecutor's Office	82.990
Disclosures reported / Total disclosures	46,44 %
Number of files	44.388
Number of files reported to the Public Prosecutor's Office	12.442
Amounts involved in the files reported to the Public Prosecutor's Office	28,03 %

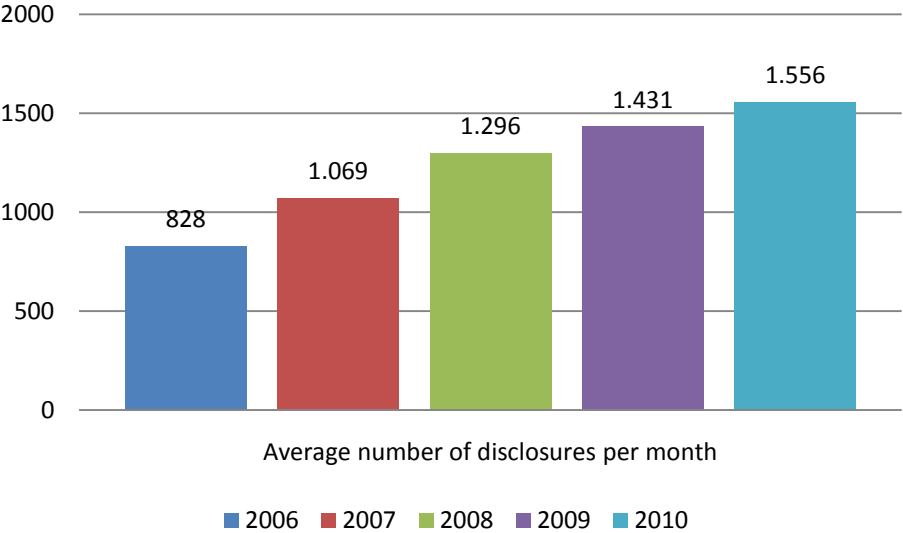
## 1.3. Number of reported files compared to the number of disclosures received in the past 5 years

	2006	2007	2008	2009	2010
Cumulative number of disclosures received	114.463	127.293	142.847	160.022	178.697
Cumulative number of files reported to the Public Prosecutor's Office	63.304	68.033	73.087	77.837	82.990
Reported files / Number of disclosures	55,30 %	53,45 %	51,16%	48,64%	46,44%



### 1.4. Evolution of the monthly average number of disclosures

Between 1 January 2010 and 31 December 2010 CTIF-CFI received 18.673 disclosures. The monthly average increased from 1.431 in 2009 to 1.556 in 2010 (1.296 in 2008), or an increase of 8,7 % (20% since 2008).



## 2. DISCLOSURES RECEIVED

### 2.1. Number of disclosures received from disclosing entities

	2008	2009	2010	% 2010
Foreign exchange offices	8.576	9.973	11.491	61,53
Credit institutions	4.032	3.628	3.870	20,73
Casinos <sup>(1)</sup>	1.047	1.055	912	4,88
Postal Service – bpost	382	584	471	2,52
Notaries	320	251	163	0,87
Life insurance companies	85	82	76	0,41
External accountants, external tax advisors, licensed accountants, licensed tax specialist-accountants	26	44	46	0,25
Mortgage companies	7	30	42	0,22
Company auditors	21	76	28	0,15
Real estate agents	1	9	26	0,14
Stock broking firms	21	33	25	0,13
Insurance intermediaries	27	11	18	0,10
Companies issuing or managing credit cards	5	5	10	0,05
Clearing institutions <sup>(2)</sup>	-	-	7	0,04
Companies for consumer credit	7	9	5	0,04
Bailiffs	2	2	3	0,03
Dealers in diamonds	1	1	1	-
Management companies of collective investment undertakings	0	1	1	-
Portfolio management and investment advice companies	3	0	1	-
National Bank of Belgium	5	9	0	-
Lawyers	3	3	0	-
Intermediaries in banking and investment services	2	1	0	-
Management companies of collective investment undertakings in the EEA <sup>(2)</sup>	-	-	0	-
Management companies of collective investment undertakings outside the EEA <sup>(2)</sup>	-	-	0	-
Collective investment undertakings	0	0	0	-
Payment institutions <sup>(2)</sup>	-	-	0	-
Public Trustee Office	0	0	0	-
Lease-financing companies	0	0	0	-
Branch offices of investment companies in the EEA	0	0	0	-
Branch offices of investment companies outside the EEA	0	0	0	-
Security companies	0	0	0	-
Market operators	0	0	0	-

<sup>(1)</sup> The 912 disclosures in 2010 refer to 1.166 transactions for a total amount of 21,4 million EUR. Criterion 3 of the Royal Decree of 6 May 1999 is the most frequent criterion with 1.141 transactions for a total amount of 20,7 million EUR.

<sup>(2)</sup> Since the Law of 18/01/2010 amending the Law of 11/01/1993 came into force.

## 2.2. Number of requests for information received from FIU counterparts

	2008	2009	2010	% 2010
FIU counterparts <sup>(1)(2)</sup>	358	402	381	2,04

<sup>(1)</sup> Cf. lexicon

<sup>(2)</sup> In accordance with Article 22 §2 of the Law of 11/01/1993.

## 2.3. Number of notifications received from the Customs and Excise Administration, the Federal Public Prosecutor's Office and the European Anti-Fraud Office of the European Commission (OLAF)

	2008	2009	2010	% 2010
Customs and Excise <sup>(1)</sup>	619	957	1.096	5,87
Federal Public Prosecutor's Office <sup>(2)</sup>	-	-	0	-
European Anti-Fraud Office of the European Commission (OLAF) <sup>(2)</sup>	-	-	0	-

<sup>(1)</sup> In accordance with Directive (EC) nr. 1889/2005 of 26 October 2005 and the Royal Decree of 5 October 2006 on supervisory measures for the physical cross-border transportation of currency.

<sup>(2)</sup> In accordance with Article 33§ 4 of the Law of 11/01/1993.

## 2.4. Number of notifications received from the supervisory, regulatory or disciplinary authorities

	2008	2009	2010	% 2010
Supervisory authorities <sup>(1)(2)</sup>	2	4	0	-

<sup>(1)</sup> In accordance with Article 31 of the Law of 11/01/1993.

<sup>(2)</sup> Cf. glossary

<b>GRAND TOTAL 2.1. – 2.4.</b>	<b>15.554</b>	<b>17.170</b>	<b>18.673</b>	<b>100</b>
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### Analysis of main fluctuations

The table above indicates a decrease in the number of disclosures from notaries, lawyers and company auditors. Over 95 % of the disclosures were based on the objective criterion of Article 20 of the Law of 11 January 1993. One of the possible explanations is the result of the broadened professional secrecy for notaries and company auditors when giving legal advice under the Law of 18 January 2010 amending the Law of 11 January 1993.

In accordance with Article 26 § 3 of the Law of 11 January 1993 lawyers, who, in the course of the activities enumerated in Article 3, 5°, discover facts that they know or suspect to be related to money laundering or terrorist financing are obliged to immediately inform the President of the bar association to which they belong.

CTIF-CFI did not receive any disclosures in 2010 from lawyers through the President of the bar association. However, CTIF-CFI does not have any information on the number of communications by lawyers to the President of the bar association to which they belong.

## 2.5. Number of disclosing institutions and persons / total number of disclosing entities

<i>Financial professions</i> <sup>(1)</sup>	2008	2009	2010	discl. pers./ inst.
Credit institutions	54	59	58	105
Foreign exchange offices	13	12	14	21
Life insurance companies	11	9	10	52
Stock broking firms	6	7	7	23
Mortgage companies	1	4	3	128
Insurance intermediaries	4	4	3	17.733
Companies for consumer credit	1	2	2	90
Companies issuing or managing credit cards	2	2	1	2
Portfolio management and investment advice companies	2	0	1	25
Clearing institutions <sup>(2)</sup>	-	-	1	1
Management companies of collective investment undertakings	0	0	1	10
Intermediaries in banking and investment services	0	1	1	1
Postal Service – bpost	1	1	1	1
National Bank of Belgium	1	1	0	1
Public Trustee Office	0	0	0	1
Lease-financing companies	0	0	0	122
Branch offices of investment companies in the EEA	0	0	0	18
Branch offices of investment companies outside the EEA	0	0	0	0
Market operators	0	0	0	1
Management companies of collective investment undertakings in the EEA <sup>(2)</sup>	-	-	0	11
Management companies of collective investment undertakings outside the EEA <sup>(2)</sup>	-	-	0	0
Collective investment undertakings	0	0	0	0
Payment institutions <sup>(2)</sup>	-	-	0	1
<b>Total</b>	<b>103</b>	<b>107</b>	<b>103</b>	

<sup>(1)</sup> Cf. [glossary](#)

<sup>(2)</sup> Since the Law of 18/01/2010 amending the Law of 11/01/1993 came into force.

<i>Non-financial professions</i> <sup>(1)</sup>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>discl. pers./ inst.</b>
Notaries	119	121	91	1.402
Accounting and tax professions	15	31	27	9.260
Company auditors	11	11	13	1.997
Casinos	9	9	9	9
Real estate agents	1	2	8	8.955
Bailiffs	2	2	2	510
Dealers in diamonds	1	1	1	1.800
Lawyers	2	2	0	16.169
Security companies	0	0	0	10
<b>Total</b>	<b>160</b>	<b>179</b>	<b>151</b>	

<sup>(1)</sup> Cf. [glossary](#)

## 2.6. Geographical breakdown of disclosures

The table below<sup>(1)</sup> reflects the evolution of the breakdown of disclosures by judicial district according to the location where the disclosed transaction took place.

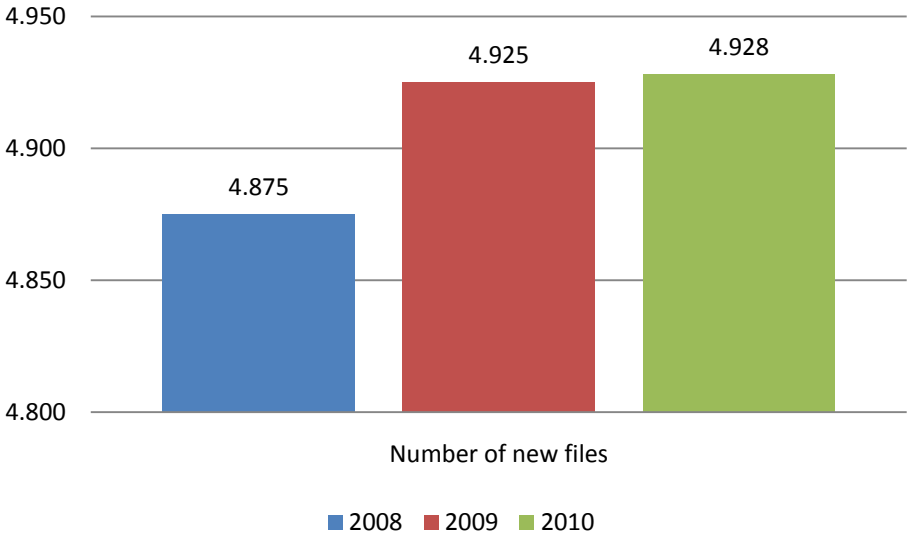
Judicial district	2008	2009	2010	% 2010
Brussels	7.701	8.543	9.387	51,08
Antwerpen	2.494	2.839	3.029	16,48
Gent	900	782	802	4,36
Brugge	801	683	707	3,85
Liège	531	660	855	4,65
Tongeren	399	464	417	2,27
Charleroi	267	415	534	2,91
Namur	300	330	280	1,52
Mons	305	317	409	2,23
Kortrijk	248	297	304	1,65
Leuven	214	233	242	1,32
Hasselt	140	222	302	1,64
Dendermonde	154	158	152	0,83
Verviers	151	155	195	1,06
Tournai	84	118	109	0,59
Mechelen	98	112	149	0,81
Turnhout	106	113	124	0,67
Nivelles	107	108	107	0,58
Oudenaarde	27	46	51	0,28
Eupen	30	41	36	0,20
Dinant	19	34	61	0,33
Veurne	29	21	26	0,14
Arlon	23	23	25	0,14
Huy	19	18	25	0,14
Ieper	21	17	18	0,10
Neufchâteau	18	11	16	0,09
Marche-en-Famenne	10	8	15	0,08
<b>Total</b>	<b>15.196</b>	<b>16.768</b>	<b>18.377</b>	<b>100</b>

<sup>(1)</sup> This table does not include requests from FIU counterparts.

### 3. FILES

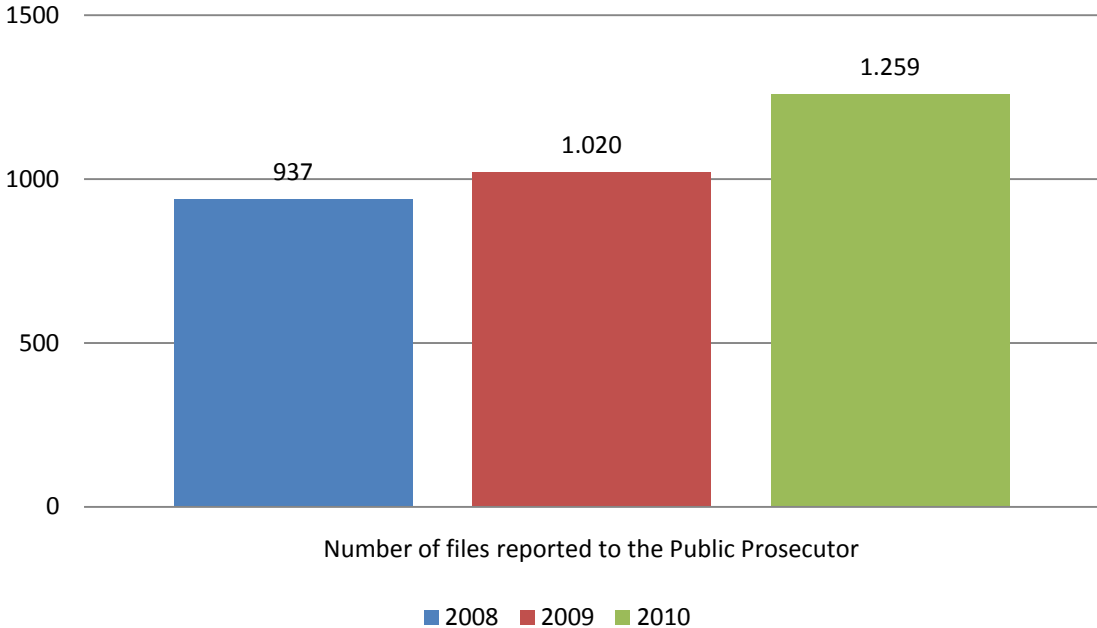
#### 3.1. Evolution of the number of new files by period

After a first analysis of the disclosures 4.928 new files were opened in 2010. This number is similar to the number of new files in 2009 and 2008.



#### 3.2. Evolution of the number of files reported to the Public Prosecutor's Office

In 2010 1.259 files were reported to the Public Prosecutor's Offices after CTIF-CFI's analysis showed serious indications of money laundering or terrorist financing as defined by the Law of 11 January 1993. The reported files refer to disclosures received in 2010 as well as in previous years.

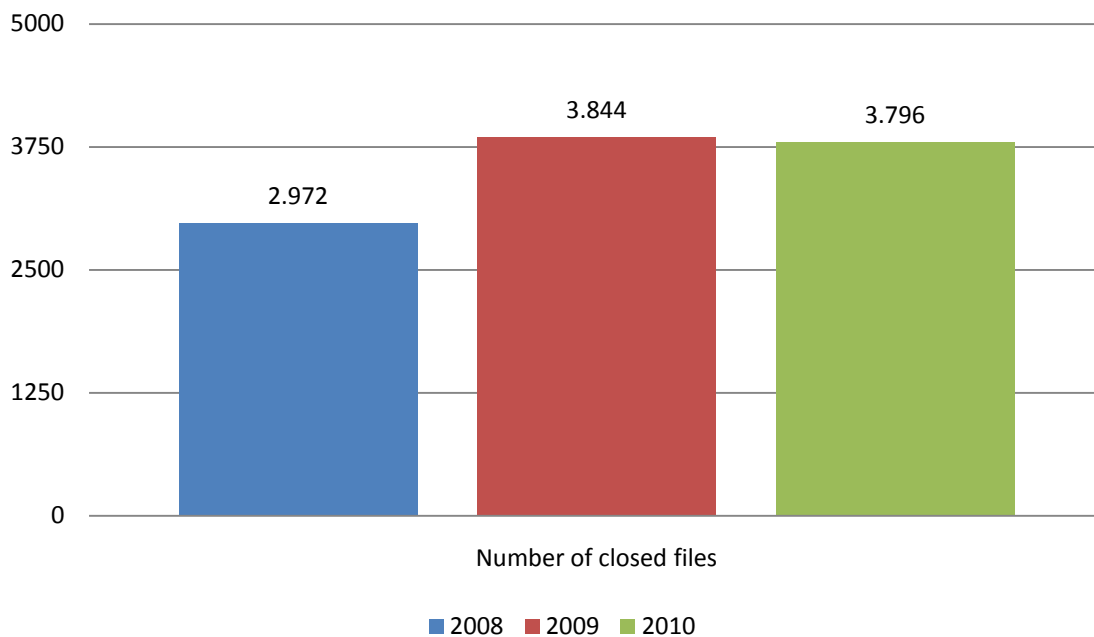


### 3.3. Evolution of the number of closed files

Between 1 January 2010 and 31 December 2010 CTIF-CFI closed 3.796 files due to the absence of serious indications of money laundering or terrorist financing as defined by the Law of 11 January 1993.

	Number of closed files <sup>(1)</sup>
2008	2.972
2009	3.844
2010	3.796

<sup>(1)</sup> Cf. [glossary](#)



Since its creation in 1993 CTIF-CFI has closed 29.284 files on a total of 44.388 opened files. These closed files represent 78.955 disclosures, i.e. 44,18 % of all disclosures (178.697).

Feedback was provided to the institutions involved, emphasizing that closures are by nature provisional (CTIF-CFI can reopen files) and do not dispense them from disclosing additional suspicious transactions<sup>2</sup> if these should occur.

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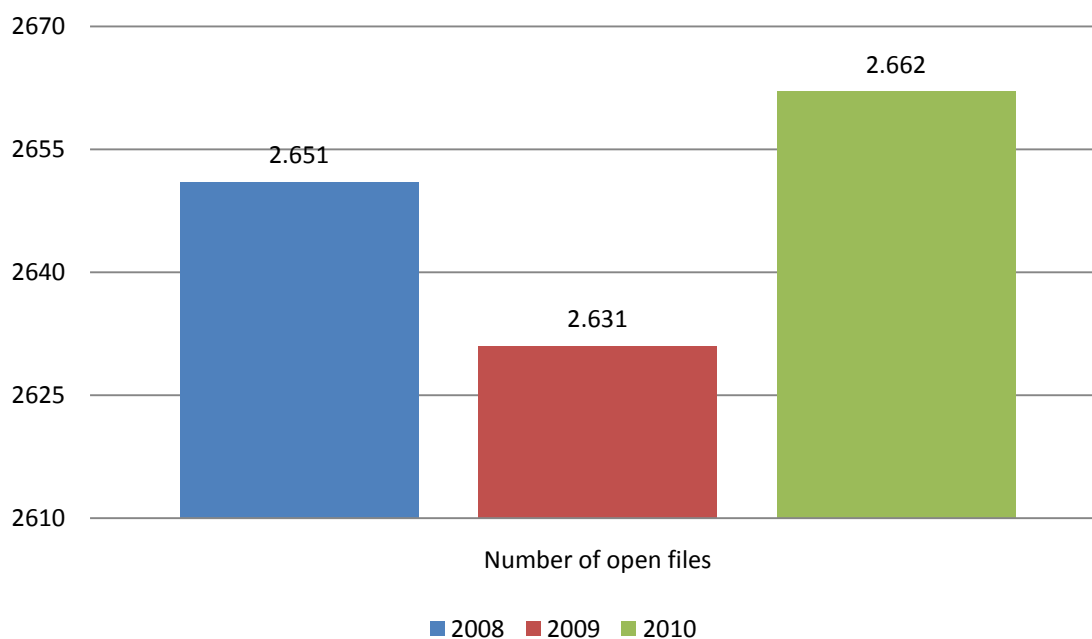
<sup>2</sup> Cf. [glossary](#).

### 3.4. Evolution of the number of open files

On 31 December 2010 2.662 files, which were opened in 2010 and in previous years, were still being processed.

	Number of open files <sup>(1)</sup>
on 31/12/2008	2.651
on 31/12/2009	2.631
on 31/12/2010	2.662

<sup>(1)</sup> Cf. [glossary](#)



Nearly a third of the files still open on 31 December 2010 involve small amounts of money sent through money remittance<sup>3</sup>.

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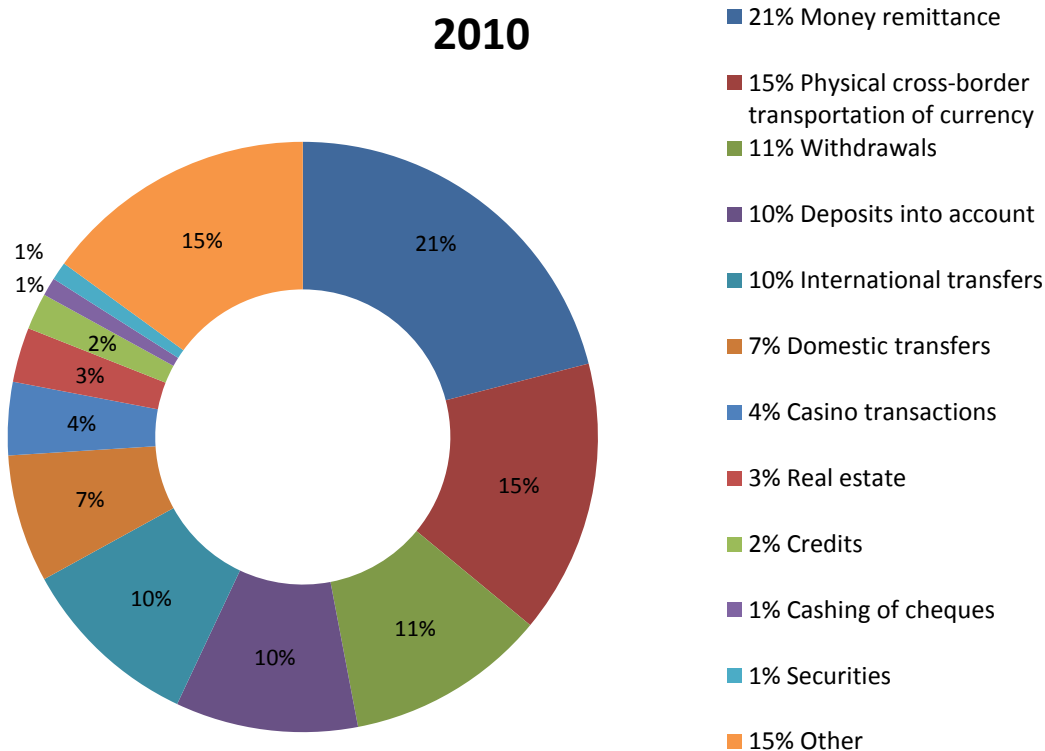
<sup>3</sup> Cf. [glossary](#).

### 3.5. Breakdown of files by type of main transaction

Transactions <sup>(1)</sup>	2008	2009	2010	% 2010
Money remittance	1.152	984	1.002	21,52
Physical cross-border transportation of currency <sup>(2)</sup>	426	636	683	14,67
Withdrawals	463	655	499	10,72
Deposits into account	644	490	485	10,41
International transfers	490	477	469	10,07
Domestic transfers	336	320	304	6,53
Casino transactions	213	217	196	4,21
Real estate	255	197	127	2,73
Credits	90	77	93	2,00
Cashing of cheques	74	60	60	1,29
Securities	74	69	55	1,17
Other	457	492	684	14,68
<b>Total</b>	<b>4.674</b>	<b>4.674</b>	<b>4.657</b>	<b>100</b>

<sup>(1)</sup> This table does not include requests from FIU counterparts.

<sup>(2)</sup> In accordance with Directive (EC) nr. 1889/2005 of 26 October 2005 and the Royal Decree of 5 October 2006 on supervisory measures for the physical cross-border transportation of currency.



#### 4. FILES REPORTED TO THE PUBLIC PROSECUTOR'S OFFICE

CTIF-CFI groups disclosures of suspicious transactions that relate to one case into one file. In case of serious indications of money laundering or terrorist financing this file is reported to the competent Public Prosecutor or the Federal Public Prosecutor.

In 2010 CTIF-CFI reported 1.259 new files to the judicial authorities for a total amount of 594,93 million EUR.

If after reporting a file to CTIF-CFI receives new disclosures on transactions that relate to the same case and there are still indications of money laundering or terrorist financing CTIF-CFI will report these new suspicious transactions in an additional file.

In 2010 CTIF-CFI reported a total of 5.119 disclosures (new files and additional reported files) to the judicial authorities for a total amount of 1.321 million EUR.

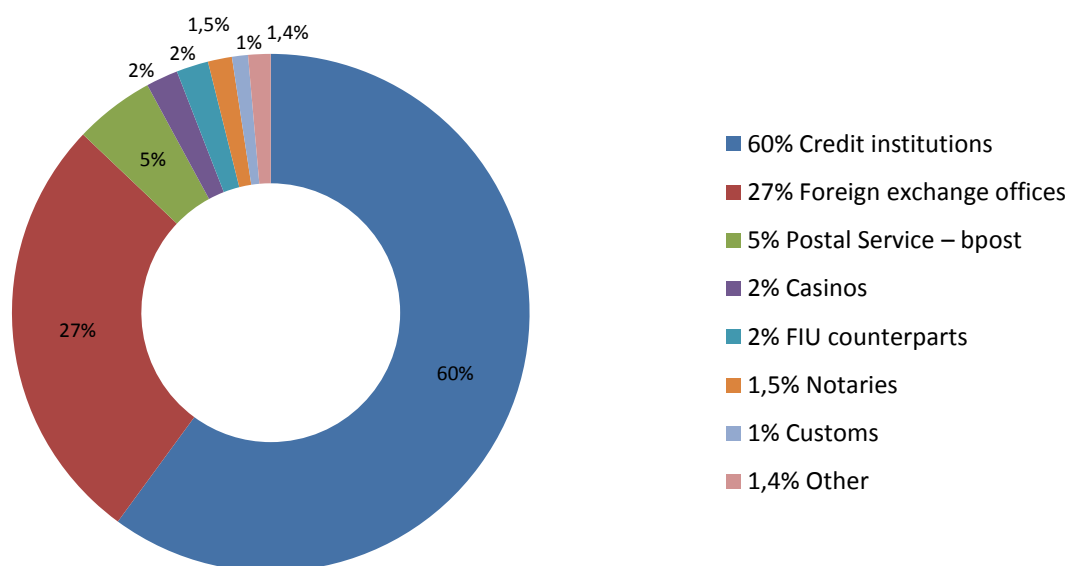
These reported files and disclosures are divided below by type of disclosing entity, type of transaction and predicate offence.

##### 4.1. Number of new files reported to the Public Prosecutor's Office by type of disclosing entity

*Evolution of the number of files reported to the Public Prosecutor's Office by category of disclosing entity in the past 3 years*

	2008	2009	2010	% 2010
Foreign exchange offices	606	599	761	60,44
Postal Service – bpost	186	256	341	27,09
Casinos	88	104	64	5,08
Casinos	13	9	23	1,83
FIU counterparts	15	18	22	1,75
Notaries	9	10	19	1,51
Customs	9	11	12	0,95
Other	11	13	17	1,35
<b>Total</b>	<b>937</b>	<b>1.020</b>	<b>1.259</b>	<b>100</b>

## 2010



### 4.2. Amounts involved in the files reported to the Public Prosecutor's Office

*Evolution of the amounts<sup>(1)</sup> in the files reported to the Public Prosecutor's Office in the past 3 years*

	2008	2009	2010	% 2010
Credit institutions	564,20	2.082,21	513,23	86,27
Foreign exchange offices	20,90	16,13	18,01	3,03
Company auditors	0,46	11,18	15,13	2,54
Postal Service – bpost	2,23	6,73	11,70	1,97
Notaries	13,90	1,39	11,52	1,94
FIU counterparts	85,80	2,04	7,96	1,34
Stock broking firms	0,20	13,75	6,75	1,13
Customs	4,25	1,85	5,54	0,93
Casinos	3,78	0,73	3,44	0,58
Accounting and tax professions	0,62	4,64	0,16	0,03
Other	14,96	0,77	1,49	0,24
<b>Total</b>	<b>711,30</b>	<b>2.141,42</b>	<b>594,93</b>	<b>100</b>

<sup>(1)</sup> Amounts in million EUR

***Breakdown of the disclosures reported to the Public Prosecutor's Office in 2009 and 2010***

	2009		2010	
	Number	Amount <sup>(1)</sup>	Number	Amount <sup>(1)</sup>
Credit institutions	1.285	2.265,32	1.668	1.213,74
Foreign exchange offices	2.911	22,95	2.859	25,64
Notaries	34	30,85	56	18,73
Company auditors	5	11,18	6	15,13
Postal Service – bpost	189	8,79	246	13,51
FIU counterparts	78	21,45	86	11,47
Stock broking firms	14	13,90	7	7,17
Customs	31	2,68	44	7,00
Casinos	139	3,87	106	4,93
Life insurance companies	4	1,61	10	0,56
Accounting and tax professions	12	5,61	13	0,49
Other	9	0,53	18	3,12
<b>Total</b>	<b>4.711</b>	<b>2.388,74</b>	<b>5.119</b>	<b>1.321,49</b>

<sup>(1)</sup> Amounts in million EUR

The amounts above are the sum of actual money laundering transactions and potentially fictitious commercial transactions. With these transactions (including files reported for VAT carousel fraud) it is very difficult to determine which part is laundered and which part consists of potentially fictitious commercial transactions

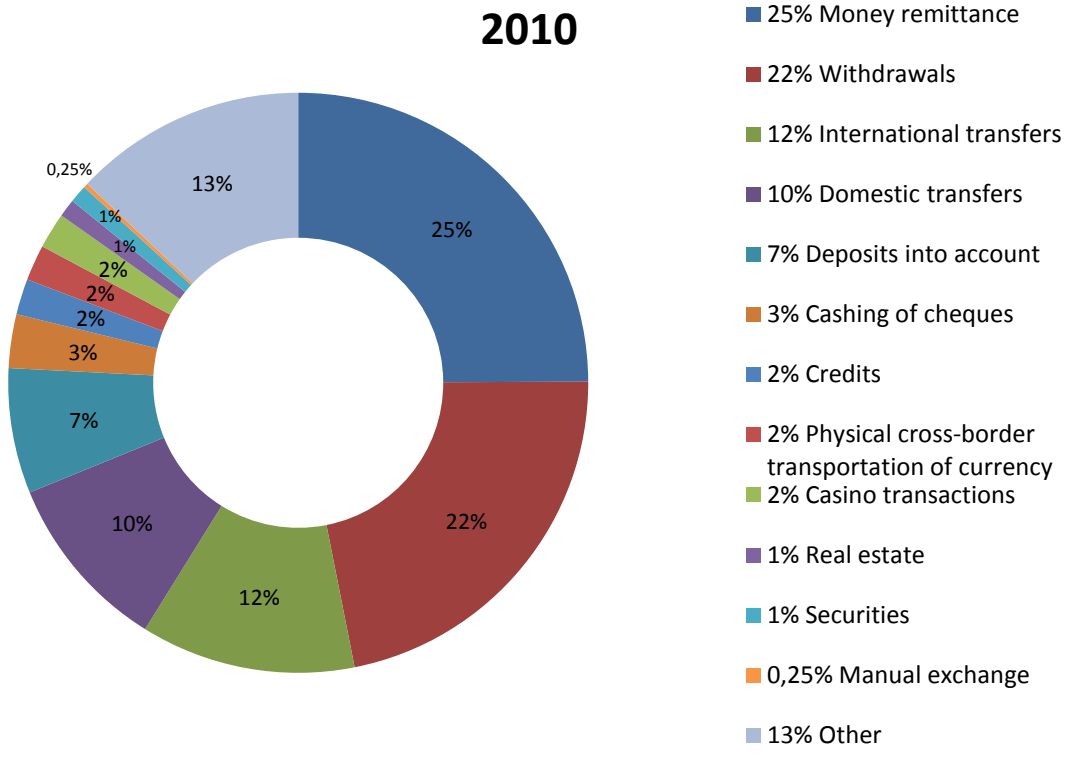
**4.3. Breakdown of files reported to the Public Prosecutor's Office by type of transaction**

***Main transactions in the files reported to the Public Prosecutor's Office – Evolution in the past 3 years<sup>(1)</sup>***

Type of transactions	2008	2009	2010	% 2010
Money remittance	179	301	312	25,18
Withdrawals	151	204	270	21,79
International transfers	96	103	146	11,78
Domestic transfers	87	83	120	9,68
Deposits into account	124	97	90	7,26
Cashing of cheques	28	23	32	2,58
Credits	26	16	30	2,42
Physical cross-border transportation of currency <sup>(2)</sup>	10	11	23	1,86
Casino transactions	13	9	23	1,86
Real estate	11	12	17	1,38
Securities	15	16	8	0,64
Manual exchange	11	7	3	0,25
Other	171	120	165	13,32
<b>Total</b>	<b>922</b>	<b>1.002</b>	<b>1.239</b>	<b>100</b>

<sup>(1)</sup> This table does not include requests from FIU counterparts.

(2) In accordance with Directive (EC) nr. 1889/2005 of 26 October 2005 and the Royal Decree of 5 October 2006 on supervisory measures for the physical cross-border transportation of currency.



**Breakdown of files reported to the Public Prosecutor's Office in 2009 and 2010 by type of transaction** <sup>(1)</sup>

Type of transactions	2009		2010	
	Number	Amount <sup>(2)</sup>	Number	Amount <sup>(2)</sup>
International transfers	236	1.890,48	295	526,63
Withdrawals	218	65,22	502	156,36
Domestic transfers	152	56,70	261	86,74
Deposits into account	185	50,50	200	52,61
Money remittance	2.914	27,23	2.807	28,75
Real estate	34	23,18	48	18,14
Cashing of cheques	41	7,88	57	13,44
Credits	14	11,01	59	13,29
Securities	23	45,81	21	7,71
Physical cross-border transportation of currency <sup>(3)</sup>	30	2,66	44	7,01
Casino transactions	139	3,88	104	4,88
Manual exchange	25	1,03	40	1,59
Other	622	181,71	595	392,87
<b>Total</b>	<b>4.633</b>	<b>2.367,29</b>	<b>5.033</b>	<b>1.310,02</b>

<sup>(1)</sup> This table does not include requests from FIU counterparts.

<sup>(2)</sup> Amounts in million EUR

<sup>(3)</sup> In accordance with Directive (EC) nr. 1889/2005 of 26 October 2005 and the Royal Decree of 5 October 2006 on supervisory measures for the physical cross-border transportation of currency.

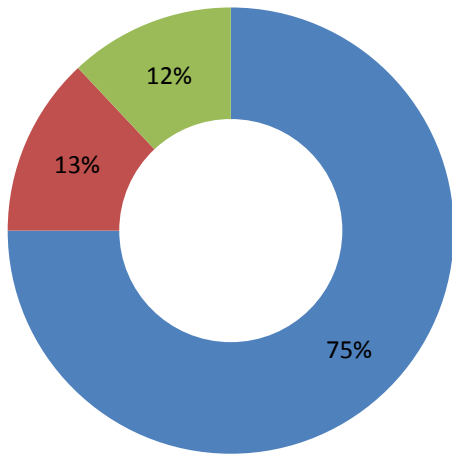
**4.4. Breakdown of files reported to the Public Prosecutor's Office by money laundering stage**

	Number of reported files		Reported amounts <sup>(1)</sup>	
	2010	% 2010	2010	% 2010
Placement <sup>(2)</sup>	158	13	32,12	5
Layering <sup>(2)</sup>	948	75	503,39	85
Integration <sup>(2)</sup>	153	12	59,42	10
<b>Total</b>	<b>1.259</b>	<b>100</b>	<b>594,93</b>	<b>100</b>

<sup>(1)</sup> Amounts in million EUR

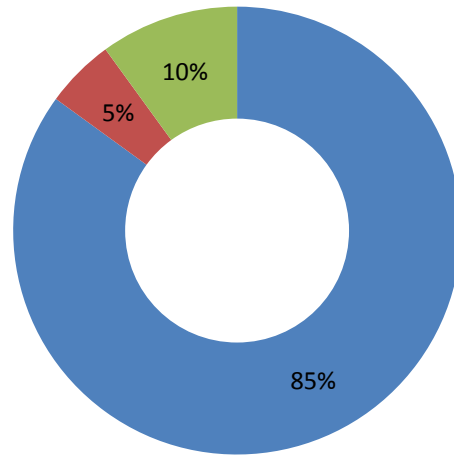
<sup>(2)</sup> Cf. Glossary

**Number 2010**



- 75% Layering
- 13% Placement
- 12% Integration

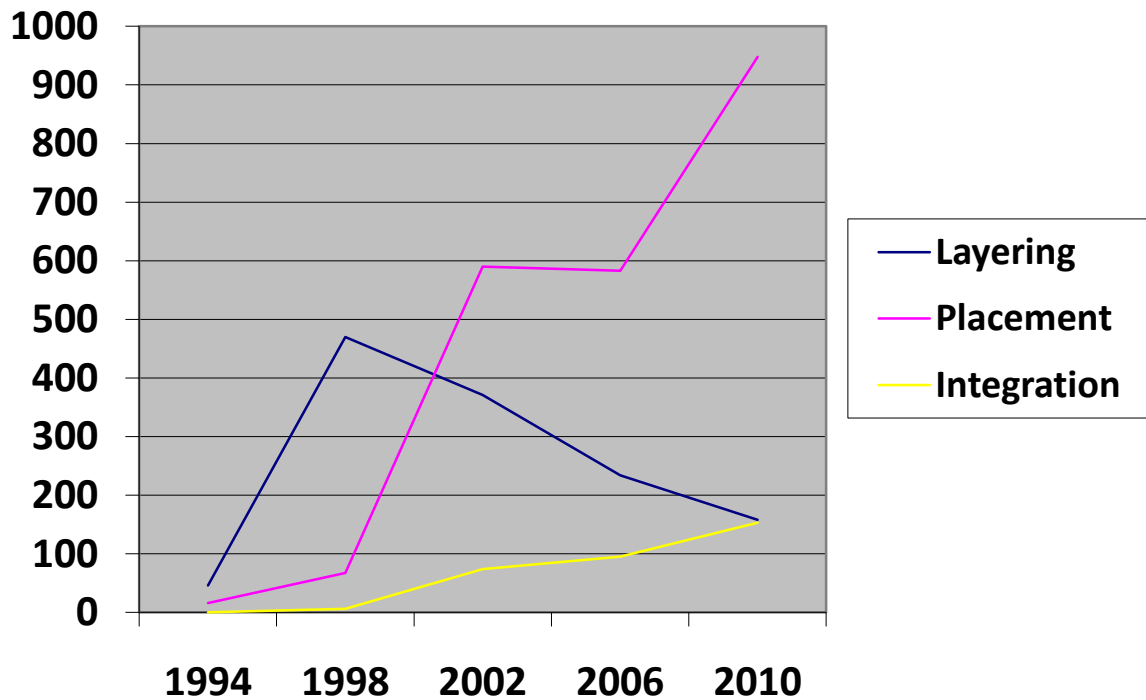
**Amounts 2010**



- 85% Layering
- 5% Placement
- 10% Integration

*Evolution since 1993 (number of files)*

	1993/1994	1998	2002	2006	2010
Layering	46	470	371	234	158
Placement	16	67	590	583	948
Integration	0	6	74	95	153
<b>Total</b>	<b>62</b>	<b>543</b>	<b>1.035</b>	<b>912</b>	<b>1.259</b>



The figures above show that money laundering keeps evolving. Criminals adapt their methods to launder the proceeds of their criminal activities.

When the preventive anti money laundering system was introduced in Belgium in 1993 the files reported to the judicial authorities concerning transactions in the first money laundering stage were comparatively the most common ones. This trend changed over the years, now reported files on transactions in the second stage (placement) are the most common ones. The files related to transactions in the third stage (integration) have been increasing since 1993 but remain in third place.

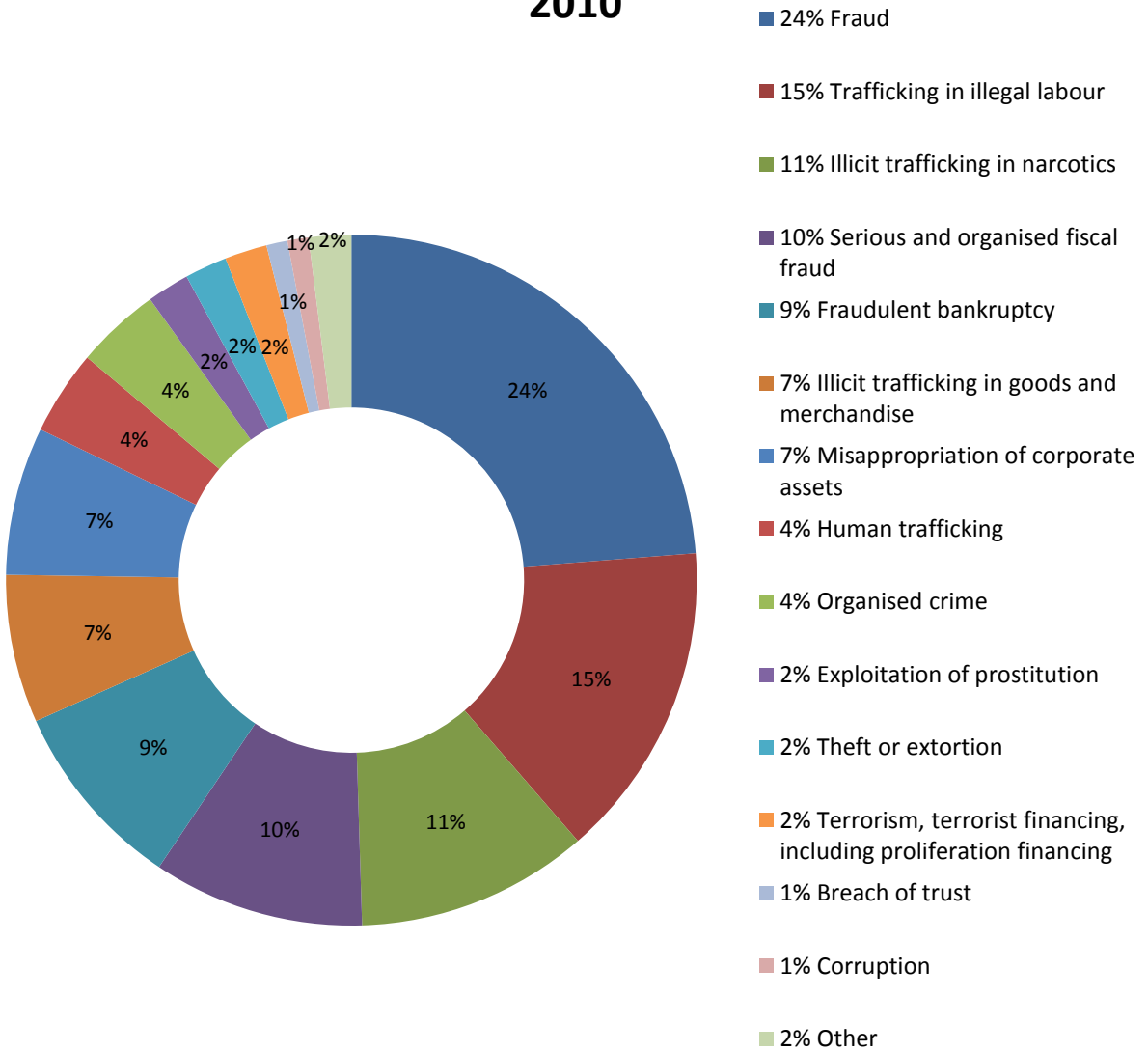
This also shows that Belgium features as transit country in these files.

#### **4.5. Breakdown of files reported to the Public Prosecutor's Office by main type of predicate offence**

##### *Evolution in the past 3 years*

<b>Predicate offence</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>% 2010</b>
Fraud	146	283	306	24,30
Trafficking in illegal labour	30	111	187	14,85
Illicit trafficking in narcotics	130	134	138	10,96
Serious and organised fiscal fraud	62	55	123	9,77
Fraudulent bankruptcy	117	78	115	9,13
Illicit trafficking in goods and merchandise	135	90	92	7,31
Misappropriation of corporate assets	57	48	86	6,83
Human trafficking	67	60	53	4,20
Organised crime	53	38	46	3,65
Exploitation of prostitution	49	56	23	1,83
Theft or extortion	4	4	20	1,59
Terrorism, terrorist financing, including proliferation financing	21	13	19	1,51
Breach of trust	26	23	16	1,28
Corruption	10	4	9	0,72
Other	30	23	26	2,07
<b>Total</b>	<b>937</b>	<b>1.020</b>	<b>1.259</b>	<b>100</b>

# 2010



#### 4.6. Breakdown of amounts in files reported to the Public Prosecutor's Office by main type of predicate offence

*Evolution in the past 3 years<sup>(1)</sup>*

<b>Predicate offence</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>% 2010</b>
Serious and organised fiscal fraud	168,50	107,47	192,67	32,38
Illicit trafficking in goods and merchandise	142,00	26,71	142,00	23,86
Fraudulent bankruptcy	105,70	31,06	77,11	12,96
Misappropriation of corporate assets	107,60	12,62	34,13	5,74
Trafficking in illegal labour	17,50	30,01	33,67	5,66
Fraud	32,70	18,44	33,61	5,65
Organised crime	36,20	1.848,60	23,54	3,96
Improper public offering of securities	0,11	0,02	12,29	2,07
Illicit trafficking in narcotics	37,30	11,79	10,99	1,85
Human trafficking	10,30	4,61	6,50	1,09
Corruption	1,71	1,69	5,96	1,00
Provision of investment, foreign exchange or fund transfer services without authorization	20,07	2,77	4,42	0,74
Breach of trust	9,80	12,59	4,39	0,74
Terrorism, terrorist financing, including proliferation financing	6,60	0,42	6,29	1,05
Exploitation of prostitution	3,57	5,14	1,88	0,32
Stock market related offences	1,36	22,84	-	-
Other	10,28	4,64	5,48	0,93
<b>Total</b>	<b>711,30</b>	<b>2.141,42</b>	<b>594,93</b>	<b>100</b>

<sup>(1)</sup> Amounts in million EUR

**Breakdown by predicate offence of the files reported to the Public Prosecutor's Office in 2009 and 2010**

<b>Predicate offence</b>	<b>2009</b>		<b>2010</b>	
	<b>Number</b>	<b>Amount<sup>(1)</sup></b>	<b>Number</b>	<b>Amount<sup>(1)</sup></b>
Serious and organised fiscal fraud	250	188,03	322	459,70
Organised crime	285	1.853,97	376	373,34
Illicit trafficking in goods and merchandise	582	75,27	461	150,90
Fraudulent bankruptcy	221	41,19	376	108,36
Trafficking in illegal labour	466	49,69	774	57,56
Fraud	939	31,05	1.032	49,39
Misappropriation of corporate assets	159	34,49	222	46,26
Illicit trafficking in narcotics	426	15,86	535	16,26
Terrorism, terrorist financing, including proliferation financing	219	7,34	92	8,93
Human trafficking	336	8,37	400	8,11
Breach of trust	56	18,43	37	6,79
Exploitation of prostitution	669	6,23	243	2,30
Stock market related offences	12	43,05	133	0,75
Other	91	15,77	116	32,84
<b>Total</b>	<b>4.711</b>	<b>2.388,74</b>	<b>5.119</b>	<b>1.321,49</b>

<sup>(1)</sup> Amounts in million EUR

#### 4.7. Breakdown of files reported to the Public Prosecutor's Office by nationality of the main person involved

*Evolution in the past 3 years*

Nationality	2008	2009	2010	% 2010
Belgian	509	446	557	44,24
Brazilian	5	68	110	8,74
Dutch	44	69	97	7,70
Portuguese	9	27	58	4,61
French	59	47	44	3,49
Nigerian	17	26	31	2,46
Moroccan	34	18	30	2,38
Turkish	21	12	29	2,30
Russian	6	18	21	1,67
Ivorian	3	8	20	1,59
Bulgarian	10	25	17	1,35
British	8	8	17	1,35
Italian	25	20	16	1,27
Cameroonian	5	14	15	1,19
Romanian	11	21	14	1,11
Congolese (DRC)	17	22	11	0,87
German	7	10	10	0,79
Spanish	3	7	9	0,71
Israeli	4	-	8	0,64
Chinese	17	16	7	0,56
Albanian	9	9	7	0,56
Ghanaian	-	9	7	0,56
Greek	9	4	7	0,56
Pakistani	9	9	-	-
Lebanese	9	5	-	-
Czech	4	4	-	-
Iranian	3	4	-	-
Angolan	-	4	-	-
Senegalese	-	4	-	-
Algerian	5	-	-	-
Guinean	4	-	-	-
Moldovan	3	-	-	-
Rwandan	3	-	-	-
Other	65	86	117	9,30
<b>Total</b>	<b>937</b>	<b>1.020</b>	<b>1.259</b>	<b>100</b>

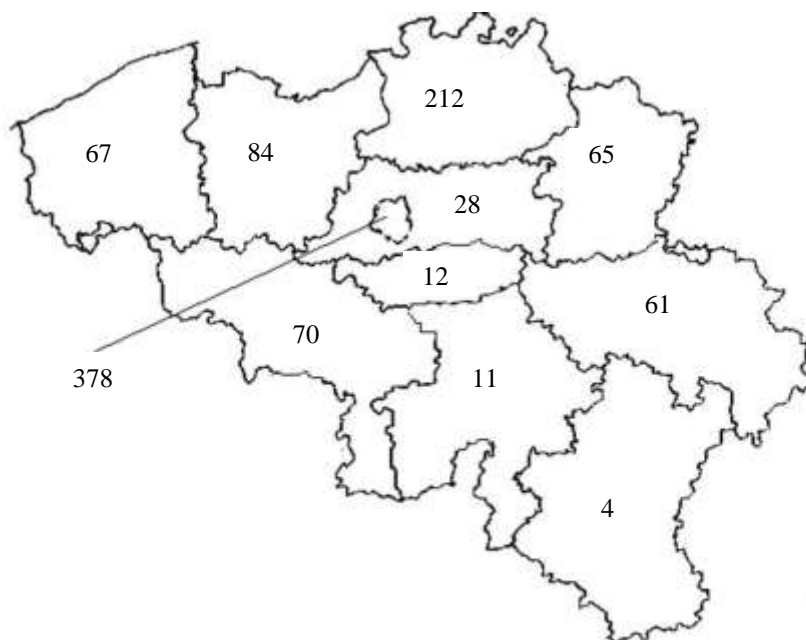
#### 4.8. Breakdown of the files reported to the Public Prosecutor's Office by place of residence of the main person involved

These tables below provide the breakdown by place of residence of the main person involved in the 1.259 files reported to the Public Prosecutor's Office in 2010.

##### 4.8.1. Residence in Belgium

The table below provides the breakdown by place of residence in Belgium of the main person involved for the 992 files reported to the Public Prosecutor's Office.

	<b>Number of files</b>	<b>%</b>
Brussels	378	38,10
Antwerpen	212	21,37
Oost-Vlaanderen	84	8,47
Hainaut	70	7,06
West-Vlaanderen	67	6,75
Limburg	65	6,55
Liège	61	6,15
Vlaams-Brabant	28	2,82
Brabant Wallon	12	1,21
Namur	11	1,11
Luxembourg	4	0,41
<b>Total</b>	<b>992</b>	<b>100</b>



#### 4.8.2. Residence abroad

The table below presents the breakdown for the 267 files reported to the Public Prosecutor's Office in which the main individual involved resided abroad.

Country of residence	from 01/01/10 to 31/12/10	%
Netherlands	40	14,98
France	28	10,49
Nigeria	28	10,49
Côte d'Ivoire	25	9,36
United Kingdom	24	8,99
Russia	11	4,12
Spain	9	3,37
Ghana	8	3,00
Germany	7	2,62
Portugal	6	2,25
Bulgaria	5	1,87
Luxembourg	4	1,49
Cameroon	3	1,12
Ireland	3	1,12
Ukraine	3	1,12
Democratic Republic of the Congo	2	0,75
Netherlands Antilles	2	0,75
Monaco	2	0,75
Other	57	21,36
<b>Total</b>	<b>267</b>	<b>100</b>

The individuals are mostly Belgian (44,24%), Dutch, French, Nigerian and Ivorian nationals. Brazilian and Portuguese nationals also feature in several files reported to the Public Prosecutor's Office (13,35%).

In 20% of the reported files in which the main operator resided abroad Nigeria and Côte d'Ivoire are the countries of residence of the main individual involved.

The nationalities of the main individuals involved in the files reported to the Public Prosecutor's Office and their countries of residence also feature in the money laundering trends.

In 2010 CTIF-CFI reported 306 files to the Public Prosecutor's Office related to laundering the proceeds of fraud (cf. IV. Money laundering and terrorist financing trends, section 1.2. below). Many of these files involve various types of mass fraud ("mass marketing fraud", "advance fee scam" or "Nigerian scam")<sup>4</sup>. Criminals target a large group of potential victims, mainly on the Western-European or American continent. This is why in a large number of reported files the main person involved is a victim in Belgium. In more complex fraud schemes intermediaries in countries known for setting up this type of fraud are involved. In

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<sup>4</sup> Cf. [glossary](#)

files reported for fraud “money mules” are often used. In 2009 and 2010 CTIF-CFI posted warnings on “money mules”<sup>5</sup> and “Nigerian fraud” on its website<sup>6</sup>.

In 2010 CTIF-CFI also reported a large number of files related to trafficking in illegal labour, mainly from Brazil and Portugal. This trend was discussed in CTIF-CFI 2009 annual report<sup>7</sup>. In 2010 a warning was also posted on CTIF-CFI’s website<sup>8</sup>.

There are also nationals from Belgium’s neighbouring countries and these countries also feature as country of residence. This trend was also identified in various other analyses. Criminals usually go to neighbouring countries to launder the proceeds of their criminal activities.

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<sup>5</sup> Cf. [glossary](#)

<sup>6</sup> [www.ctif-cfi.be](http://www.ctif-cfi.be) – section warnings

<sup>7</sup> Cf. chapter III. Money laundering and terrorist financing trends – page 49-20 – [www.ctif-cfi.be](http://www.ctif-cfi.be) – section annual reports

<sup>8</sup> [www.ctif-cfi.be](http://www.ctif-cfi.be) – section warnings

#### 4.9. Breakdown by Public Prosecutor's Office of files reported to the Public Prosecutor between 01/12/2006 and 31/12/2010 and follow-up action by the judicial authorities

Public Prosecutor's Office	Total	%	Conv. <sup>(1)</sup>	Ref.	Inv.	Dis.	FJA	Clos.	Enq.
Brussels	2.158	35,90	57	62	113	4	7	1222	693
Antwerpen	979	16,29	26	16	23	11	5	567	331
Liège	270	4,49	12	8	27	1	3	111	108
Gent	262	4,36	20	13	19	3	1	128	78
Charleroi	240	3,99	4	15	20		1	92	108
Fed Publ. Pros.	233	3,88	7	1	24	2	3	87	109
Dendermonde	201	3,34	11	7	13	2		73	95
Hasselt	180	2,99	6	14	6	2		110	42
Brugge	179	2,98	6	12	14	6	2	66	73
Tongeren	162	2,70	20	14	8	3		48	69
Turnhout	144	2,40	6	8	3			64	63
Kortrijk	134	2,23	5	6	6		8	70	39
Leuven	130	2,16	1	5	13	2		59	50
Mons	121	2,01	2	2	7		1	38	71
Nivelles	89	1,48	4	8	14	1	2	23	37
Mechelen	84	1,40	8	4	12	1		26	33
Namur	79	1,31		7	12		1	33	26
Tournai	77	1,28	4	3	10		4	20	36
Oudenaarde	53	0,88	1		2	1		11	38
Eupen	38	0,63			1		5	13	19
Verviers	38	0,63	1	4	5		1	13	14
Ieper	32	0,53	3		3	2	1	9	14
Huy	28	0,47	1	1	5		1	6	14
Arlon	25	0,42	1	1	2		1	9	11
Dinant	25	0,42	3	3	4	1	1	5	8
Veurne	22	0,37	3		3		1	8	7
Marche-en-Famenne	14	0,23	1	1	5		1		6
Neufchâteau	14	0,23	1	2	4		1	2	4
<b>Total</b>	<b>6.011</b>	<b>100</b>	<b>214</b>	<b>217</b>	<b>378</b>	<b>42</b>	<b>51</b>	<b>2.913</b>	<b>2.196</b>

<sup>(1)</sup> Some of these judgments are not final.

Key:

Conv. : conviction  
 Ref. : referred to the Criminal court  
 Inv. : judicial investigation in progress  
 Dis. : court dismissal  
 FJA : case handed over by the Belgian judicial authorities to foreign judicial authorities  
 Clos. : case closed by the Public Prosecutor's Office  
 Enq.: police enquiry in progress

#### 4.10. Judicial follow-up – judicial seizures

The table below provides the breakdown for 2010 of the total amounts frozen by CTIF-CFI by Public Prosecutor's Office to which the file was reported.

It also provides the breakdown by Public Prosecutor's Office of amounts seized by the judicial authorities in 2010 in files considered to be urgent because CTIF-CFI decided to freeze the transaction or because large amounts could still be seized.

It should be noted that the Public Prosecutor's Office can decide not to extend CTIF-CFI's freezing order or conversely decide to seize money in an urgent file in which CTIF-CFI did not issue a freezing order as the circumstances did not require this.

<b>Public Prosecutor's Office</b>	<b>Freezing orders CTIF-CFI Total amount 2010<sup>(1)</sup></b>	<b>Judicial seizures Total amount 2010<sup>(1)</sup></b>
Arlon	41.656	41.656
Antwerpen	2.666.042	3.865.749
Mons	-	420.877
Brugge	1.010.943	361.950
Brussel	121.442.125	99.834.452
Charleroi	-	64.485
Dendermonde	287.691	287.691
Eupen	85.279	-
Federal Public Prosecutor's Office	-	38.111
Gent	7.936.184	317.000
Hasselt	181.194	-
Kortrijk	-	6.585.162
Leuven	659.206	74.051
Liège	117.687	392.563
Namur	-	10.074
Tongeren	146.700	121.100
Turnhout	604.318	4.010.067
Verviers	63.000	36.661
<b>Total</b>	<b>135.242.025</b>	<b>116.461.649</b>

<sup>(1)</sup> Amounts in EUR

In 2010 CTIF-CFI froze transactions without subsequently reporting the file to the judicial authorities, for a total amount of 600.058 EUR.

#### 4.11. Judicial follow-up – fines – confiscations

The table below provides a breakdown of fines and confiscations divided by Public Prosecutor's Office in files reported to the Public Prosecutor's Offices in the past five years (2006 to 2010) and of which CTIF-CFI was informed. When examining these figures it should be noted that for a large number of files securing evidence may take longer than five years. This is the case for files related to economic and financial crime, representing over 50% of the reported files. Moreover, for some decisions an appeal was lodged.

	<b>Fines 2006 to 2010<sup>(1)</sup></b>	<b>Confiscations 2006 to 2010<sup>(1)</sup></b>	<b>Total<sup>(1)</sup></b>
Antwerpen	41.625	1.178.488	1.220.113
Brugge	85.779	-	85.779
Brussels	3.745.674	3.209.302	6.954.976
Charleroi	2.750	-	2.750
Dendermonde	37.400	131.346	168.746
Dinant	55.685	75.000	130.685
Tournai	-	2.200	2.200
Eupen	16.500	73.045	89.545
Federal Public Prosecutor's Office	30.250	6.050	36.300
Gent	101.062	726.609	827.671
Hasselt	110.400	706.186	816.586
Huy	2.750	188.214	190.964
Ieper	6.600	156.855	163.455
Kortrijk	-	19.385	19.385
Leuven	23.375	86.930	110.305
Liège	131.350	220.567	351.917
Marche-en-Famenne	16.775	4.902	21.677
Mechelen	13.200	22.600	35.800
Namur	-	87.136	87.136
Neufchâteau	1.650	-	1.650
Nivelles	1.100	50.108	51.208
Oudenaarde	5.500	-	5.500
Tongeren	22.000	256.237	278.237
Turnhout	121.850	1.259.756	1.381.606
Verviers	1.650	90.500	92.150
Veurne	11.000	19.474	30.474
<b>Total</b>	<b>4.585.925</b>	<b>8.570.890</b>	<b>13.156.815</b>

<sup>(1)</sup> Amounts in EUR

In 2010 CTIF-CFI approached the Board of Procurators-General, the Public Prosecutor's Offices and the Federal Public Prosecutor's Office with regard to two projects for an improved follow-up of the judicial follow-up of files reported by CTIF-CFI.

Each Public Prosecutor's Office and the Federal Public Prosecutor's Office designates a magistrate as contact person and the intention is to develop a central database with the files that CTIF-CFI reports to the judicial authorities.

The first project is aimed at, within the boundaries of everyone's professional secrecy facilitating the exchange of information and cooperation between CTIF-CFI and the judicial authorities.

Designating a magistrate as a contact person within each Public Prosecutor's Office is useful when an urgent file is reported or when funds were frozen by CTIF-CFI or can be confiscated.

The last few years CTIF-CFI has been working with the Central Office for Seizure and Confiscation (COSC) when the Public Prosecutor's Offices can still seize funds in reported files (cf. 4.10. above).

The second project is aimed at developing a central database of the reported files that can be consulted by the Public Prosecutor's Offices, examining magistrates and the police and that can be completed by the Public Prosecutor's Offices by adding the judicial follow-up of the files.

#### **4.12. Follow-up of the information reported to the Minister of Finance**

When CTIF-CFI reports a file to the judicial authorities related to serious and organised fiscal fraud CTIF-CFI informs the Minister of Finance. This also the case when CTIF-CFI reports a file related to illicit trafficking in goods and merchandise and/or illicit trafficking in narcotics, two powers of the Customs and Excise Administration<sup>9</sup>.

This measure has been applicable for a number of years to enable the federal public service finance to act when information shows that legal and natural persons are involved in fiscal fraud (especially VAT carousel fraud) or illicit trafficking in goods and merchandise. The federal public service can freeze VAT refunds if a company is suspected of involvement in a VAT carousel fraud or decide to carry out checks on such a company.

The minister of finance designated the permanent committee for combating fiscal fraud (CAF-AFC) of the Federal Public Service Finance, Management Taxes and Tax Levy as the body to receive CTIF-CFI's notifications.

CAF-AFC forwards this information on serious and organised fraud to the administration for combating fiscal fraud (formerly the administration of special tax inspection ISI-BBI) which it can process itself or forward to another administration.

For files regarding customs and excise CAF-AFC forwards the information to the general administration for combating fiscal fraud who then forwards this information to the general administration customs and excise who then forwards the investigation and research to the national investigation department (DNR-NOD). Some aspects of VAT and income tax can be handled by the general administration of the tax system (formerly AFER-AOIF).

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<sup>9</sup> Cf. art. 35 § 2 par. 7 of the Law of 11 January 1993 – [www.ctif-cfi.be](http://www.ctif-cfi.be) – Legal provisions – Belgian legislation

For files related to illicit trafficking in narcotics CAF-AFC only forwards information to Customs and Excise.

The *College voor de strijd tegen de fiscale en sociale fraude / Collège pour la lutte contre la fraude fiscale et sociale* [Board for combating tax fraud and social fraud] initiated a project to assess the efficiency of this measure and the tax revenue for the state.

Figures for the additional tax revenue are not yet available. We do have the following figures:

In the last quarter of 2009 CTIF-CFI reported information to CAF-AFC in 81 files, 28 related to serious and organised fiscal fraud and 53 related to illicit trafficking in goods and merchandise.

Twenty one out of these twenty eight were handled by the general administration for combating fiscal fraud and seven by the general administration of the tax system. Of these 21 reports 12 cases had already been included in the work plan, 9 were added. In nearly all cases the legal files were consulted.

The general administration of the tax system then reported the information received to the relevant external services (control centres, regional management,...).

The 53 reports regarding “illicit trafficking” were forwarded to the relevant investigation department.

In 2010 there was similar feedback with 46 reports in the first quarter and 32 reports in the second quarter with comparable results.

## **IV. MONEY LAUNDERING AND TERRORIST FINANCING TRENDS**

### **0. Introduction**

For the most relevant predicate offences the description of money laundering and terrorist financing trends includes an overview of specific statistics and financial flows<sup>10</sup>, illustrated by one or more cases. The trend analysis is based on the files reported to the judicial authorities in 2010. The choice of the predicate offence was also determined by the importance of these predicate offences in the files reported in 2010. These predicate offences, either through the number of files or amount involved, can be considered as the main motives for money laundering. Some other predicate offences that are less important quantitatively speaking are also discussed. These are relevant as illustration of a new trend and can influence the national money laundering threat analysis.

The specific statistics provide the number of files and the total amount of money laundering and terrorism financing for the files reported to the Public Prosecutor's Offices in 2010. They include a breakdown by Public Prosecutor's Office and the judicial follow-up of files. Due to the cross-border nature of transactions those detected at national level do not always reflect the entire money laundering process. Metaphorically speaking CTIF-CFI only has some pieces of a larger puzzle. The analysis of financial flows does reveal some specifics for the transactions detected in Belgium.

The analysis of financial flows also demonstrates the cross-border nature of transactions in reported files. The international aspect of transactions is very important in money laundering and terrorism financing. The financial flows indicate that Belgium is the country of origin or destination of funds when no cross-border transactions are carried out (or these are not known), such as cash deposits and domestic payments. In addition Belgium is the central hub to and from where international transfers to and from foreign countries are carried out.

### **1. Specific offences**

#### **1.1. Serious and organized fiscal fraud setting in motion complex mechanisms or using procedures with an international dimension**

##### **1.1.1. Statistics**

In 2010 CTIF-CFI reported 123 files to the judicial authorities because of serious indications of laundering proceeds of serious and organized fiscal fraud setting in motion complex mechanisms or using procedures with an international dimension.

There are two types of files where the national treasury or the treasury of another country is defrauded, mainly related to serious and organized fiscal fraud: files related to VAT carousel fraud and files related other types of serious and organized fiscal fraud.

The latter may involve complex European and/or international constructions. Legal, economic and financial manoeuvres are also often used in the money laundering cycle. At the same time or later on in the process constructions used to set up the fraud itself are involved. This fraud is sometimes quite targeted, in other cases the fraud will last for some time. It is well-known

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<sup>10</sup> Cf. [glossary](#)

that these organised structures, aimed at concealing the true beneficial owner, use every possible geographical, legal, material and human boundary to make their transactions and their genuine motive as unclear as possible (front companies, front men, forgery, untransparent financial centres,...). They always involve large amounts of money.

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>% 2010</b>
Number of files	62	55	123	9,77
Amounts <sup>(1)</sup>	168,50	107,47	192,67	32,38

<sup>(1)</sup> Amounts in million EUR

In 2010 there was a sharp increase in the number of reported files related to serious and organized fiscal fraud, partly because CTIF-CFI reported 36 files with the same characteristics of money laundering using mortgages. These mortgages were obtained by using fake or forged document and the repayment of these mortgages was used to launder the proceeds of fiscal fraud.

The reported amounts also increased considerably compared to past years.

When taking into account the additional disclosures reported in 2010 as additional reports<sup>11</sup> (cf. 4.6. Breakdown of amounts in files reported to the Public Prosecutor's Office by main type of predicate offence – page 29) the total amount reported to the judicial authorities in 2010 comes to EUR 459,70 million compared to EUR 188,03 million in 2009.

The increase results from:

- a large file related to VAT carousel fraud in the cattle trade for a total amount of EUR 37 million (cf. case 2 below – page 48);
- a file related to VAT carousel fraud involving carbon emission rights for a total amount of EUR 115 million (cf. case 3 below – page 49 and case 4 – page 50)
- a file related to other serious and organized fiscal fraud for a total amount of EUR 120 million (cf. case 4 below – page 50).

#### ***Breakdown according to the type of fraud in 2010***

	<b>Number of files</b>		<b>Amounts<sup>(1)</sup></b>	
	<b>2010</b>	<b>% 2010</b>	<b>2010</b>	<b>% 2010</b>
VAT carousel fraud	29	23,57	111,99	58,13
Other fiscal fraud	94	76,43	80,68	41,87
<b>Total</b>	<b>123</b>	<b>100</b>	<b>192,67</b>	<b>100</b>

<sup>(1)</sup> Amounts in million EUR

The table above shows that the files related to VAT carousel fraud represent 23,57% of the total number of reported files, yet 58,13 % of the amounts of the reported files.

<sup>11</sup> Cf. [glossary](#)

By contrast the reported files related to other types of serious and organized fiscal fraud represent 76,43 % of the number of reported files but 41,87 % of the amounts.

It should also be noted that only in 26,60 % (or 25 out of 94) of the files regarding other fiscal fraud an amount of over EUR 1.000.000,00 was identified. For files involving VAT carousel fraud such an amount was identified in 51,72% (or 15 out of 29) of the files.

We can conclude that, despite the larger number of files related to other fiscal fraud, given the amounts laundered, files involving VAT carousels remain alarmingly common.

***Breakdown of the files reported in 2010 involving VAT carousels by type of goods***

	<b>Number</b>	<b>Amounts<sup>(1)</sup></b>
Phone, computers, hi-fi and video	10	17,17
Cars and car parts	6	11,53
Carbon emission rights	3	23,41
Textile	3	13,30
Drinks	2	3,48
Gold, diamonds	1	3,69
Animals	1	36,23
Other	3	3,18
<b>Total</b>	<b>29</b>	<b>111,99</b>

<sup>(1)</sup> Amounts in million EUR

**The fraud is committed to the detriment of the following countries:**

	<b>Number of files</b>
Belgium	93
Netherlands	11
France	6
Germany	4
Russia	3
United Kingdom	2
Ireland	1
Luxembourg	1
Turkey	1
Spain and Portugal	1
<b>Total</b>	<b>123</b>

### 1.1.2. Public Prosecutor's Office

#### *Breakdown of the number of files and the total laundered amount reported in 2010 related to serious and organized fiscal fraud by Public Prosecutor's Office*

The table below provides a breakdown of the number of files and the total laundered amount by Public Prosecutor's Office. CTIF-CFI reported 34,96% of the files, also representing the highest laundered amount, to the Public Prosecutor's Office of Brussels. The explanation of this amount lies in the fact that several significant files were reported in 2010 (cf. 1.1.1. above).

	<b>Total number 2010</b>	<b>Total number %</b>	<b>Total amount 2010<sup>(1)</sup></b>	<b>Total amount %</b>
Brussels	43	34,96	71.117.015,63	36,91
Antwerpen	27	21,95	17.691.205,95	9,18
Dendermonde	8	6,50	16.580.108,36	8,61
Tongeren	8	6,50	10.335.123,30	5,36
Hasselt	7	5,69	4.142.487,11	2,15
Gent	6	4,88	8.674.113,33	4,50
Turnhout	6	4,88	38.974.346,91	20,23
Nivelles	5	4,07	2.377.431,72	1,23
Liège	4	3,25	3.187.203,24	1,65
Federal Public Prosecutor's Office	2	1,63	218.580,00	0,11
Oudenaarde	2	1,63	6.764.339,20	3,51
Leuven	2	1,63	4.888.908,69	2,54
Eupen	1	0,81	5.905.655,73	3,07
Kortrijk	1	0,81	1.756.309,36	0,91
Namur	1	0,81	53.963,18	0,03
<b>Total</b>	<b>123</b>	<b>100</b>	<b>192.666.791,71</b>	<b>100</b>

<sup>(1)</sup> Amounts in EUR

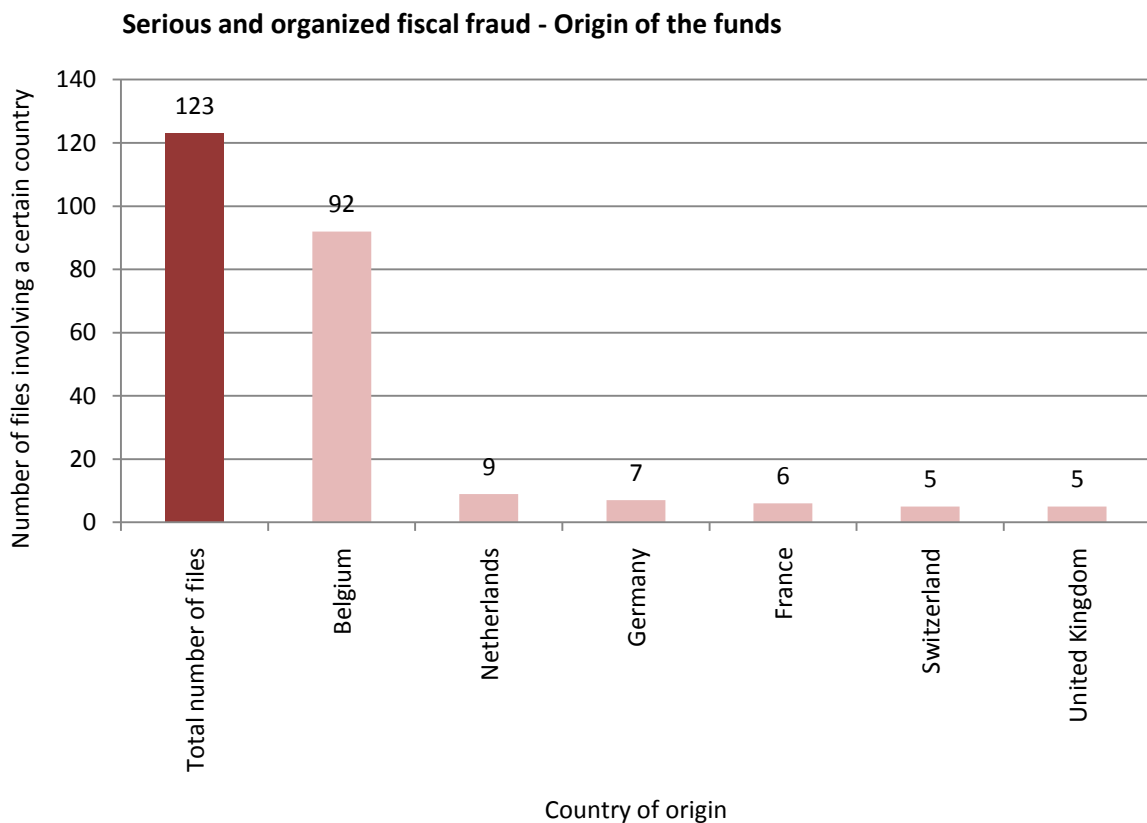
***Breakdown of the number of files reported in 2010 related to serious and organized fiscal fraud by decision of the Public Prosecutor's Office***

The table below shows that a police investigation is ongoing in 56,10 % of the reported files and a judicial investigation is ongoing in 12,20 % of the reported files.

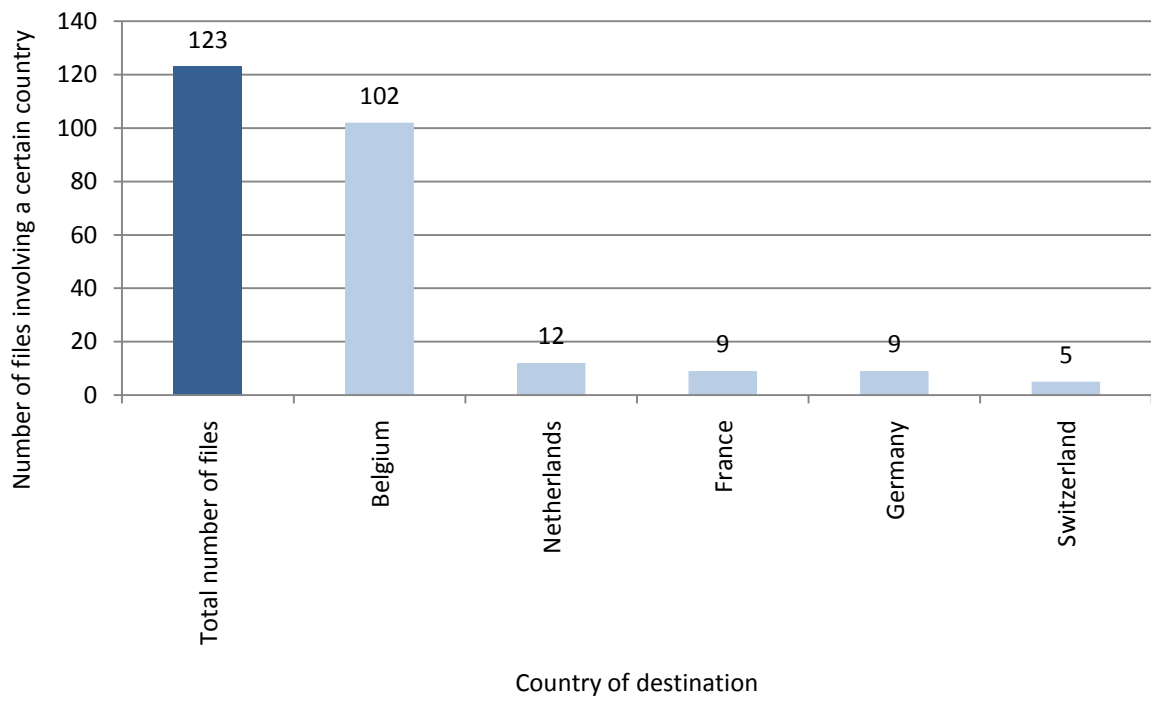
	<b>2010</b>	<b>% 2010</b>
Judicial investigation	15	12,20
Dismissal	25	20,33
Police investigation	69	56,10
No information received yet	14	11,38
<b>Total</b>	<b>123</b>	<b>100</b>

**1.1.3. Financial flows**

With respect to the 123 files reported to the Public Prosecutor's Office related to serious and organized fiscal fraud the graph below indicates the main countries of origin or destination of the funds.



### Serious and organized fiscal fraud - Destination of the funds



## Diagram – Serious and organized fiscal fraud<sup>(1)</sup>



<sup>(1)</sup> In the diagram above the figures printed in black refer to VAT carousel fraud and the figures printed in red refer to other types of fraud.

These figures refer to the files reported in 2010 and the amounts may refer to financial transactions of 2010 but also to financial transactions of previous years. So this analysis of financial flows cannot be compared to the one in the 2009 annual report where transactions carried out in calendar years 2008 and 2009 were analysed.

The analysis of the financial flows mainly shows that:

- cash transactions and cashing of (Belgian and foreign) cheques are typical of the transactions in files related to VAT carousel fraud (traditional VAT carousels);
- international transfers (in this case from Germany and Romania) feature in files related to VAT carousels involving carbon emission rights. This trade is carried out electronically and quickly, which explains why international transfers are used rather than cheques;
- the financial flows of transactions related to other serious and organised fiscal fraud involve countries that can be identified as untransparent financial centres (because they feature on a list published in recent years by the OECD or another international body) for fairly considerable amounts.

In 2010 the incoming flow was greater than the outgoing flow with regard to serious and organized fiscal fraud. This results from a large incoming international transfer where CTIF-CFI used its power to halt this transaction for two working days because of serious indications of laundering proceeds of serious and organised fiscal fraud in Spain and Portugal (cf. case 4 below – page 50). This amount was administratively and judicially seized and is now being recovered.

The section “Money laundering techniques” includes an overview of the financial flows for files related to laundering proceeds of serious and organised fiscal fraud using mortgages (cf. 2.1.1. below – page 90).

#### 1.1.4. Cases

##### Case 1: Money laundering and VAT carousel fraud

<b>Offence</b>	Money laundering Serious and organized fiscal fraud setting in motion complex mechanisms or using procedures with an international dimension (VAT carousel – textile industry)
<b>Parties involved</b>	Natural persons Legal persons
<b>Sectors involved</b>	Financial institutions
<b>Channels used</b>	Cash deposits Cashing of foreign cheques International deposits and transfers
<b>Jurisdictions involved</b>	Belgium, France, Turkey, Pakistan
<b>Disclosing entities</b> <sup>12</sup>	Bank
<b>Warning signals</b> <sup>13</sup>	- Several amendments to the articles of association - Use of fictitious managers - Susceptible industry and high-risk country - Numerous cash deposits - Lack of clarity - The industries of the companies involved are not related

<sup>12</sup> Cf. [glossary](#)

<sup>13</sup> Cf. [glossary](#)

The accounts in Belgium of various companies in the textile industry were credited with substantial cash deposits and cheques different French companies were cashed for a total amount of over EUR 1.4 million. Subsequently many international transfers to Pakistan and Turkey were carried out to purchase textile products that were later on allegedly sold in France.

CTIF-CFI’s analysis showed that:

- The French companies mainly operated in entirely different industries (including the construction industry) than the one of the Belgian companies (textile industry);
- The French companies were often dissolved or declared bankrupt shortly after the transactions;
- The transactions could be related to a VAT carousel in leather jackets from Pakistan and Turkey that had been going on for years.

The leather jackets purchased in Pakistan and in Turkey were not resold in France as stated by the managers but sold for cash on the black market in Belgium.

According to police information the money was transported over land and returned to the managers of the French companies in exchange for cheques but the money was not detected by the administration competent for enforcing the supervision of the physical cross-border transportation of currency<sup>14</sup>.

In this case fictitious invoices and managers were also used.

**Case 2: Money laundering and VAT carousel fraud – use of industries that are not considered to be susceptible to money laundering and VAT carousel fraud**

<b>Offence</b>	Money laundering Serious and organized fiscal fraud setting in motion complex mechanisms or using procedures with an international dimension (VAT carousels – cattle trade)
<b>Parties involved</b>	Legal persons
<b>Sectors involved</b>	Financial institutions
<b>Channels used</b>	Cashing of cheques Domestic and international transfers
<b>Jurisdictions involved</b>	Belgium, the Netherlands
<b>Disclosing entities</b>	Banks
<b>Warning signals</b>	- Head office often changes - The account is only used as a transit account (channelling) - Balance on the bank accounts is nearly always zero - Round figures are always used for the transactions / transfers - Unusual increase of the turnover in a short period of time - Involvement of a “missing trader” - Use of an industry that is not considered to be susceptible to VAT fraud

<sup>14</sup> Cf. the Royal Decree of 5 October 2006 on supervisory measures for the physical cross-border transportation of currency

In less than a year transactions were carried with indications of VAT carousel fraud (cf. warning signals) for an amount of over EUR 36 million. These transactions were carried out through the Belgian accounts of two wholesale cattle dealers.

The account of the first cattle dealer was credited with cashing of foreign cheques. This money was then transferred to an account of a second cattle dealer. The latter subsequently forwarded the money to a third cattle dealer in the Netherlands.

The three cattle dealers in Belgium and the Netherlands featured in an investigation into VAT carousel fraud. One of the cattle dealers was apparently involved a “missing trader” and did not declare the VAT reclaimed by the other cattle dealers.

This files shows that VAT fraudsters tend to move their activities to industries that are not susceptible to VAT fraud to avoid being detected.

**Case 3: Money laundering and VAT carousel fraud – carbon emission rights**

<b>Offence</b>	Money laundering Serious and organized fiscal fraud setting in motion complex mechanisms or using procedures with an international dimension (VAT carousel fraud – carbon emission rights)
<b>Parties involved</b>	Natural person Legal person
<b>Sectors involved</b>	Financial institutions
<b>Channels used</b>	International transfers
<b>Jurisdictions involved</b>	Germany, Switzerland, Romania
<b>Disclosing entities</b>	Bank
<b>Warning signals</b>	- The company’s industry - The sector is susceptible to VAT fraud - the account was only used as a transit account

In 2010 the Belgian account of a company trading in energy products with a French manager was credited with various international transfers, mainly from Germany but also from Switzerland. Subsequently transfers to Romania took place.

This company also held an account with a bank in Romania. Transactions for more than EUR 100 million took place on this account.

CTIF-CFI was informed of these transactions through international cooperation.

In a few months’ time the transactions in Belgium and Romania amounted to more than EUR 115 million.

In this file CTIF-CFI used the provisions of the Law of 11 January 1993 enabling the FIU to halt a transaction for a period of two working days. CTIF-CFI froze an amount of more than EUR 700.000.

According to the VAT support unit of the federal police this company was known for VAT fraud related to carbon emission rights. The company purchased from large carbon dioxide platforms (presumably abroad) and supplied “missing traders” in other member states.

The transactions in Germany indicated that the customers were probably located in Germany, where carbon emission trading is subject to VAT.

**Case 4:** Other serious and organized fiscal fraud – involvement of untransparent financial centres

The case below shows which role untransparent financial centres can play and how Belgian legislation enables CTIF-CFI to block money or assets for a period of two working days. International cooperation and cooperation between the various parties combating money laundering (administrative, police and judicial) also play an important part in combating money laundering and recovering proceeds of illegal activities.

<b>Offence</b>	Money laundering Serious and organized fiscal fraud setting in motion complex mechanisms or using procedures with an international dimension (other fraud)
<b>Parties involved</b>	Natural person Legal person
<b>Sectors involved</b>	Financial institutions
<b>Channels used</b>	International transfers
<b>Jurisdictions involved</b>	Belgium, Panama, Portugal and Spain
<b>Disclosing entities</b>	Bank
<b>Warning signals</b>	- Succession of transfers (money transferred to Belgium is then transferred abroad that same day) - The transactions took place a few days after the account was opened - Belgium was used as a transit country - Substantial amounts - Origin of the money (untransparent financial centres)

Four days after opening an account with a Belgian branch of a British bank a Spanish national residing in Portugal without any link to Belgium received international transfers amounting to EUR 8.700.000 by order of a holding in Panama. He was the beneficial owner of this holding.

That same day he requested the bank to transfer EUR 8.500.000 to his account in Portugal to invest in real estate. The balance of the account was EUR 200.000.

The Belgian branch disclosed the suspicious transactions to CTIF-CFI and the parent company disclosed to the British FIU<sup>15</sup>.

CTIF-CFI's analysis showed that:

- the Spanish national was suspected of carousel fraud and large-scale tax evasion in Spain;
- his Panamanian company already featured in an investigation in 2006 in the United Kingdom.

CTIF-CFI used its powers to freeze the remaining EUR 200.000 on the account with the Belgian branch and reported the file to the judicial authorities.

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<sup>15</sup> Cf. [glossary](#)

The Spanish, British and Portuguese FIUs were immediately informed that the file had been reported and the amount of EUR 200.000 had been frozen.

CTIF-CFI informed the Central Office for Seizure and Confiscation and offered its assistance to facilitate the confiscation of the amount of EUR 200.000.

Shortly afterwards the customer wanted to transfer 112.000.000 EUR with the same bank in Switzerland opened in name of Panamanian and Cypriot holdings. He was the beneficial owner of these holdings as well. CTIF-CFI halted the transfer of 112.000.000 EUR, which was also seized. This information was passed on to the Spanish, British and Portuguese FIUs.

This case illustrates the importance of international cooperation when fighting crime.

### **1.1.5. New trends**

A new trend in VAT carousel fraud involves VAT fraud with (in this case virtual) services instead of goods.

#### **VAT fraud gas and electricity<sup>16</sup>**

In the previous annual report CTIF-CFI discussed extensive carbon emission fraud. VAT carousel fraud (usually involving a “missing trader”) was set up to the detriment of tax authorities of various European countries (loss of income – the VAT is never refunded to the Treasury). In Belgium this fraud was countered by a legislative amendment introducing “extension of payment”.

Apparently the fraud also affects other industries, especially the gas and electricity market. These transactions are also subject to VAT and VAT carousel fraud is perpetrated.

To get an idea of the “potential” of this fraud it is useful to know that the monthly volume of the Belgian electricity market corresponds to the annual volume of the European carbon emission market.

So fraudsters can make huge profits by using the gas and electricity market. Lots of money is at stake so one should keep in mind that this market can be used by large mafia-like criminal organizations to launder proceeds of crime.

One should therefore keep a close eye on individuals and companies in this industry and related financial transactions.

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<sup>16</sup> Cf. VAT Carousel Fraud Support Unit OCS of the Belgian Federal Police

## 1.2. Fraud

### 1.2.1. Statistics

In 2010 CTIF-CFI reported 306 to the judicial authorities with fraud as predicate offence.

	2008	2009	2010	% 2010
Number of files	146	283	306	24,30
Laundered amount <sup>(1)</sup>	32,70	18,44	33,61	5,65

<sup>(1)</sup> Amounts in million EUR

In terms of frequency, fraud is the main predicate offences in the reported files and the reported amount of 33,61 million EUR is also substantial. These files represent 24,30 % of all files reported to the Public Prosecutor's Office in 2010, 5,65% as to the amount.

The files related to fraud involving the largest amounts usually involve a form of fraud organised in Belgium. Real estate, securities, overestimated art or risky investments are offered for sale. Two of these files are illustrated below in section 1.2.4 below.

In addition a large number of files involve various types of mass fraud. These types of fraud are referred to as 'mass marketing fraud', 'advance fee scam', '419 fraud' or 'Nigerian' scams. This fraud comes in different forms but fraudsters mainly target a very large group of potential victims and request an advance for a seemingly very lucrative offer. After having received one or more payments the fraudsters disappear. Online communication is mostly used for this kind of organised fraud. Some e-mails lure victims by mentioning a large inheritance or a winning lottery ticket, the date scam<sup>17</sup> technique is also an increasingly popular technique. A fraudster located abroad deludes the victim into a relationship and asks to send money to pay various fees. Various files reported to the Public Prosecutor's Office in 2010 also regarded fraud through e-commerce. Well-known websites are used to advertise unusually cheap products. When a potential customer responds he is asked to send an advance abroad using money remittance. The product is not delivered and the beneficiary of the money cannot be identified because it is a non-face-to-face transaction. The section "Money laundering techniques" – Electronic money contains such a sanitized case (cf. 2.3. below page 96).

As a result of the recent increase in the use of social networking sites criminals use these sites to look for potential victims. Through "e-mail spoofing" (forging some elements of a message such as the sender's address) fraudulent e-mails are sent in name of the victims and money is asked from contacts of these unsuspecting victims.

There were significantly fewer files in 2010 compared to 2009 involving "money mules" – people whose bank account is used for a fee to receive proceeds of fraud such as "phishing"<sup>18</sup>. A leak in the German online banking system which led to numerous disclosures in Belgium was stopped at the end of 2009. In the "money mule" cases detected afterwards the origin of the money was more varied and not only from Germany.

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<sup>17</sup> Cf. [glossary](#)

<sup>18</sup> Cf. [glossary](#)

In 2010 CTIF-CFI took part in a first meeting of the “National Coordination Platform against Mass Fraud” organised by the Directorate-General Control and Mediation (DGCM) of the Federal Public Service Economy, SMEs, self-employed and Energy. This “working group on mass fraud” consists of representatives of DGCM, the police and justice. It is aimed at developing and coordinating a national strategy against this type of fraud. CTIF-CFI can greatly contribute to this working group by analysing corresponding financial flows.

### 1.2.2. Public Prosecutor’s Office

#### *Breakdown of the number of files and the total laundered amount reported in 2010 related to fraud by Public Prosecutor’s Office*

The table below provides a breakdown of the number of files and the total laundered amount by Public Prosecutor’s Office. Most of the files (31,70%), also representing the largest laundered amount, were reported to the Public Prosecutor’s Office of Brussels.

	<b>Total number 2010</b>	<b>Total number %</b>	<b>Total amount 2010<sup>(1)</sup></b>	<b>Total amount %</b>
Brussels	97	31,70	14.735.101,14	43,84
Antwerpen	56	18,30	6.851.375,04	20,38
Charleroi	15	4,90	472.118,53	1,40
Leuven	12	3,92	598.545,92	1,78
Brugge	12	3,92	468.754,47	1,39
Dendermonde	10	3,27	470.951,47	1,40
Hasselt	10	3,27	1.273.904,34	3,79
Liège	10	3,27	459.366,89	1,37
Mons	9	2,94	1.337.684,26	3,98
Turnhout	9	2,94	415.654,02	1,24
Tongeren	9	2,94	624.053,14	1,86
Kortrijk	7	2,29	924.671,14	2,75
Namur	6	1,96	420.767,00	1,25
Gent	6	1,96	863.782,67	2,57
Arlon	5	1,63	376.888,98	1,12
Huy	5	1,63	513.409,39	1,53
Federal Public Prosecutor’s Office	4	1,31	246.063,91	0,73
Tournai	4	1,31	181.144,48	0,54
Eupen	3	0,98	1.421.228,22	4,23

Oudenaarde	3	0,98	97.361,31	0,29
Verviers	3	0,98	76.280,48	0,23
Veurne	2	0,65	79.414,26	0,24
Mechelen	2	0,65	105.895,00	0,32
Nivelles	2	0,65	114.285,00	0,34
Dinant	2	0,65	119.132,00	0,35
Ieper	2	0,65	226.485,00	0,67
Marche-en-Famenne	1	0,33	137.741,00	0,41
<b>Total</b>	<b>306</b>	<b>100</b>	<b>33.612.059,06</b>	<b>100</b>

<sup>(1)</sup> Amounts in EUR

***Breakdown of the number of files reported in 2010 related to fraud by Public Prosecutor's Office by judicial follow-up***

The table below shows that a police investigation is underway in 51,31 % of the reported files and 38,56 % of the files has been dismissed.

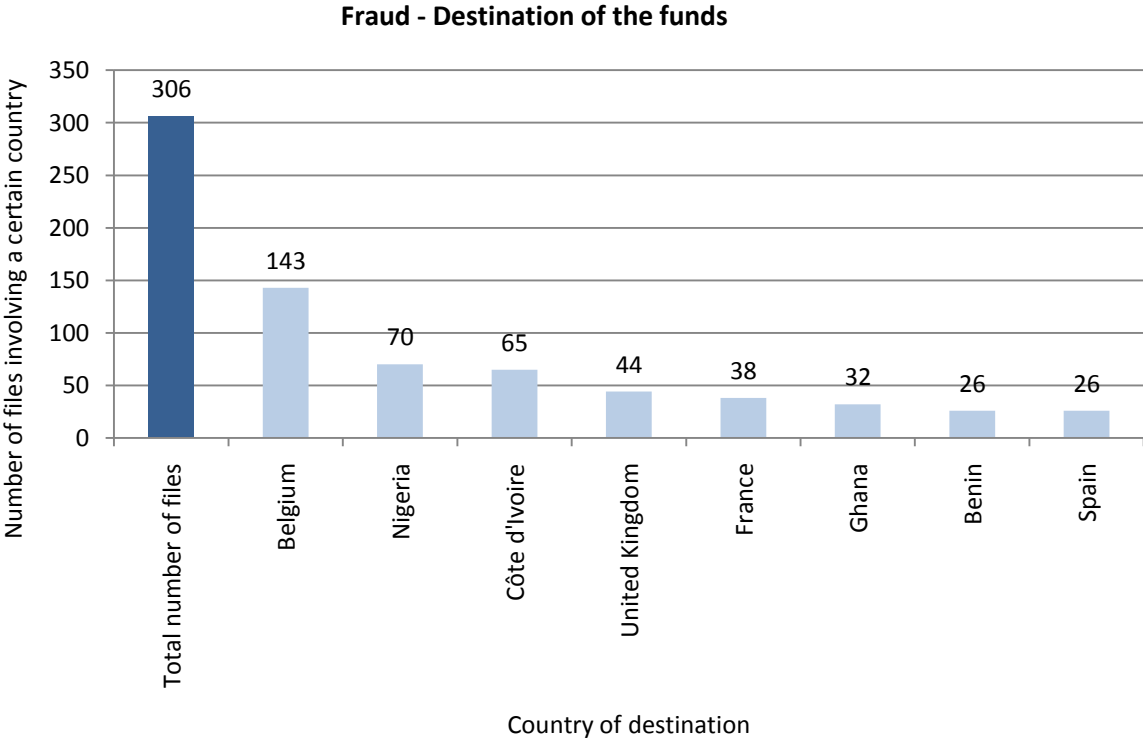
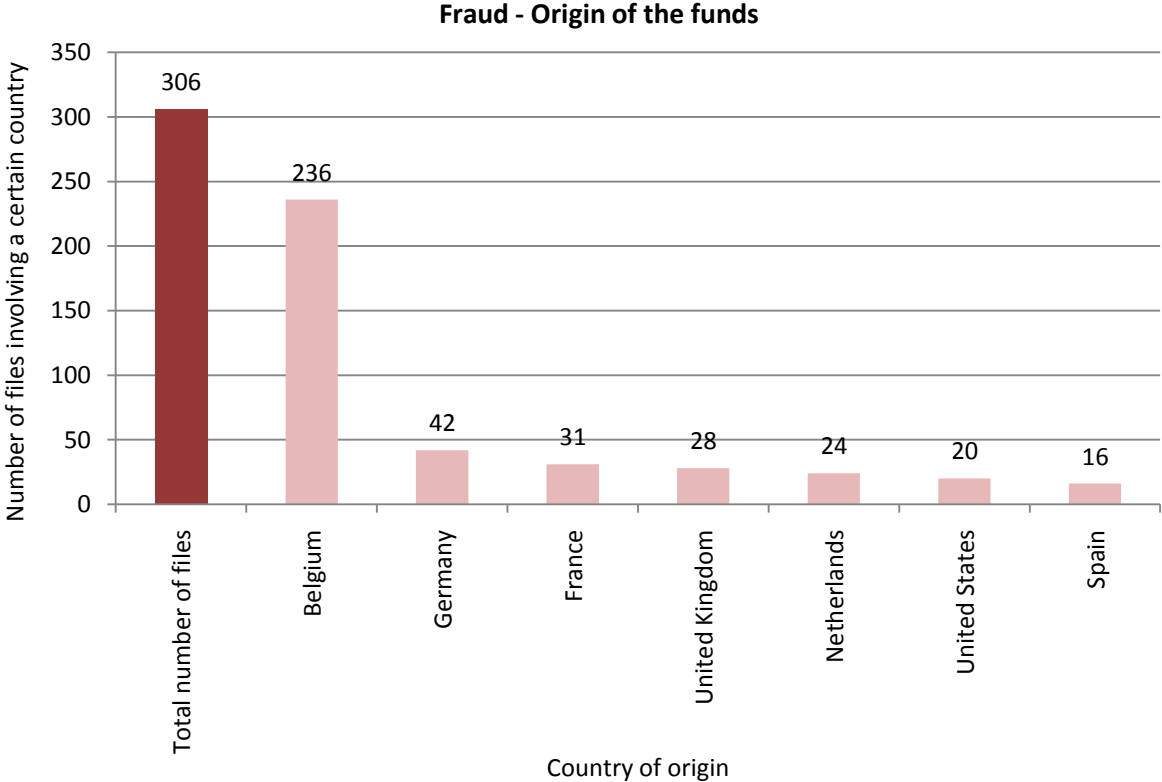
	<b>2010</b>	<b>% 2010</b>
Conviction	1	0,33
Judicial investigation	11	3,59
Handed over to foreign judicial authorities	1	0,33
Dismissal	118	38,56
Police investigation	157	51,31
No information received yet	18	5,88
<b>Total</b>	<b>306</b>	<b>100</b>

**1.2.3. Financial flows**

Belgium is the main location of both origin and destination of funds with respect to reported files related to fraud in 2010. This results from the fact that in a number of fraud schemes the organisers or intermediaries operated from this country, identified potential victims in Belgium, received the proceeds of the fraud at times through a “money mule” from abroad and deposited the money in cash or withdrew from an account. The list of other countries of origin shows that the victims of this type of fraud are located in neighbouring countries.

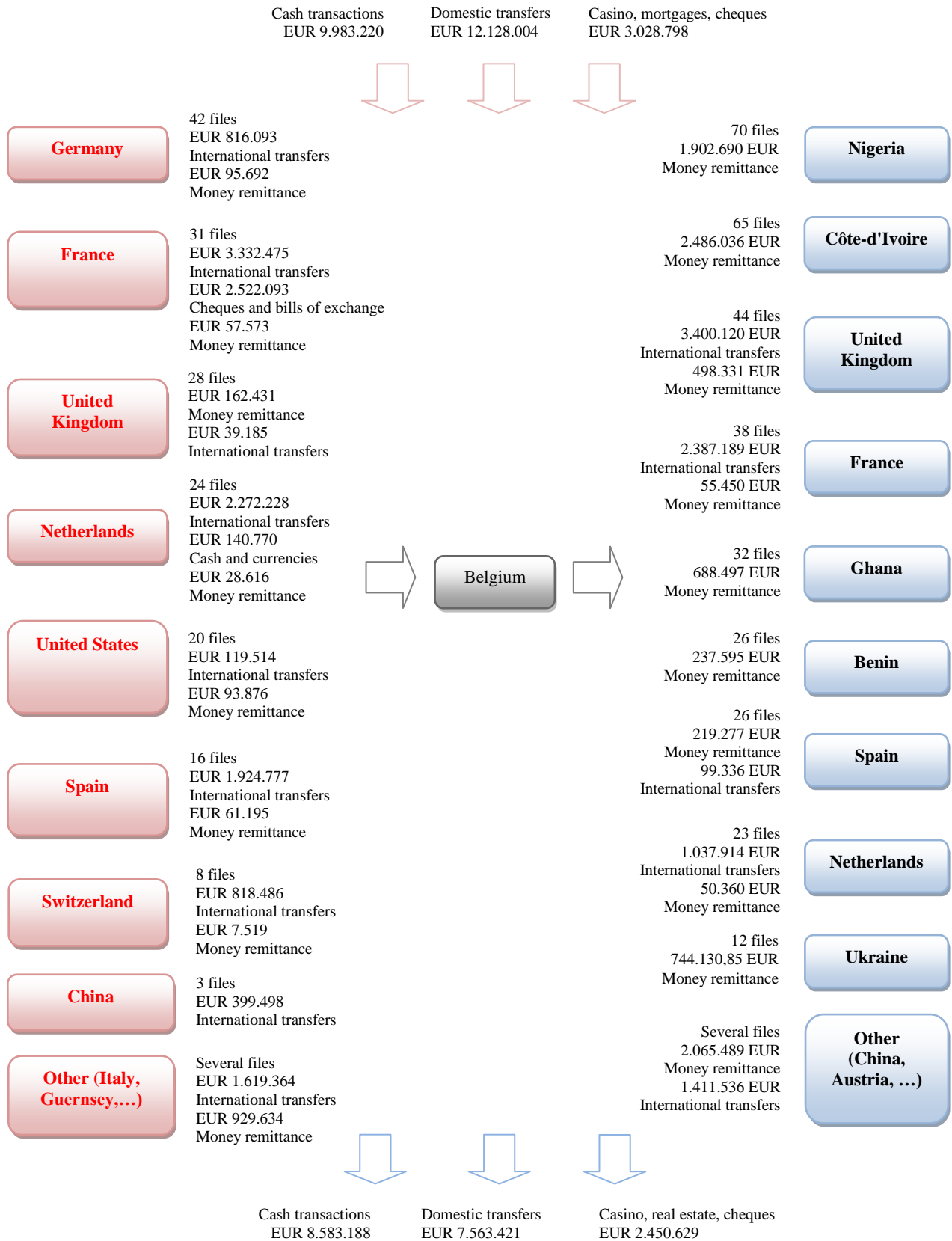
The destination of the funds point to the importance of so-called “Nigerian” fraud (including the “date scam” variation) with West Africa as the destination of the funds. Even the name “Nigerian” fraud is topical as Nigeria is the country of destination of funds in 70 files,

followed by Côte d'Ivoire. Despite various public information campaigns and the publication of a warning on CTIF-CFI's website<sup>19</sup> many people still fall victim to this fraud.



<sup>19</sup> Cf. [www.ctif-cfi.be](http://www.ctif-cfi.be) – section “warnings”

## Diagram - Fraud



## 1.2.4. Cases

### Case 1: Trading materialised investments by acquiring the usufruct of high-value goods

<b>Offence</b>	Money laundering Fraud
<b>Parties involved</b>	Natural persons Legal persons
<b>Sectors involved</b>	Financial institutions
<b>Channels used</b>	Cash deposits Domestic transfers Cashing of foreign cheques Cash withdrawals International transfers
<b>Jurisdictions involved</b>	United Kingdom, Belgium, France
<b>Disclosing entities</b>	Bank
<b>Warning signals</b>	- Cash deposits - It was difficult to determine the origin of the money - Cashing of foreign cheques for substantial amounts - A “Ltd company” was used to conceal the actual beneficial owner (manager)

In a period of one year and a half the account of a company under Belgian law trading in high-value goods was credited with transfers from private individuals, foreign cheques were cashed (France) and cash deposits took place for a total amount of EUR 3,5 million. Subsequently cash withdrawals and substantial transfers to France (mainly to a sister company in France) and Luxembourg were carried out.

The company under Belgian Law was managed by a British “Ltd” whose director also managed the French company that received the transfers.

CTIF-CFI’s analysis showed that the transfers and cashing of foreign cheques by natural persons were actually materialised investments through the usufruct of high-value goods (artwork, investments with high return) and that the high-value goods were probably overestimated.

Information from the police and foreign FIU indicated that the manager of the limited company and the French company receiving the transfers, was known for organised fraud related to usufruct of high-value goods and purchasing shares with large profits.

**Case 2: Trading insurance products without properly informing investors about the risks**

<b>Offence</b>	Money laundering Fraud Breach of trust
<b>Parties involved</b>	Legal persons
<b>Sectors involved</b>	Life insurance
<b>Channels used</b>	Domestic transfers International transfers
<b>Jurisdictions involved</b>	Belgium, Ireland, Isle of Man, United Kingdom
<b>Disclosing entities</b>	Bank
<b>Warning signals</b>	- Statement by the CBFA (Banking, Finance and Insurance Commission, now called the Financial Services and Markets Authority – FMSA) - Request to carry out a substantial international transfer shortly after CBFA’s statement - Low balance on the account

In the period of one year the account of the Irish insurance company, a subsidiary of a company established on the Isle of Man, was credited with transfers from individuals, including Belgians for a total amount of EUR 2,5 million. Subsequently transfers were carried out to an Irish insurance company in the United Kingdom.

Shortly after the CBFA’s statement denouncing certain acts of the Irish insurance company the request was made to transfer almost the entire balance of the account to the United Kingdom. CTIF-CFI halted this transaction for two working days.

For years the Irish insurance company had been working with a dubious Belgian insurance agent suspected of having sold risky insurance products without properly informing the investors about the risks. The sale of these products was suspended and the agent was declared bankrupt.

The sudden withdrawal of almost the entire amount shortly after the CBFA’s statement was suspicious. It is assumed that the financial flows on the account of the Irish company were still related to investments in insurance products that were as opaque as these products and entailed similar risks. The investors were not informed of these risks.

**1.3. Trafficking in illegal labour**

**1.3.1. Statistics**

In 2010 187 files were reported because of serious indications of trafficking in illegal labour as predicate offence for a total amount of EUR 33,67 million. With regard to the number of files trafficking in illegal labour is the most important predicate offence apart from fraud (14,85% of all files reported in 2010). With a total reported amount of EUR 33,67 million in 2010 trafficking in illegal labour comes in fifth place. Both the number of files and the total amount have increased compared to 2009, although rather limited with respect to the amount.

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>% 2010</b>
Number of files	30	111	187	14,85
Laundered amount <sup>(1)</sup>	17,50	30,01	33,67	5,66

<sup>(1)</sup> Amounts in million EUR

The smaller increase of the amount may indicate that financial institutions detect these files more efficiently and quickly as a result of the warning that CTIF-CFI placed on its website in 2010 about the use of Brazilian illegal workers to make credit institutions aware of this type of transactions in these files and to prevent the use of the financial system for these purposes<sup>20</sup>.

Economic exploitation of migrants is increasingly common in CTIF-CFI's files. The Centre for Equal Opportunities and Opposition to Racism extensively discussed this threat in its annual report<sup>21</sup>.

### 1.3.2. Public Prosecutor's Office

#### *Breakdown of the number of files and the total laundered amount reported in 2010 related to trafficking in illegal labour by Public Prosecutor's Office*

The table below provides a breakdown of the number of files and the total laundered amount by Public Prosecutor's Office. Almost all files (91,98 %), also representing the highest laundered amount, was reported by CTIF-CFI to the Public Prosecutor's Office of Brussels.

	<b>Total number 2010</b>	<b>Total number %</b>	<b>Total amount 2010<sup>(1)</sup></b>	<b>Total amount %</b>
Brussels	172	91,98	29.299.414,20	87,02
Liège	3	1,60	1.781.050,00	5,29
Gent	3	1,60	432.805,40	1,29
Antwerpen	2	1,07	180.782,74	0,54
Namur	1	0,53	132.456,00	0,39
Hasselt	1	0,53	60.490,00	0,18
Brugge	1	0,53	1.089.508,69	3,24
Turnhout	1	0,53	360.000,00	1,07
Kortrijk	1	0,53	77.685,00	0,23
Oudenaarde	1	0,53	138.045,80	0,41
Tournai	1	0,53	118.890,26	0,35
<b>Total</b>	<b>187</b>	<b>100</b>	<b>33.671.128,09</b>	<b>100</b>

<sup>(1)</sup> Amounts in EUR

<sup>20</sup> Cf. [www.ctif-cfi.be](http://www.ctif-cfi.be) – section warnings

<sup>21</sup> “Trafficking in and smuggling of human beings “In a haze of legality” – Annual Report 2009 of the Centre for Equal Opportunities and Opposition to Racism – <http://www.diversiteit.be>

***Breakdown of the number of files reported in 2010 related to trafficking in illegal labour by judicial follow-up***

The table below shows that the Public Prosecutor’s Office has not yet communicated its decision in 47,06 % of the reported cases. In 33,16 % of the files a police investigation is underway.

	<b>2010</b>	<b>% 2010</b>
Judicial investigation	2	1,07
Dismissal	35	18,72
Police investigation	62	33,16
No information received yet	88	47,06
<b>Total</b>	<b>187</b>	<b>100</b>

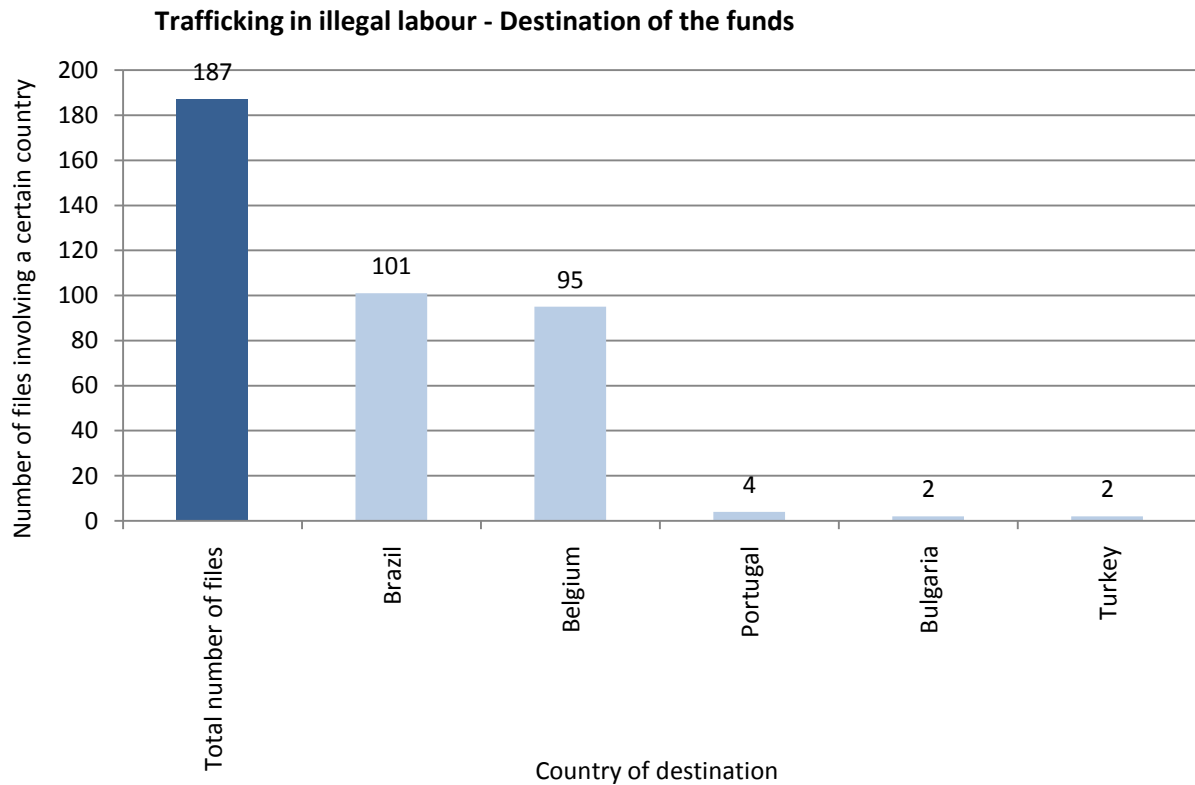
**1.3.3. Financial flows**

In almost all of the files (186 files out of 187) related to trafficking in illegal labour the funds originate in Belgium. In these files the illegal professional activities of networks of illegal workers are clearly carried out in Belgium and services are paid through subcontracting.

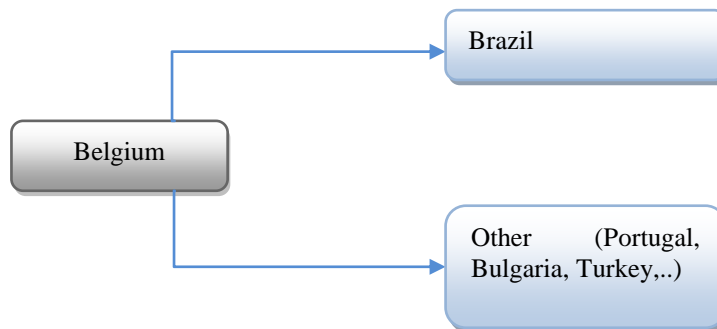
Brazil is the main country of destination, indicating that many files were reported because of links to “Brazilian” networks<sup>22</sup> in the construction or industrial cleaning industry. In the 2009 annual report these fraudulent networks have already been extensively described.

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<sup>22</sup> Cf. [glossary](#)



**Diagram – Trafficking in illegal labour**



As stated above most of the transactions in these files are carried out in Belgium. These transactions consist of cash withdrawals from bank accounts opened by “shell” companies in the construction or industrial cleaning industry. The money is usually credited from other companies in these industries, some of them with a good reputation. The money withdrawn in cash is presumably used to pay Brazilians or Portuguese working in Belgium illegally. They send part of the money back to their country of origin via money remittance or to support their family, sometimes directly to the organisation.

### 1.3.4. FATF – Working Group on Typologies

In 2010 the FATF Working Group on Typologies commenced a study on money laundering risks arising from the trafficking in human beings and the smuggling of migrants.

This project is led by France (Tracfin) and the Group of International Finance Centre Supervisors (GIFCS) (formerly the Offshore Group of Banking Supervisors OGBS).

CTIF-CFI contributed to this project with respect to the structure and content of the report.

The project will be finalised in June 2011.

### 1.4. Illicit trafficking in narcotics

#### 1.4.1. Statistics

In 2010 CTIF-CFI reported roughly the same amount of files related to illicit trafficking in narcotics as in 2009. The amounts in these files are similar to those of 2009 but decrease compared to the amounts of 2008.

	2008	2009	2010	% 2010
Number of files	130	134	138	10,94
Laundered amount <sup>(1)</sup>	37,30	11,79	10,99	1,85

<sup>(1)</sup> Amounts in million EUR

#### 1.4.2. Public Prosecutor's Office

##### *Breakdown of the number of files and the total laundered amount reported in 2010 related to illicit trafficking in narcotics by Public Prosecutor's Office*

The table below provides a breakdown of the number of files and the total laundered amount by Public Prosecutor's Office. Most of the files (26,09 %), also representing the highest laundered amount, was reported by CTIF-CFI to the Public Prosecutor's Office of Antwerpen.

	<b>Total number 2010</b>	<b>Total number %</b>	<b>Total amount 2010<sup>(1)</sup></b>	<b>Total amount %</b>
Antwerpen	36	26,09	2.236.372,40	20,35
Brussels	29	21,01	1.195.784,40	10,88
Liège	13	9,42	262.564,72	2,39
Turnhout	10	7,25	1.703.923,23	15,51
Tongeren	8	5,80	691.122,85	6,29
Charleroi	6	4,35	145.430,00	1,32
Hasselt	5	3,62	774.874,28	7,05
Brugge	5	3,62	222.536,72	2,03
Federal Public Prosecutor's Office	5	3,62	65.790,49	0,60
Leuven	4	2,90	633.482,02	5,76
Kortrijk	4	2,90	224.492,00	2,04
Dendermonde	3	2,17	2.566.220,84	23,35
Mons	2	1,45	37.488,00	0,34
Oudenaarde	2	1,45	95.720,00	0,87
Gent	2	1,45	39.813,29	0,36
Dinant	1	0,72	50.660,00	0,46
Arlon	1	0,72	38.985,24	0,35
Mechelen	1	0,72	842,00	0,01
Neufchâteau	1	0,72	3.000,00	0,03
<b>Total</b>	<b>138</b>	<b>100</b>	<b>10.989.102,48</b>	<b>100</b>

<sup>(1)</sup> Amounts in EUR

***Breakdown of the number of files reported in 2010 related to illicit trafficking in narcotics by judicial follow-up***

The table below shows that a police investigation is underway in 44,20 % of the reported files and 44,93 % of the files has been dismissed.

	<b>2010</b>	<b>% 2010</b>
Conviction	2	1,45
Referral to the court	1	0,72
Judicial investigation	7	5,07
Handed over to foreign judicial authorities	4	2,90
Dismissal	62	44,93
Police investigation	61	44,20
No information received yet	1	0,72
<b>Total</b>	<b>138</b>	<b>100</b>

**1.4.3. Financial flows**

The graphs below indicate that most transactions in reported files related to illicit trafficking in narcotics are carried out in Belgium. The type of transactions in the files related to this offence explains this trend.

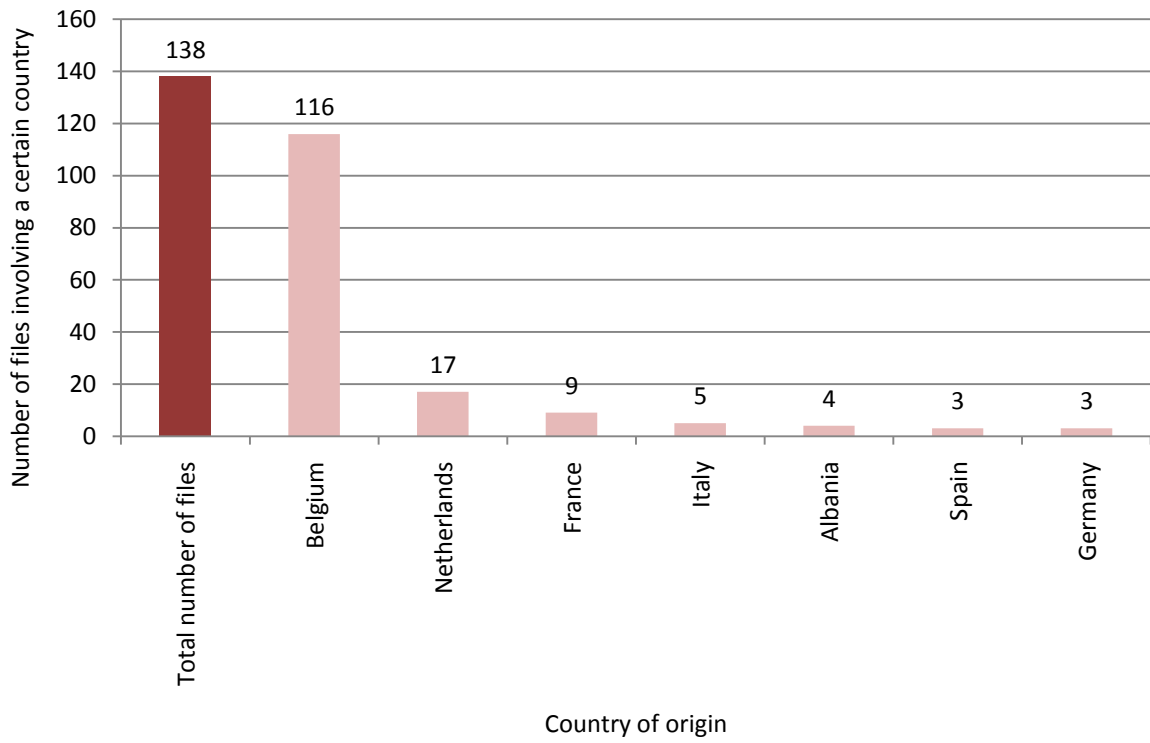
Mainly cash transactions are carried out in these files.

- remarkable cash deposits in EUR or foreign currencies (mainly SCP or GBP);
- cash deposits followed by transfer to North Africa;
- considerable cash withdrawals;
- cross-border transportation of currency

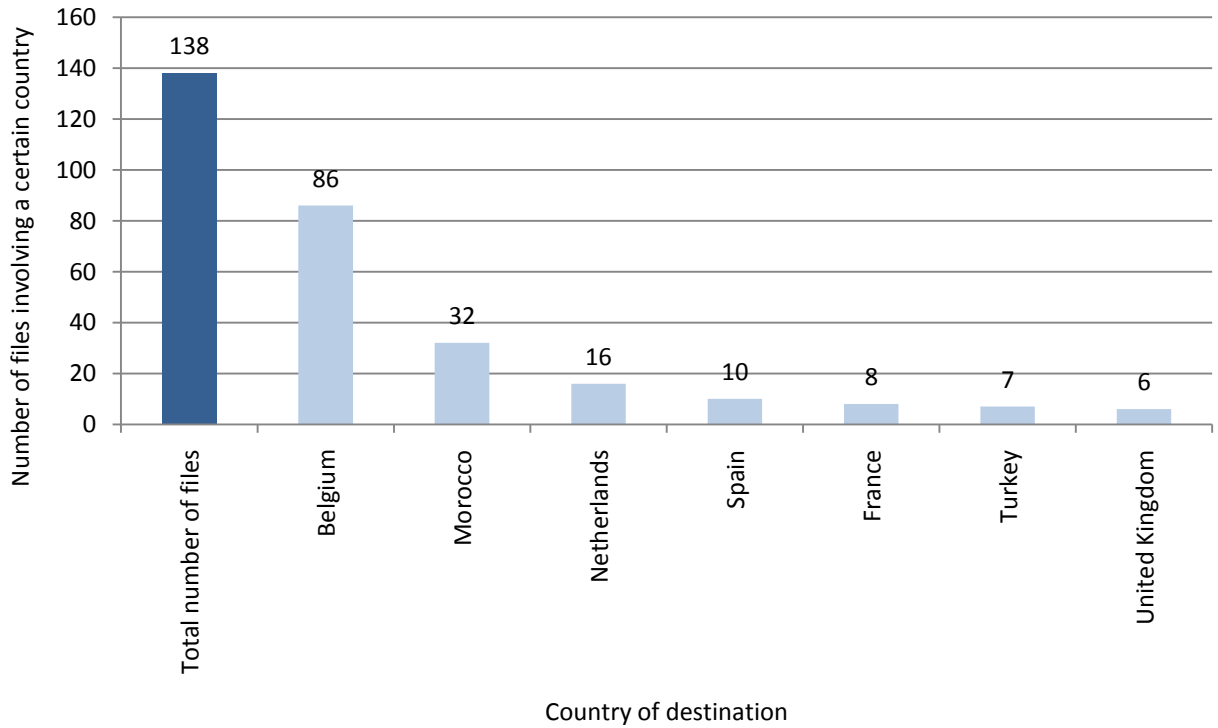
Apart from cash transactions and money remittance there is an increasing number of other transactions such as:

- investments in valuable goods (antiques, building land, real estate);
- international transfers from areas known to be opaque;
- company shares;
- changing bank notes in small denomination into large denominations;
- purchasing chips at casinos;
- cash deposits to pay for credit card purchases;

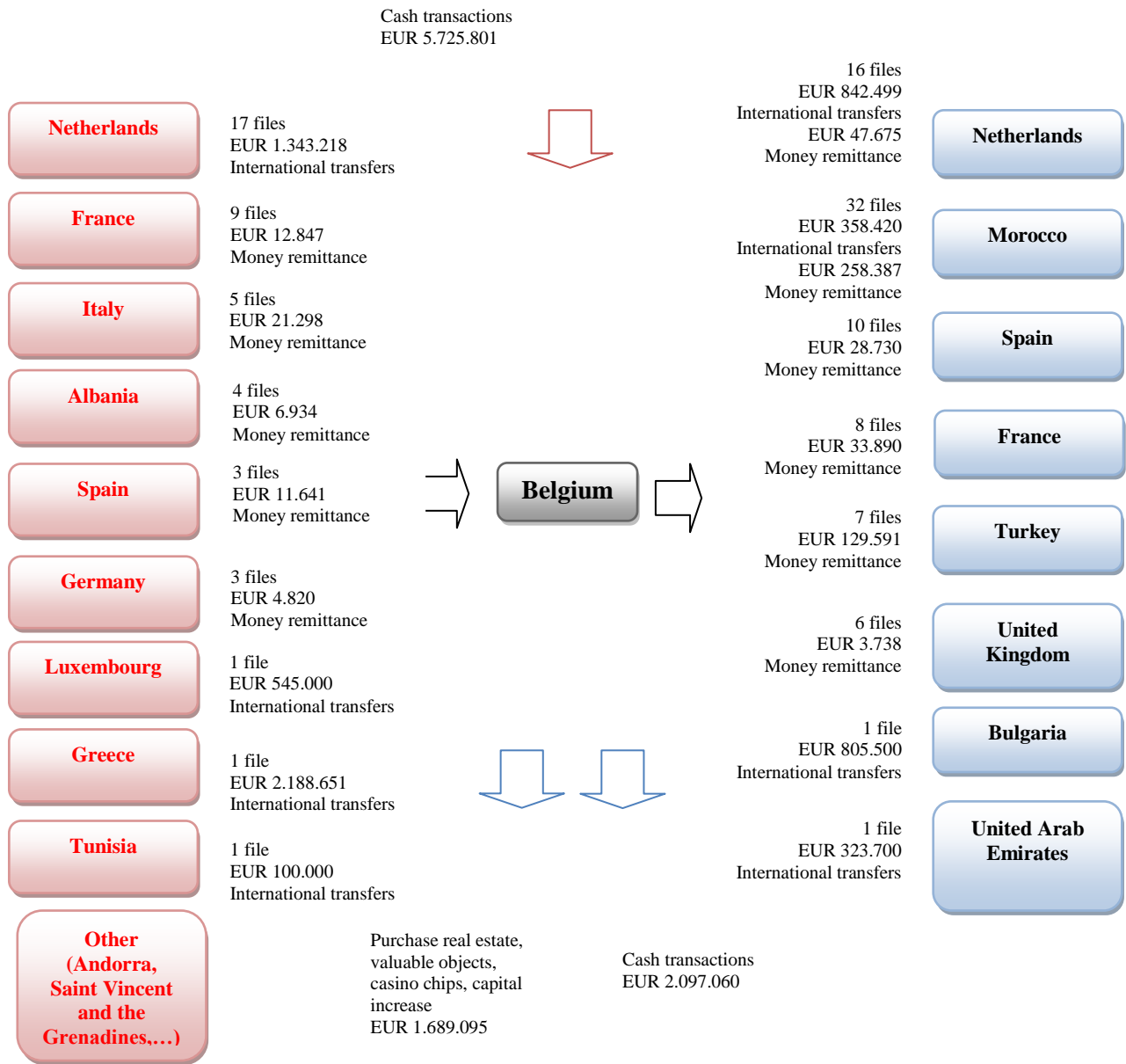
### Illicit trafficking in narcotics - Origin of the funds



### Illicit trafficking in narcotics - Destination of the funds



### Diagram – Illicit trafficking in narcotics



#### 1.4.4. Cases

##### Case 1: Investment in real estate – untransparent financial centres

<b>Offence</b>	Money laundering Illicit trafficking in narcotics
<b>Parties involved</b>	Legal persons Natural persons
<b>Sectors involved</b>	Notary
<b>Channels used</b>	Real estate investments
<b>Jurisdictions involved</b>	Belgium, Netherlands, Luxembourg
<b>Disclosing entities</b>	Notary Request for information from foreign FIUs
<b>Warning signals</b>	- Real estate investment with money from Luxembourg - Various legal constructions in untransparent financial centres as a cover for trafficking in narcotics - Investigation into illicit trafficking in narcotics

In 2007 a Dutch national residing in Belgium bought a plot of land in name of his company established in Belgium near Turnhout for an amount of EUR 275.000. That same day another Dutch national residing in the Netherlands bought a house next to this plot for EUR 300.000. The purchases were paid by transfer, mainly by companies in Luxembourg and a transfer from the Netherlands.

International cooperation between FIUs showed that one of the Dutch nationals, through a company in Guernsey, owned various buildings in the Netherlands that he let and ran coffee shops.

Large quantities of illegal soft drugs were found in these coffee shops.

The second Dutch national was known to the police for trafficking in narcotics.

The money from Luxembourg used to purchase the plot of land and the adjacent house was related to trafficking in narcotics.

##### Case 2: Investment in real estate – untransparent financial centres

<b>Offence</b>	Money laundering Illicit trafficking in narcotics
<b>Parties involved</b>	Natural person
<b>Sectors involved</b>	Financial institutions
<b>Channels used</b>	Cash deposits International transfers
<b>Jurisdictions involved</b>	Netherlands, Monaco, Belgium, Dubai
<b>Disclosing entities</b>	Bank
<b>Warning signals</b>	- Cash – No insight into the origin of the money - No official documents available as proof of the origin of the money

- Substantial amount

In two years' time the account in Belgium of a Dutch national residing in Monaco was credited with cash deposits for a total amount of EUR 320.000. Over two thirds of this amount was deposited in four transactions in the period of a month.

He was also a customer with two private banks in Monaco and Switzerland, one belonging to the same group as the Belgian bank. In the past money is said to have been regularly credited to his account in Belgium from his account in Switzerland. He is said to be very wealthy but his capital in Belgium is limited.

The individual then transferred money to an account in his name in Dubai to finance a real estate project.

He was known in the Netherlands for preparing, selling and transporting soft drugs.

**Case 3:** International transfers and cash withdrawals

<b>Offence</b>	Money laundering Illicit trafficking in narcotics
<b>Parties involved</b>	Natural persons Legal persons
<b>Sectors involved</b>	Financial institutions
<b>Channels used</b>	International transfers Cash deposits
<b>Jurisdictions involved</b>	Belgium, Greece, Bulgaria, Netherlands
<b>Disclosing entities</b>	Bank
<b>Warning signals</b>	- No insight into the origin of the money from a private account. - No insight into the destination of the money withdrawn in cash or transferred to a company in Bulgaria.

In just over a year transfers for over EUR 3,2 million were carried out on the Belgian account of a Bulgarian company. The majority shareholder of this company is a Belgian national residing in Belgium. The money originated from a private account in his name in Greece, from a private account of a third party in Greece, from various transport companies and businesses in flowers, fruit and vegetables in the Netherlands, France, Portugal and Germany.

A large part of the money (about one third) was immediately withdrawn in cash and another part was transferred to the account of a company in Bulgaria. There was no clear legitimate economic reason to carry out transactions through Belgium. The money could be transferred directly from Greece to Bulgaria.

Smaller transfers were also carried out to various companies that appeared to be managed by front men but also belonged to this majority share holder.

Through international cooperation CTIF-CFI learnt that in the past this person was involved in smuggling chemical products that could be used to manufacture drugs. The chemical products were transported from Bulgaria to Greece. In Belgium invoices from a Dutch company were added.

Other information pointed to the delivery in the Netherlands of material used to set up a cannabis plantation.

These elements showed that the suspicious transactions from Greece and the cash withdrawals were related to illicit trafficking in narcotics.

## **1.5. Illicit trafficking in goods and merchandise**

### **1.5.1. Statistics**

In 2010 CTIF-CFI reported 92 files related to this predicate offence, which is similar to 2009.

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>% 2010</b>
Number of files	135	90	92	7,31
Amounts <sup>(1)</sup>	142,00	26,71	142,00	23,86

<sup>(1)</sup> Amounts in million EUR

The sharp increase in the reported amounts in 2010 mainly results from one reported file with transactions worth some EUR 100 million in the recycling industry of computer material (cf. case 1 – page 71).

This industry is susceptible to trafficking in goods and merchandise. The United Nations<sup>23</sup> already warned government leaders about the harmful effects of computer waste on the environment and public health.

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<sup>23</sup> <http://www.unep.org/Documents.Multilingual/Default.asp?DocumentID=612&ArticleID=6471>

*Breakdown of the files reported in 2010 by type of illicit trafficking in goods and merchandise*

<b>Type of trafficking</b>	<b>from 01/01/10 to 31/12/10</b>	<b>Amounts<sup>(1)</sup></b>
Cars and car parts	32	8,61
Minerals, gold, precious stones and jewellery	10	8,99
Phones, computers, hi-fi, video	6	3,44
Weapons	6	3,68
Tobacco, cigarettes and alcohol	5	1,06
Stolen goods	4	1,19
Textile	4	0,29
Medicines	4	3,93
Counterfeit goods	3	0,34
Antiques	2	0,79
Scrap metal	1	97,85
Other	15	11,83
<b>Total</b>	<b>92</b>	<b>142,00</b>

<sup>(1)</sup> Amounts in million EUR

## 1.5.2. Public Prosecutor's Office

### *Breakdown of the number of files and the total laundered amount reported in 2010 related to illicit trafficking in goods and merchandise by Public Prosecutor's Office*

The table below provides a breakdown of the number of files and the total laundered amount by Public Prosecutor's Office. Most of the files (41,30%), also representing the highest laundered amount, was reported by CTIF-CFI to the Public Prosecutor's Office of Brussels.

	<b>Total number 2010</b>	<b>Total number %</b>	<b>Total amount 2010<sup>(1)</sup></b>	<b>Total amount %</b>
Brussels	38	41,30	107.970.294,51	76,04
Antwerpen	16	17,39	11.883.109,63	8,37
Dendermonde	5	5,43	1.373.610,61	0,97
Charleroi	4	4,35	6.358.668,00	4,48
Leuven	4	4,35	670.947,64	0,47
Liège	3	3,26	1.555.923,28	1,10
Turnhout	3	3,26	1.175.493,64	0,83
Hasselt	3	3,26	275.385,22	0,19
Gent	3	3,26	604.372,66	0,42
Mechelen	3	3,26	710.206,20	0,50
Brugge	2	2,17	364.225,99	0,25
Kortrijk	2	2,17	238.295,00	0,17
Tongeren	1	1,09	52.768,44	0,04
Federal Public Prosecutor's Office	1	1,09	129.860,51	0,09
Mons	1	1,09	78.210,82	0,06
Oudenaarde	1	1,09	2.273.199,26	1,60
Verviers	1	1,09	6.280.784,98	4,42
Tournai	1	1,09	-	-
<b>Total</b>	<b>92</b>	<b>100</b>	<b>141.995.356,39</b>	<b>100</b>

<sup>(1)</sup> Amounts in EUR

***Breakdown of the number of files reported in 2010 related to illicit trafficking in goods and merchandise by judicial follow-up***

The table below shows that a police investigation is underway in 45,65 % of the reported files and 45,65 % of the files has been dismissed.

	<b>2010</b>	<b>% 2010</b>
Referral to the court	1	1,09
Judicial investigation	5	5,43
Dismissal	42	45,65
Police investigation	42	45,65
No information received yet	2	2,17
<b>Total</b>	<b>92</b>	<b>100</b>

**1.5.3. Cases**

**Case 1: Money laundering – recycling of material**

<b>Offence</b>	Money laundering Illicit trafficking in goods and merchandise
<b>Parties involved</b>	Natural person Legal persons
<b>Sectors involved</b>	Financial institutions
<b>Channels used</b>	International transfers
<b>Jurisdictions involved</b>	Hong Kong, China, Malaysia, Belgium, Netherlands
<b>Disclosing entities</b>	Banks Foreign exchange office
<b>Warning signals</b>	- The transactions did not correspond with the activity on the account

In 2008 and 2009 the accounts of a natural person and two companies (active in recycling material) were credited with international transfers from China, Hong Kong and to a lesser extent also Taiwan for a total amount of over USD 123 million.

Following transfers to the bank account of the natural person and those of the companies, transfers were carried out to different companies in the same industry in Belgium and the Netherlands.

The natural person's bank account was initially opened for a restaurant. The transactions on the account (international transfers) in USD worth around USD 1 million did not correspond to this activity but to recycling activities. Moreover, the individual did not have a valid VAT number.

One of the companies was declared bankrupt shortly after the transactions. Civil law proceedings were instituted against this company for fraud. It was suspected to be involved in

a transaction between an American company and a Chinese company but was said not to have paid back 2 million EUR.

**Case 2:** Activities performed outside of any legal structure

<b>Offence</b>	Money laundering Illicit trafficking in goods and merchandise
<b>Parties involved</b>	Natural persons Legal persons
<b>Sectors involved</b>	Financial institutions Foreign exchange offices
<b>Channels used</b>	Cash deposits International transfers Money remittance
<b>Jurisdictions involved</b>	Belgium, Portugal, Angola
<b>Disclosing entities</b>	Bank Foreign exchange office
<b>Warning signals</b>	<ul style="list-style-type: none"> <li>- Transactions are suddenly carried out that are suspicious or unusual compared to the company’s regular activities</li> <li>- The articles of association were changed several times, some changes took place just before the suspicious transactions (appointment of a new manager, change of registered office)</li> <li>- Potential mingling of personal and professional use of a personal account</li> <li>- Commercial activities are carried out with the same natural person and almost never with companies</li> <li>- Several money remittance transactions</li> </ul>

A Portuguese national, who recently registered in Belgium, and his Portuguese partner used their personal accounts for one year and a half to carry out transactions seemingly related to a business in second-hand cars outside of any legal structure.

This account was used for cash deposits, transfers from Angola followed by cash withdrawals and transfers to Portugal to purchase vehicles for a total amount of EUR 650.000.

These transfers were mainly sent to the same natural person, this might have been his partner in Portugal.

The transactions were first carried out on the company’s account with a first bank, even though he was not yet a manager or partner of this company at this time. Subsequently the individuals’ personal accounts were used as well as the account the company held with a second bank. Various money remittance transactions were carried out to Angola and Portugal for a total amount of EUR 85.000.

Analysis showed that neither the natural persons nor the company were subject to VAT and had not declared any VAT return.

Customs officials found that the company exported vehicles (not mentioned on the VAT returns) for an amount lower than the detected financial flows.

He resigned a month before the company was declared bankrupt.

According to the Portuguese FIU he is said to carry out similar activities in Portugal, where he also has considerable tax arrears.

### Case 3: Mixing of illegal activities

CTIF-CFI can report a file for laundering the proceeds of several predicate offences. The case below was reported for laundering the proceeds of illicit trafficking in goods and merchandise and organised crime, links were also established with potential financing of terrorist activities.

<b>Offence</b>	Money laundering Organised crime Illicit trafficking in goods and merchandise
<b>Parties involved</b>	Natural person
<b>Sectors involved</b>	Financial institutions
<b>Channels used</b>	Cash deposits
<b>Jurisdictions involved</b>	Belgium, United Kingdom
<b>Disclosing entities</b>	Bank
<b>Warning signals</b>	- Unusual nature of the transaction - Lack of information on the origin of the money - The only transaction on a dormant account

The Belgian account of a North African national living in the United Kingdom, which had not been used in previous years, was suddenly credited with a cash deposit. He could not explain the origin of the money nor why an account was opened in Belgium.

According to police information this North African national was known to be a member of a criminal gang involved in stealing expensive computer equipment in 2008 and 2009 that could be used for potential terrorist purposes and was then sold to an American company by a British company he owned.

## 1.6. Fraudulent bankruptcy and abuse of corporate assets

### 1.6.1. Statistics

The number of files involving fraudulent bankruptcy and abuse of corporate assets rose considerably last year. The amounts in the reported files have more than doubled, making fraudulent bankruptcy the third predicate offence for money laundering in terms of amount. This evolution corresponds to the economic situation. The increased use of corporate structures in illegal or fraudulent constructions is also important. The number of Belgian companies declared bankrupt rose by 10 % in 2008 and 11% in 2009<sup>24</sup>. There was also a record number of bankruptcies in 2010.

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<sup>24</sup> National Bank of Belgium, Economic Review, December 2010.

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>% 2010</b>
Number of files	174	126	201	15,96
Laundered amount <sup>(1)</sup>	213,30	43,68	111,24	18,70

<sup>(1)</sup> Amounts in million EUR

## 1.6.2. Public Prosecutor's Office

### *Breakdown of the number of files and the total laundered amount reported in 2010 related to fraudulent bankruptcy and abuse of corporate assets by Public Prosecutor's Office*

The table below provides a breakdown of the number of files and the total laundered amount by Public Prosecutor's Office. Most of the files (26,36 %), also representing the highest laundered amount, was reported by CTIF-CFI to the Public Prosecutor's Office of Brussels and Charleroi (in terms of amount).

	<b>Total number 2010</b>	<b>Total number %</b>	<b>Total amount 2010<sup>(1)</sup></b>	<b>Total amount %</b>
Brussels	53	26,36	33.181.507,16	29,83
Antwerpen	33	16,42	16.117.356,57	14,49
Gent	15	7,46	4.081.703,48	3,67
Charleroi	12	5,97	25.322.431,11	22,76
Kortrijk	10	4,98	1.695.194,41	1,52
Hasselt	10	4,98	2.128.523,55	1,91
Oudenaarde	8	3,98	5.356.442,59	4,82
Liège	8	3,98	1.646.110,37	1,48
Dendermonde	8	3,98	3.821.455,27	3,44
Brugge	7	3,48	2.615.957,32	2,35
Leuven	7	3,48	1.660.950,20	1,49
Mechelen	6	2,98	1.960.083,29	1,76
Turnhout	6	2,98	1.047.687,97	0,94
Mons	5	2,49	5.022.330,00	4,51
Tongeren	3	1,49	1.930.000,19	1,74
Namur	3	1,49	313.470,15	0,28
Ieper	2	1,00	1.628.942,87	1,47
Verviers	1	0,50	63.000,00	0,06
Dinant	1	0,50	349.410,00	0,31
Arlon	1	0,50	434.000,00	0,39

<b>Total</b>	<b>201</b>	<b>100</b>	<b>111.237.702,04</b>	<b>100</b>
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<sup>(1)</sup> Amounts in EUR

***Breakdown of the number of files reported in 2010 related to fraudulent bankruptcy and abuse of corporate assets by judicial follow-up***

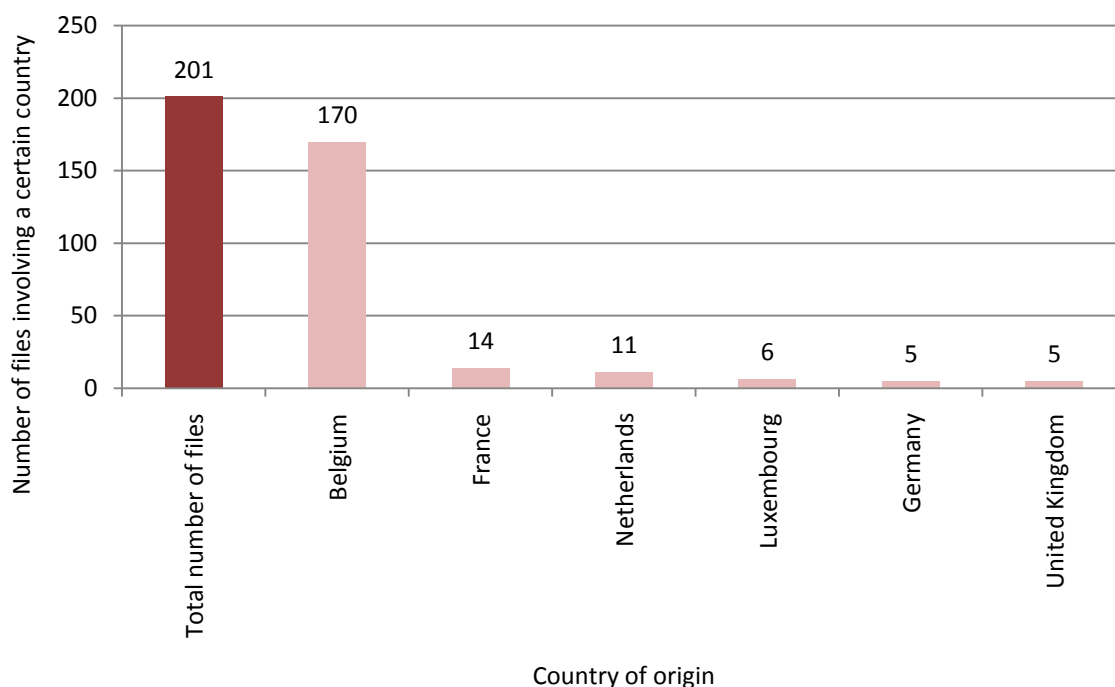
The table below shows that a police investigation is underway in 60,70 % of the reported files.

	<b>2010</b>	<b>% 2010</b>
Referral to the court	2	1,00
Judicial investigation	9	4,48
Dismissal	57	28,36
Police investigation	122	60,70
No information received yet	11	5,47
<b>Total</b>	<b>201</b>	<b>100</b>

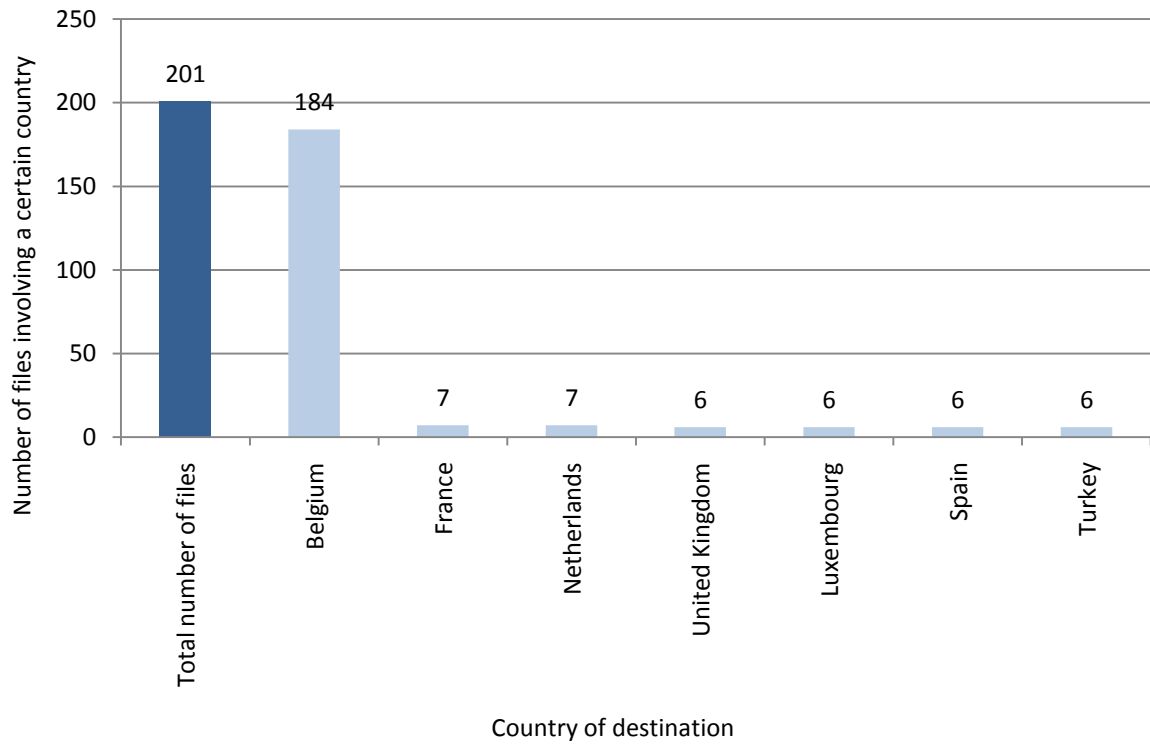
**1.6.3. Financial flows**

The analysis of financial flows shows that fraudulent bankruptcy usually involves suspicious transactions to and from Belgium. The neighbouring countries Netherlands, Luxembourg and France also feature as to the origin of the funds.

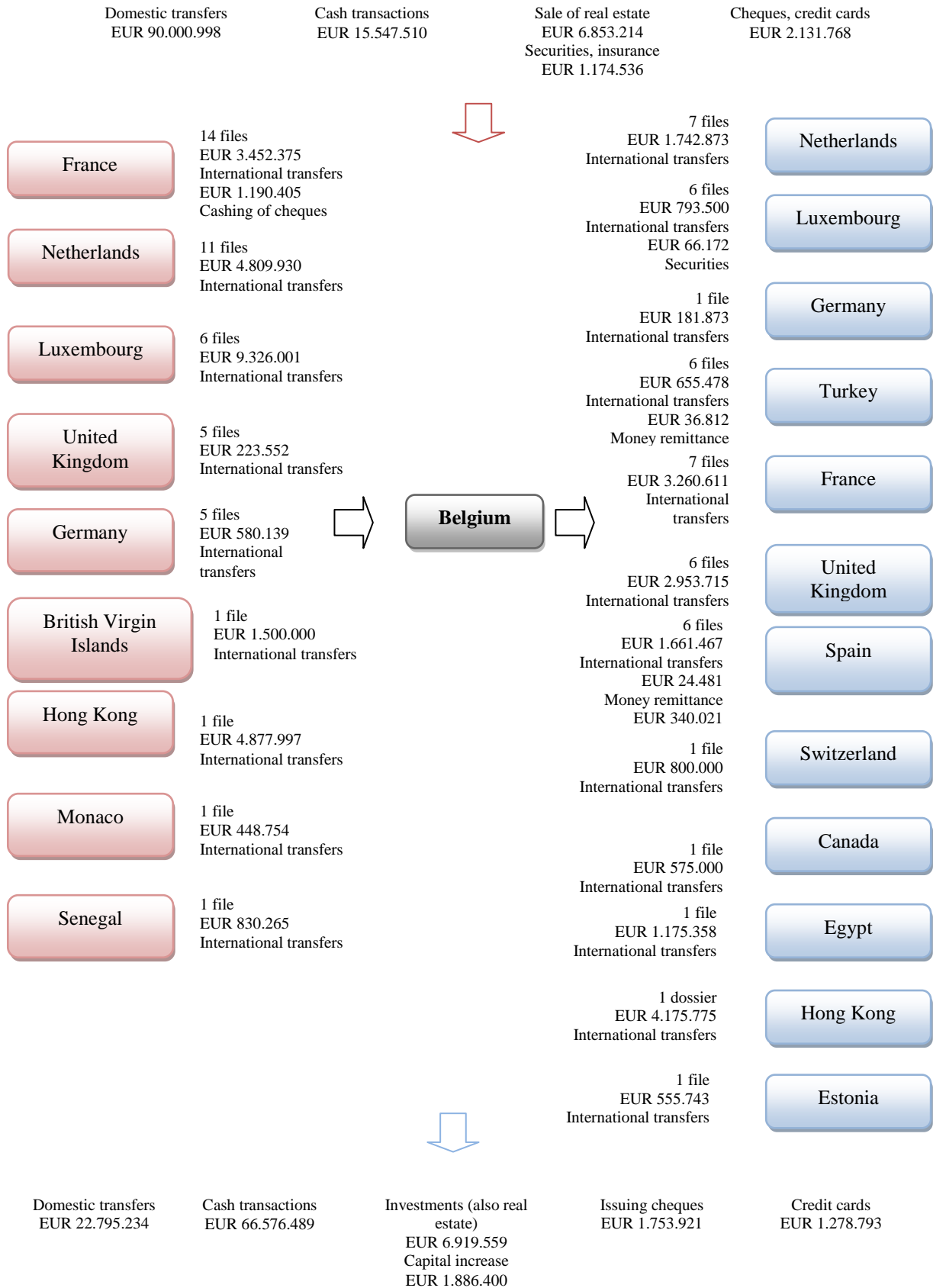
**Offence related to the state of bankruptcy and abuse of corporate assets-  
Origin of the funds**



**Offence related to the state of bankruptcy and abuse of corporate assets-  
Destination of the funds**



## Diagram – fraudulent bankruptcy and abuse of corporate assets



#### 1.6.4. Cases

##### Case 1: “fictitious invoicing”

<b>Offence</b>	Money laundering Fraudulent bankruptcy
<b>Parties involved</b>	Legal persons Natural persons
<b>Sectors involved</b>	Financial institutions
<b>Channels used</b>	Domestic transfers Cash withdrawals
<b>Jurisdictions involved</b>	Belgium
<b>Disclosing entities</b>	Banks
<b>Warning signals</b>	<ul style="list-style-type: none"><li>- Susceptible sector</li><li>- Unusual transactions</li><li>- No insight into the destination of the cash withdrawals</li><li>- Numerous bankruptcies</li><li>- Numerous changes to the articles of association</li><li>- Certain individuals still have power of attorney on these companies' accounts even though they are no longer involved in the companies</li><li>- Investigation by the Public Prosecutor's Office or seizures</li><li>- Several natural or legal persons already featured in files previously reported by CTIF-CFI</li></ul>

Over a short period of time two similar reports were reported to the judicial authorities for fraudulent bankruptcy. The modus operandi is always the same. Various companies in the construction industry are used by illegal labour subcontractor in a fraudulent scheme of “fictitious invoicing”.

Over a period of two years the accounts of various “shell” companies were credited with transfers of EUR 13.000.000 and EUR 8.835.000 from other sister companies or companies in the construction industry. Subsequently cash deposits were carried out to pay suppliers and salaries. These deposits could not be accounted for.

These companies are fraudulently used and then usually declared bankrupt.

In the system of “fictitious invoicing” supply construction companies present invoices to other construction companies to allow them to obtain cash. The buying companies withdraw the money in cash and return it to the supply companies after deducting a commission. Because of the system supply companies get cash money to pay undeclared workers. The buying companies are used for some time, cleared out and are declared bankrupt.

##### Case 2: Forging the annual accounts

<b>Offence</b>	Money laundering Fraudulent bankruptcy
<b>Parties involved</b>	Natural persons Legal persons

<b>Sectors involved</b>	Financial institutions
<b>Channels used</b>	International transfers Cash withdrawals Credit card expenses
<b>Jurisdictions involved</b>	Belgium, Hong Kong
<b>Disclosing entities</b>	Bank
<b>Warning signals</b>	- The manager reports the fraud to the trustee: forgery and fictitious turnover - Fictitious companies are involved - The company's assets were potentially used for personal purposes

In a two-year period the account of a Belgian commercial company debit and credit transactions took place for over EUR 4.000.000 with two subsidiaries in Hong Kong.

The account of this Belgian company was also debited with cash deposits for over EUR 300.000 and credit card expenses for more than EUR 600.000.

The managers of this company as well as the two subsidiaries used fictitious invoices for many years to inflate the turnover and deceive potential investors and creditors.

By the end of 2009 the Belgian company was declared bankrupt and one of the managers confessed the fraud to the trustee.

Taking into account the fraud scheme that was set up part of the company's assets, withdrawn in cash or using a credit card, could have been embezzled for personal use to the detriment of the creditors of the company declared bankrupt.

## 1.7. Corruption and politically exposed persons

### 1.7.1. Statistics

The number of files reported in 2010 related to corruption is on the rise compared to 2009 as well as the amounts of these files.

	2008	2009	2010	% 2010
Number of files	10	4	9	0,72
Laundered amount <sup>(1)</sup>	1,71	1,69	5,96	1,00

<sup>(1)</sup> Amounts in million EUR

The main characteristics of the files reported in 2010 remain relevant.

- Non-financial professions are used as third-party business introducer;
- Countries known to be untransparent financial centres are used;
- Belgium is used as a transit country;
- Accounts in Belgium are used rather than in the country of origin of politically exposed person<sup>25</sup> to conceal transactions and avoid them being detected.

<sup>25</sup> Cf. [glossary](#).

International experience (FATF and others) as well as recent events demonstrate to which extent corruption cases are brought to light in many a political crisis. More than ever before particular attention should be paid to transactions carried out by politically exposed persons wishing to partly or entirely invest the proceeds of their illegal activities by using the financial system.

As a result of crisis situations in various North African countries CTIF-CFI published various warning on its website early 2011. The disclosing entities were asked to remain alert in case of transactions carried out by politically exposed persons<sup>26</sup>.

### 1.7.2. Public Prosecutor's Office

#### *Breakdown of the number of files and the total laundered amount reported in 2010 related to corruption by Public Prosecutor's Office*

The table below provides a breakdown of the number of files and the total laundered amount by Public Prosecutor's Office. Most of the files (33,34 %), also representing the highest laundered amount, was reported by CTIF-CFI to the Federal Public Prosecutor's Office.

	<b>Total number 2010</b>	<b>Total number %</b>	<b>Total number 2010</b>	<b>Total amount %</b>
Federal Public Prosecutor's Office	3	33,34	3.177.877,14	53,28
Brussels	2	22,22	211.205,00	3,54
Charleroi	2	22,22	739.324,83	12,40
Antwerpen	1	11,11	1.141,06	0,02
Tournai	1	11,11	1.834.640,00	30,76
<b>Total</b>	<b>9</b>	<b>100</b>	<b>5.964.188,03</b>	<b>100</b>

#### *Breakdown of the number of files reported in 2010 related to corruption by judicial follow-up*

The table below shows that a judicial investigation is underway in 11,11% % of the reported files and 44,44 % of the files has been dismissed.

	<b>2010</b>	<b>% 2010</b>
Judicial investigation	1	11,11
Dismissal	4	44,44
Police investigation	3	33,33
No information received yet	1	11,11
<b>Total</b>	<b>9</b>	<b>100</b>

<sup>26</sup> Cf. [www.ctif-cfi.be](http://www.ctif-cfi.be) – section “warnings”

In three cases reported to the Federal Public Prosecutor’s Office a police investigation is underway.

**1.7.3. Cases**

**Case 1: Money laundering – corruption – untransparent financial centres**

<b>Offence</b>	Money laundering Corruption
<b>Parties involved</b>	Natural person Legal person
<b>Sectors involved</b>	Financial institutions
<b>Channels used</b>	International transfers
<b>Jurisdictions involved</b>	Belgium, Benin, South Korea, Cyprus, France
<b>Disclosing entities</b>	Bank
<b>Warning signals</b>	- The financial transactions did not correspond to the anticipated nature of the business relationship. - Involvement of a non-financial profession - No economic rationale for opening an account in Belgium (no business activities in Belgium or Europe) - No convincing explanation by the customer. - The individual is mentioned as “discrete adviser” of the minister of defence of a country where the risk of corruption is high

In one year and a half the Belgian account of a company from Central Africa was credited with four international transfers for a total amount of over 2,2 million USD by order of a company in electronics in Asia.

The account of this African company was opened two year prior at request of an accountancy fiduciary as the company wanted to do business with companies in Belgium and Europe and wanted to place orders and pay suppliers using this account. The manager did not reside in Belgium but in Africa.

These four international transfers were followed by transfers to South Korea, Cyprus and also to France.

The transactions on these accounts clearly did not correspond to the anticipated nature of the business relationship, i.e. paying suppliers in Europe.

According to press articles an individual whose identity was almost identical to the person involved was the adviser of a minister of defence of a country in Central Africa.

Other articles on the Internet mentioned development projects involving a South Korean company and donations from this company to the army of this Central African country to close the deal.

This case clearly involved payments to a powerful person.

**Case 2: Corruption and fraud detrimental to the financial interests of the European Union**

<b>Offence</b>	Money laundering Corruption Fraud detrimental to the financial interests of the European Communities
<b>Parties involved</b>	Legal persons Natural persons
<b>Sectors involved</b>	Financial institutions
<b>Channels used</b>	Domestic transfers International transfers
<b>Jurisdictions involved</b>	Belgium, Various countries in the European Union, Eastern Europe, Africa
<b>Disclosing entities</b>	Bank
<b>Warning signals</b>	Large and excessive transfers without clear explanations to private individuals on an account for commercial use

The account in Belgium of a Belgian consultancy company was credited with transfers for more than three million EUR from the European Commission. These were followed by transfers to a range of companies in the European Union, Eastern Europe and various African countries.

Various substantial transfers to private individuals were carried out without any legitimate reason.

Research showed that some of these individuals were probably able to influence the assignment of contracts to the consultancy company.

Moreover, various investigations into corruption had been opened against the consultancy company and the manager when granting a project for European development aid and assistance programmes.

**1.8. Terrorism, terrorist financing, including proliferation financing**

**1.8.1. Statistics**

The number of files reported by CTIF-CFI in 2010 because of serious indications of terrorism or terrorist financing rose slightly compared to 2009 yet remains rather limited in absolute figures. Terrorist financing is very different from other predicate money laundering offences though. The detected amounts are hardly relevant and contrary to laundering the proceeds of crime the amounts are no measure for the impact of this phenomenon on society. Criticism that the financial approach of terrorism is not efficient is usually based on this erroneous assumption. The analysis of the files shows, however, that smaller amounts can also be detected. The focus is not only on financing of a potential one-off disastrous terrorist act, long-term financing of terrorist groups is also examined.

As in 2009 CTIF-CFI reported several files where properties were purchased by NPOs with a religious goal. Properties are usually purchased with money deposited in cash on the accounts of an NPO, these are personal donations. The properties are generally used as places of worship or cultural centres. Assessing the extremist or potential terrorist nature of the

activities of these organisations is a delicate issue. When analyzing such cases CTIF-CFI tries to link financial information to specific information available through specialized bodies. Working in close cooperation with the unit “terrorism and sects” of the police, the Federal Public Prosecutor’s Office, the Coordination Organ for Threat Analysis (OCAM–OCAD), General Intelligence and Security Service of the Armed Forces (SGRS-ADIV) is of vital importance when investigating terrorist financing.

The trend where social benefits are used to finance terrorist organizations seems to continue in 2010. The beneficiaries of the benefits usually withdraw these funds in cash and funnel them to organisations supporting terrorism.

The files reported in 2010 show that some terrorist phenomena identified at international level are also present in Belgium. Several files were reported where one individual (‘lone wolf’) radicalizes at one point in time and then plans an attack autonomously. Own funds are used for this attack, there is no organised financial support by an organisation. This kind of terrorism is a new challenge for the bodies involved in combating terrorism financing.

An increasing number of people or organizations from the Caucasus were involved in files reported in 2010 because of serious indications of terrorism financing. The continual conflicts in Chechnya and other areas in the region seem to incite terrorist activities in Russia as well as in Europe.

### **Non-proliferation**

The Law of 18 January 2010 empowers CTIF-CFI to analyse disclosures on proliferation-sensitive nuclear activities or the development of nuclear weapon delivery systems and report this information to the Public Prosecutor’s Office in case of serious indications of financing such activities. In accordance with European Regulations<sup>27</sup> financial institutions should exercise special vigilance for all transactions related to Iran. The extended powers and tasks of the financial system reflects the consensus reached at an international level to stop Iran’s nuclear military ambitions.

There are many reasons why the physical control of goods exported to Iran or other high-risk countries is complex. Determining which goods –licensed or not– may be exported and which may not is a difficult question. The rules on “dual use” goods are complicated and often based on technical details that are difficult to check in practice. When exporting goods a company in unsuspected countries may be used as intermediary, concealing the final destination or user of the goods. Defining the competences for nuclear proliferation in Belgium can create uncertainty: exporting arms is a regional power whereas protecting nuclear material is a federal issue.

Regimes wishing to extend their nuclear or military capacity clearly see this as a priority and provide companies or persons who can acquire these goods with large amounts of money. Financial analysis, in addition to the physical checks of exported goods, is aimed at detecting funds used to purchase goods and can reveal a financial link between the suppliers and the end users.

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<sup>27</sup> Council Regulation (EU) No 961/2010 of 25 October 2010 on restrictive measures against Iran and repealing Regulation (EC) No 423/2007 OJ L 281 27.10.2010, page 1.

In addition to terrorist financing and money laundering, combating proliferation of weapons of mass destruction will become one of the key elements of the preventive anti money laundering system of the future.

In 2010 three files were reported because of serious indications financing of nuclear proliferation.

***Breakdown of the number of files and the total amount of money laundering or terrorist financing per year***

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>% 2010</b>
Number – terrorism	11	0	4	0,32
Number – terrorist financing <sup>(1)</sup>	10	13	15	1,19
Amount – terrorism	1,94	0	0,16	0,02
Amount – terrorism financing <sup>(1)</sup>	4,66	0,42	6,13	1,03

<sup>(1)</sup> including proliferation financing – amounts in million EUR

**1.8.2. Public Prosecutor’s Office**

***Breakdown of the number of files and the total laundered amount reported in 2010 related to terrorism or terrorist financing by Public Prosecutor’s Office***

The table below provides a breakdown of the number of files and the total laundered amount by Public Prosecutor’s Office. Most of the files (84,21 %), also representing the highest laundered amount, was reported by CTIF-CFI to the Federal Public Prosecutor’s Office. An important file related to proliferation financing, which is explained below, was reported to the Public Prosecutor’s Office of Brussels.

	<b>Total number 2010</b>	<b>Total number %</b>	<b>Total amount 2010<sup>(1)</sup></b>	<b>Total amount %</b>
Federal Public Prosecutor's Office	16	84,21	984.103,59	15,63
Brussels	2	10,52	5.305.112,48	84,28
Charleroi	1	5,27	5.000,00	0,09
<b>Total</b>	<b>19</b>	<b>100</b>	<b>6.294.216,07</b>	<b>100</b>

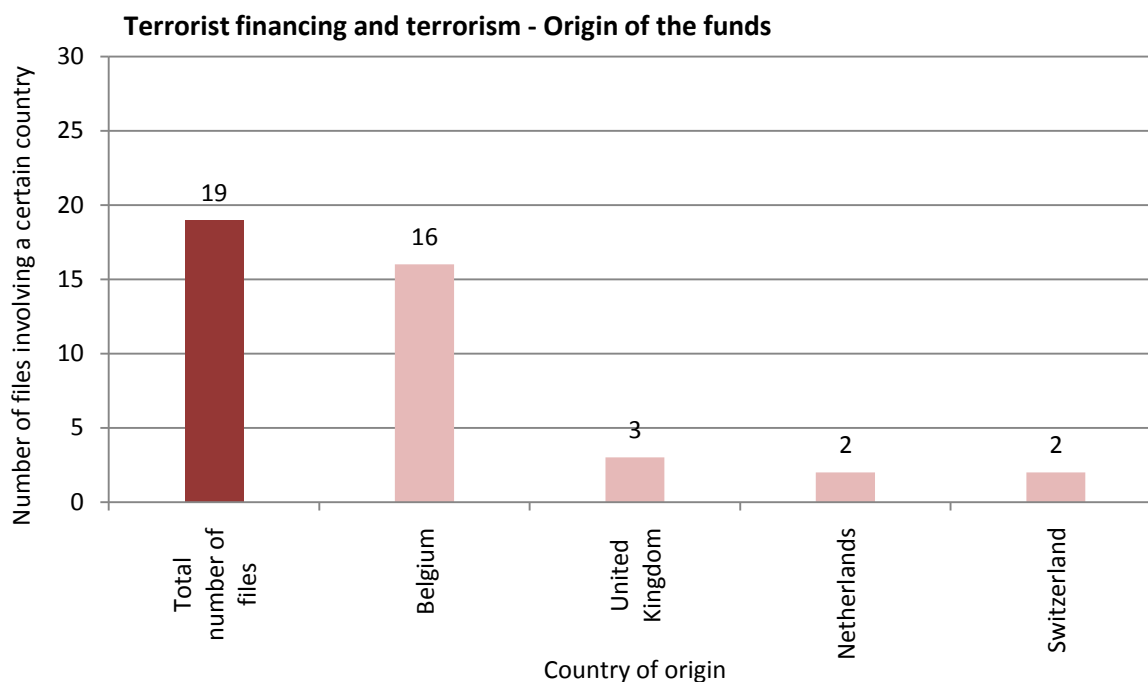
(1) amounts in million EUR

***Breakdown of the number of files reported in 2010 related to terrorism or terrorist financing, including proliferation financing by judicial follow-up***

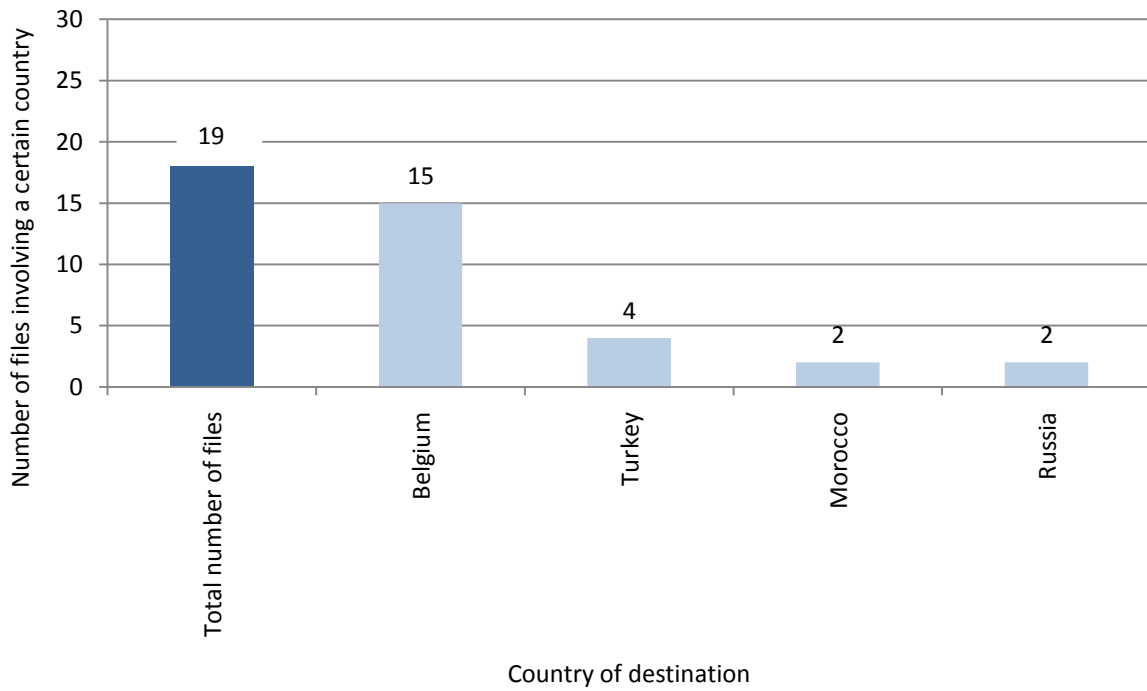
The table below shows that a police investigation is underway in 47,37 % % of the reported files.

	<b>2010</b>	<b>% 2010</b>
Dismissal	7	36,84
Police investigation	9	47,37
No information received yet	3	15,79
<b>Total</b>	<b>19</b>	<b>100</b>

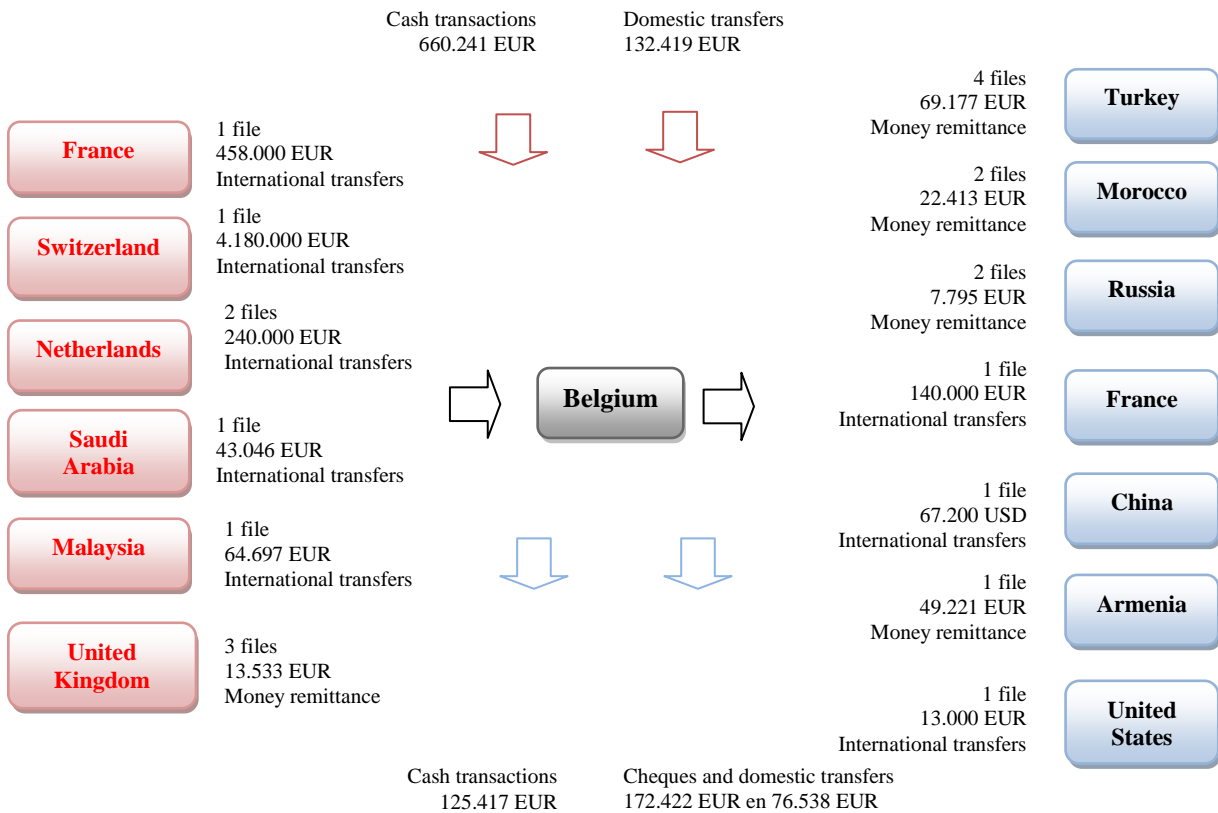
**1.8.3. Financial flows**



### Terrorist financing and terrorism - Destination of the funds



### Diagram – Terrorism and terrorist financing



#### 1.8.4. Cases

##### Case 1: Financing terrorist groups

<b>Offence</b>	Terrorist financing
<b>Parties involved</b>	Natural persons
<b>Sectors involved</b>	Financial institutions
<b>Channels used</b>	Domestic transfers Cash withdrawals
<b>Jurisdictions involved</b>	Belgium
<b>Disclosing entities</b>	Banks
<b>Warning signals</b>	- The individuals feature in a commercial database because of links to a terrorist organisation - Transfers from social services and social security - Entire amount is immediately withdrawn in cash

In a period of one year the accounts of three individuals of Turkish origin received benefits from social services and social security for a total amount of some 26.000 EUR. The funds were then entirely withdrawn in cash.

The individuals feature in a judicial investigation into offences related to the terrorist organisation PKK.

Given their police record it is likely that the money withdrawn in cash was used to finance the Kurdistan Workers' Party PKK mentioned on the European list of terrorist organizations of Council Decision 2009/1004/CFSP of 22 December 2009.

The use of social benefits, sometimes obtained illegitimately (for instance based on fictitious documents) to finance terrorist activities was already explained in the section on typologies of previous annual reports.

##### Case 2: financing a terrorist attack with proceeds of social fraud

<b>Offence</b>	Terrorist financing
<b>Parties involved</b>	Natural person
<b>Sectors involved</b>	Financial institutions
<b>Channels used</b>	Domestic transfers Cash withdrawals Money remittance
<b>Jurisdictions involved</b>	Belgium, Denmark, Finland, Egypt, Netherlands, Russia, Poland
<b>Disclosing entities</b>	Bank
<b>Warning signals</b>	Similarity to a terrorist who detonated a bomb in a hotel toilet in Copenhagen (Denmark)

On 10 September 2010 a Belgian national of Chechen origin was arrested in Denmark after detonating a bomb in a hotel in Copenhagen (Denmark).

Between September 2009 and September 2010 the account of this Belgian national of Chechen origin residing in Belgium was credited with transfers from Federal Public Service

Social Security and family allowance for a total amount of some EUR 13.000 EUR. The money was always withdrawn in cash. He withdrew a substantial amount in cash at the end of August 2009. Presumably the cash withdrawals until August 2010 were entirely or partly used to buy components to manufacture the letter bomb.

After August 2009 more cash withdrawals were carried out (including a last withdrawal at Brussels airport at the end of September 2009), even though he had already been arrested in Denmark (see above). As there were no proxy holders for the account of this Belgian national of Chechen origin it is believed he gave his bank card to a third party after leaving for Denmark who then carried out the last cash withdrawal in Belgium.

In May 2010 he transferred money to the embassy of Tajikistan in Belgium in order to obtain two visas. Tajikistan is one of the countries where Islamic terrorist groups are very active.

When comparing the period when the visa for Tajikistan were purchased and the bombing in September 2010 it is believed that he travelled to Tajikistan for “training” to carry out the attack in Denmark.

In addition this Belgian national of Chechen origin was related to various other people. He and these other people sent money using money remittance of a total amount of some EUR 5 000 to beneficiaries in Egypt, the Netherlands, Russia, Finland and Poland.

**Case 3: Proliferation financing**

<b>Offence</b>	Financing of proliferation-sensitive nuclear activities or the development of nuclear weapon delivery systems
<b>Parties involved</b>	Natural person
<b>Parties involved</b>	Financial institutions
<b>Channels used</b>	International transfers Request to write out cheques
<b>Jurisdictions involved</b>	Belgium, Switzerland
<b>Disclosing entities</b>	Bank
<b>Warning signals</b>	- Money trail - There is no reason to channel the money through Belgium - Transit account - Listed natural person - A cheque was written out shortly after the restrictive measures with respect to this individual were issued.

In June the Belgian account of an Iranian living in Tehran was credited with EUR 4.000.000 from himself in Switzerland. The money is said to originate from accumulated dividends and the sale of shares in a French company in 2003.

Shortly afterwards the request was made to write out an international bank cheque to a company which was part of a group in the weapon, car and shipbuilding industry.

There was no reason to channel the money through Belgium or to write out a bank cheque, this was clearly done to conceal the money and prevent it from being seized. Moreover, the

money could be transferred directly from Switzerland without channelling the money through Belgium and writing out a bank cheque.

The bank froze his assets and other possessions as he was mentioned on the list of persons to which restrictive measures against Iran apply in application of Council Decision of 26 July 2010. The individual was mentioned in part I listing persons involved in nuclear or ballistic missiles activities.

CTIF-CFI did not need to need to block the transaction requested by the customer (writing out a cheque) as the bank itself decided not to carry out the transaction, froze the individual's assets and forwarded the information to the Treasury.

Several of his companies were listed in commercial databases as "potential Weapons of Mass Destruction end user".

## **2. Money laundering techniques**

### **2.1. Money laundering using mortgages**

#### **2.1.1. Description**

In 2009 and 2010 CTIF-CFI received similar disclosures on fraud when mortgages were taken out. The individuals were of Turkish origin or Turkish nationals residing in Belgium and were sometimes known to the police for undeclared labour, fraud, criminal association, social fraud, etc. They took out mortgages using forged documents, sometimes through an intermediary who would get a commission. Usually fake pay slips from companies in the construction or cleaning industry were submitted as proof of regular income in order to obtain the mortgage.

It should be noted that the mortgages were usually repaid on a regular basis by transfer from other personal accounts or in cash. In some cases the mortgage was fully or partly repaid shortly after taking it out. The mortgages were used to launder their criminal proceeds. They have enough money at their disposal but do not have a legitimate explanation.

This money is believed to originate from undeclared labour for other companies in the construction industry or other criminal activities by the borrower or lender. Several of these individuals and their loan intermediaries are known for organised crime (weapons, drugs, handling stolen goods, human trafficking,...). Commissions were also paid to the borrowers.

The money obtained through the mortgage is legitimate, the mortgage itself is repaid with "dirty" money.

Properties acquired through a mortgage and/or renovated using consumer credit are sometimes upgraded using undeclared labour in order to launder additional funds through the excess value when these properties are sold.

The accounts of these lenders were mainly used for cash deposits, rental income, small transfers from other construction companies than those mentioned on the pay slips or unemployment benefits.

The various links to construction and cleaning companies (names on fake pay slips and counterparties of financial transactions) lead to suspect that many borrowers carry out undeclared labour in these industries and receive undeclared salaries.

As the borrowers' actual employers help maintain the construction mentioned above a number of files regarding construction and cleaning companies were analysed from this point of view. The files all involved construction or cleaning companies with Turkish managers or directors. Their accounts were all used for transfers from other companies in similar industries as payment for services provided as well as cash withdrawals. In many cases these companies have social debts and are about to go bankrupt. The managers of these companies may also use these companies as a cover for their own illegal activities.

Further analysis showed this was a highly-organised network setting up a construction where the construction companies employing and paying the undeclared workers, as well as the borrowers who also carried out undeclared labour were third parties to grant mortgages and provide fake pay slips. Organised social and fiscal fraud was detected, yet links to organised crime were also identified.

### **2.1.2. Action by CTIF-CFI**

In 2010 CTIF-CFI reported 46 files to the judicial authorities where the money laundering technique described above was used. It should be noted that for these files various elements of the modus operandi were identified and the entire fraud scheme is only applied in some of the files. The files can therefore be divided into two groups, one where mortgages were taken out, another where companies are involved.

In 36 out of 46 files there were serious indications of laundering the proceeds of serious and organized fiscal fraud setting in motion complex mechanisms or using procedures with an international dimension.

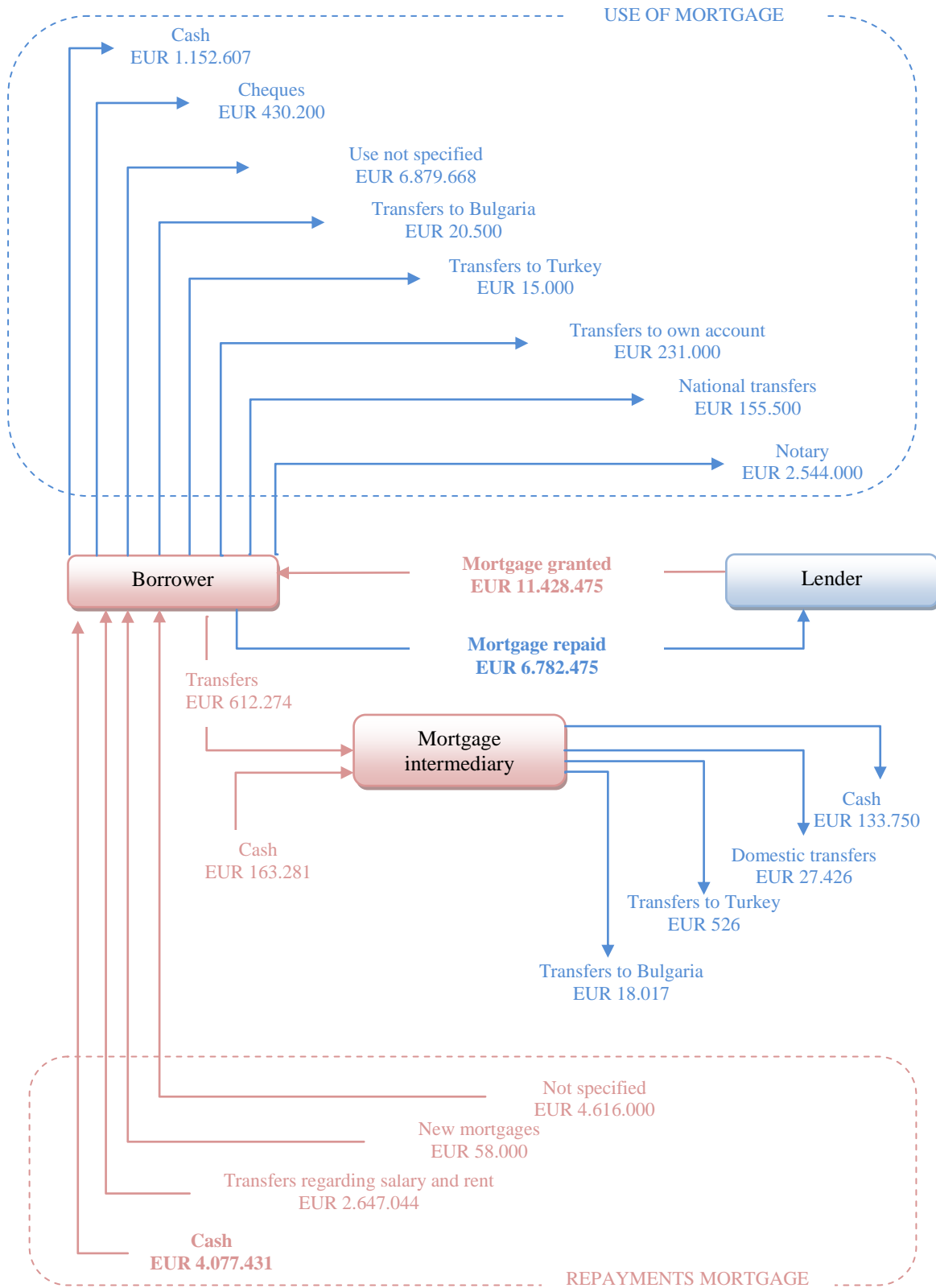
In the remaining files fraud, trafficking in illegal labour, breach of trust, abuse of corporate assets organised crime or fraudulent bankruptcy were identified as predicate offence.

### **2.1.3. Financial flows**

The diagrams below illustrate the financial flows of the 46 files reported to the judicial authorities. As mentioned before the files only contain certain elements of the fraud scheme. We therefore distinguish between the flows related only to mortgages and those related to construction or cleaning companies.

#### ***Borrowers, loan intermediaries and lenders***

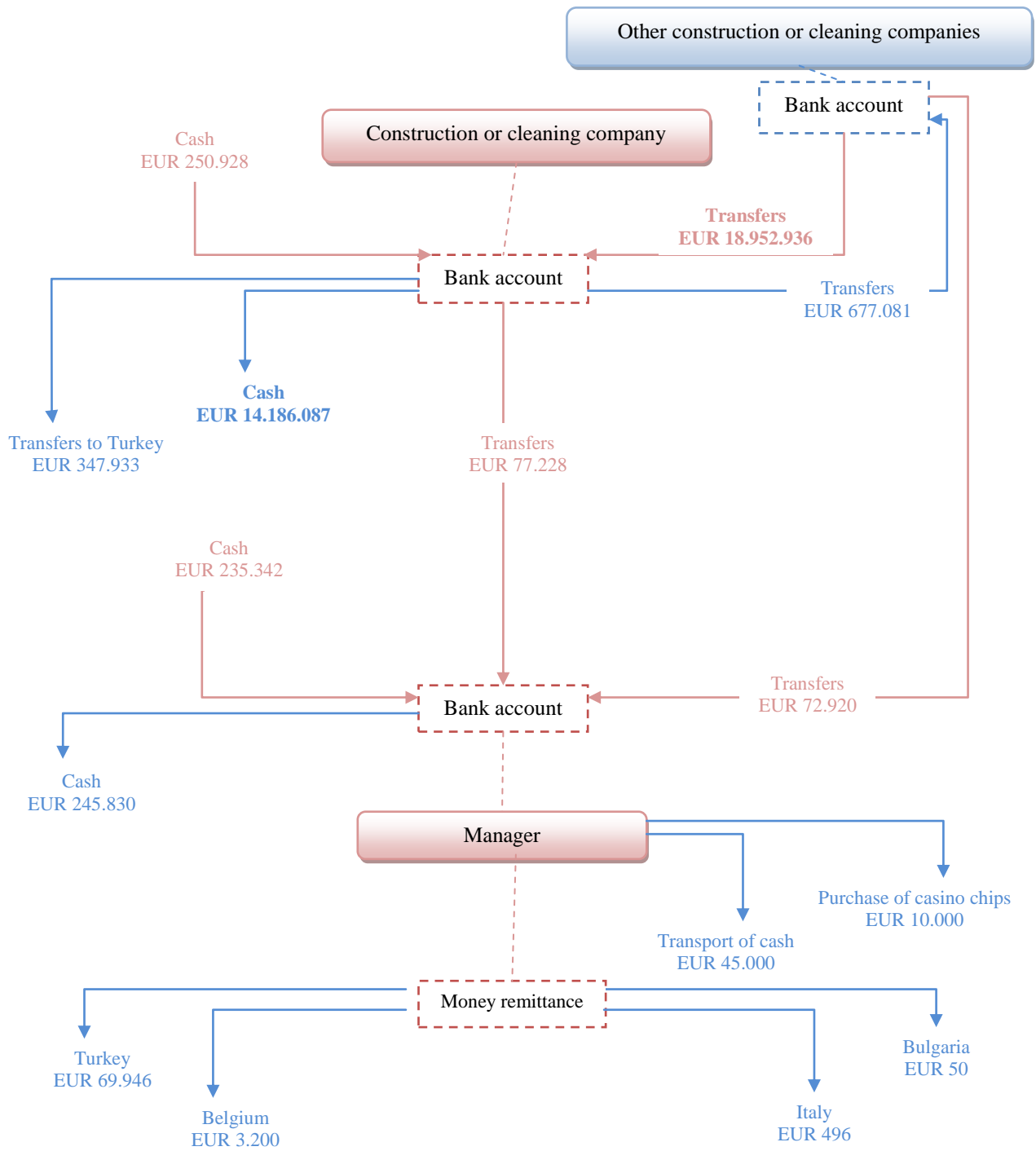
In these files the lenders granted mortgages for a total amount of EUR 11.428.475. Some files did not specify how the mortgage was used or repaid. EUR 1.152.607 of the total amount was immediately withdrawn in cash. Mortgage repayments were made for some EUR 7.000.000, of which EUR 4.000.000 was deposited in cash probably mainly proceeds of illegal and/or criminal activities.



### ***Construction or cleaning companies and managers or directors***

In the files involving construction or cleaning companies a total amount of EUR 18.952.936 was transferred from other construction companies to the companies involved.

These were profits from subcontracted work. As stated in the diagram below most of the money, some EUR 14.000.000, was withdrawn in cash. The money was probably largely used to pay “undeclared” workers. Transfers of smaller amount related to business in the construction industry took place on the managers’ personal accounts. Various cash withdrawals were also carried out.



## **2.2. Industry of valuable metals**

The current value of certain metals such as gold, copper and zinc gives them an economic value enabling criminals to make profit or to be used for money laundering or terrorist financing purposes.

There has been a rise in copper thefts by railways in recent months. Other valuable metals can also be used to carry out money laundering or terrorist financing transactions.

Some years ago temporary measures were taken where companies recycling old metal were required to identify dealers for every cash transactions involving these materials but these measures were suspended for some time. They were recently reintroduced<sup>28</sup>.

An increasing number of jewellers or antique dealers deal in gold. More gold is traded and physical cross-border transportation of currency is ever more justified by the sale of gold.

These dealers are not required to register and are not subject to the preventive legislation for combating money laundering and terrorist financing. They are not required to apply customer due diligence measures, not required to disclose and are not subject to any supervision regarding money laundering or terrorist financing.

If no measures are taken to raise awareness, supervise, and potentially subject them to the preventive legislation these dealers risk being misused for money laundering or terrorist financing purposes.

## **2.3. Electronic money**

In recent years mobile methods of payment were developed such as payment through the Internet or mobile phone. In Belgium two companies are licensed by the CBFA (now FSMA) to issue electronic money. Foreign companies also operate in Belgium with a European passport<sup>29</sup>.

Even though most financial transactions carried out through the new payment systems are apparently legitimate it cannot be excluded that criminals given the possibilities and advantages of this new method use these products for money laundering or terrorist financing purposes. Efficient supervisory and regulatory procedures should be implemented.

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<sup>28</sup> Cf. articles 69, 70 and 71 of the law of 29/12/2010 on various provisions (Belgian Official Gazette of 31/12/2010)

<sup>29</sup> In the European Union the operators providing payment services through the Internet or mobile phone obtain a licence in the country where their registered office is established. The licence obtained in one country of the Union is valid in all countries of the European Union (European passport).

The identified risks are:

- No face-to-face contact;
- Remote access (from anywhere in the world);
- Easy to use third parties (when registering or commencing the relationship);
- The transactions are carried out quickly;
- Human involvement is limited;
- The transactions are split as operators limit the amount per transaction or per year;
- Investigation is more complex as the sender of the money is located in a different country than the beneficiary.

In case of payment through the Internet or mobile phone it may be that neither the sender nor the beneficiary of the money is located in a country where the operator is required to disclose suspicious transactions.

International cooperation between FIUs is of great importance here, as demonstrated in the case below.

### Case 1: Money laundering and the use of the Internet

<b>Offence</b>	Money laundering Fraud Illicit trafficking in goods and merchandise (counterfeit goods)
<b>Parties involved</b>	Natural person
<b>Sectors involved</b>	Financial institutions Electronic payment service provider Foreign exchange offices
<b>Channels used</b>	Domestic and international transfers Cash deposits Repayment of a loan Cash withdrawals Money remittance
<b>Jurisdictions involved</b>	Belgium, Luxembourg, China
<b>Disclosing entities</b>	- Request for assistance from a foreign FIU (following a disclosure from an electronic payment service provider with respect to a Belgian national residing in Belgium) - Bank - Foreign exchange office
<b>Warning signals</b>	- Cash deposits - Cash withdrawals - Personal account is used for commercial purposes - Complaints from swindled customers - Different IP addresses are used in various countries to log in to the online payment system

The account of a Belgian national living in Belgium was credited with transfers from various private individuals with reference to sports goods. The Belgian national's account was also credited with cash deposits and a monthly payment of unemployment benefits. The money was largely withdrawn in cash and used to repay a private loan.

He also sold sports goods on an online shopping site and received the proceeds of this sale through this electronic payment service provider. This money was not transferred to Belgium but was used to pay other purchases on the Internet.

He also carried out three money transfers to China, a country known to be a major manufacturer of counterfeit goods.

The online shopping website got various complaints regarding articles that were not delivered or the delivery of counterfeit goods. He sold so-called branded products below market price. He also logged in using different IP addresses (in various phone shops for example) also indicating that this was a fraudulent activity.

## **2.4. Fraudulent use of “Limited Companies”**

At the end of December 2010 CTIF-CFI reported several files to the judicial authorities where a Belgian company led by a Dutch and Italian national set up “shell companies” in Belgium. On its website the company offered its services to anonymously set up “shell” companies for the price of EUR 1.450 (normal procedure) to EUR 2.450 (urgent procedure). Everything was handled anonymously thanks to two British Ltd companies and front men. The suggestion was to use a European limited partnership, which does not exist at national or European level. In Belgium the only forms are a limited partnership or a limited partnership with share capital. The organisers claimed that by using a European limited partnership it was possible to limit the procedures and registration fees for establishing a company. In reality the companies were Belgian limited partnerships established by Ltd. The Belgian company handled all registration procedures, such as applying for a corporate registration number. With the urgent procedure it only took two hours to establish a company. The limited companies had little starting capital (EUR 100 in cash per working partner and EUR 900 in cash per dormant partner). The features of these companies were those of front companies.

In its annual report 2009 (pages 37-38) CTIF-CFI already pointed to the misuse of limited companies established in the United Kingdom for self-employed entrepreneurs in order to circumvent certain legal requirements such as the statutory minimum capital. Branch offices are then set up in Belgium from where the companies are actually run. Taxes, VAT and social laws are evaded by using limited companies that are merely post boxes. This also creates unfair competition. (See the Action Plan 2008 – 2009 of the *College voor de strijd tegen de fiscale en sociale fraude / Collège pour la lutte contre la fraude fiscale et sociale* [Board for combating tax fraud and social fraud]).

In this case the European limited partnership was used (in reality this was a limited partnership with two limited companies). It was claimed that the company founders and managers did not bear any responsibility as founders or managers in case of bankruptcy. This type of company was also suggested to people that had been declared bankrupt and could not start up a new business. It was also stated that arrangements for responsibility in case of a breach or bankruptcy were more flexible in the United Kingdom than in Belgium.

The companies can be used to commit social fraud, offences related to the state of bankruptcy or the abuse of corporate assets. In its 2009 annual report CTIF-CFI already mentioned that shady accountancy firms establish companies (shell companies and dormant companies with fictitious capital, assets that does not exist or fictitious partners) that are subsequently used to commit fraud (cf. CTIF-CFI’s annual report 2009 – pages 37-38).

This type of company can also be used as an intermediary to launder the proceeds of fiscal fraud prejudicing a neighbouring country through the financial system of another member state.

## V. OTHER ACTIVITIES

### 1. New legal provisions

As mentioned in CTIF-CFI's 16th annual report the Law of 11 January 1993 on preventing use of the financial system for purposes of money laundering and terrorist financing was extensively amended by the Law of 18 January 2010.

The new legal provisions came into force on 5 February 2010. The guidelines that CTIF-CFI developed for all companies, individuals and professions subject to the Law of 11 January 1993 mentioned in the information note of 3 November 2005 on disclosing information to CTIF-CFI were repealed and replaced by the information note of 8 March 2010. The information note of 8 March 2010 is available in Dutch and French on CTIF-CFI's website ([www.ctif-cfi.be](http://www.ctif-cfi.be)) in the section Reporting entities, information notes.

In application of Article 22 of the law and in order to raise awareness of disclosing entities CTIF-CFI also asked the supervisory or regulatory authorities or the competent regulatory authorities to make the companies, individuals and professions under their supervision aware of the numerous new requirements mentioned in the Law of 11 January 1993 as well as of the new information notes. CTIF-CFI also provided guidance in its detailed overview of 26 January 2010 of the main amendments to the preventive AML system<sup>30</sup> by the Law of 18 January 2010.

The legislator also broadened the responsibilities of the competent supervisory or regulatory authorities or the competent regulatory authorities for combating money laundering and terrorist financing. The new Article 38 of the Law of 11 January 1993 stipulates that the supervisory authorities referred to in Article 39 shall determine in a regulation the application modalities of the obligations stipulated in Chapter II.

In accordance with this article the CBFA (now FMSA) adopted its regulation on the prevention of money laundering and terrorist financing<sup>31</sup> as well as the circular letter of 6 April 2010 on customer due diligence and prevention of the use of the financial system for money laundering and terrorist financing and proliferation financing of weapons of mass destruction.

Last year CTIF-CFI provided advice and assistance to the supervisory or regulatory authorities or the competent regulatory authorities of non-financial professions subject to the Law of 11 January 1993 in order to develop regulations suited to the needs of the profession and based on the CBFA regulation.

Several meetings were held with representatives of Federal Public Service Interior (supervisory authority for security companies), Federal Public Service Economy (supervisory authority for i.a. real estate agents), the National Chamber of Notaries (*Nationale Kamer van Notarissen / Chambre Nationale des Notaires*), Institute of Company Auditors (*Instituut van de Bedrijfsrevisoren / Institut des Réviseurs d'Entreprises*), Institute of Accountants and tax advisors (*Instituut van de Accountants en de Belastingconsulenten / Institut des Experts-comptables et des Conseils fiscaux*), the Professional institute of licensed accountants and licensed tax specialist-accountants, Institute of Accounting professionals and Tax Experts and

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<sup>30</sup> Cf. [glossary](#).

<sup>31</sup> This regulation was approved by the Royal Decree of 16 March 2010.

the Association of the French-speaking and German-speaking Bars (*Ordre des Barreaux francophones et germanophone*).

## **2. Financial Action Task Force (FATF)**

### *Mutual evaluations and review of the 40+9 Recommendations*

Moving towards the end of its 3rd Round of Mutual Evaluations, the FATF is currently conducting a review of the 40+9 Recommendations to ensure that they remain up-to-date and relevant and to benefit from lessons learnt from implementing and evaluating the current standards.

This review is a focused and balanced exercise, aiming at maintaining the necessary stability in the standards while addressing any deficiencies or loopholes in the current FATF standards. It will look, in particular, to place more emphasis on effective implementation of the FATF standards by countries.

In October 2009, the FATF Plenary agreed on the list of issues to be considered under the preparation for the 4th Round of Mutual Evaluations, and the work on that set of issues has been structured over two years.

Based on that work certain preliminary conclusions have been reached and the FATF has consulted the private sector on proposals regarding the following topics: the Risk-Based Approach and certain related Recommendations, Recommendation 1 (tax crimes as a designated category of predicate offence for money laundering), Recommendation 5 (Customer Due Diligence), Recommendation 6 (politically exposed persons), and Recommendation 9 (third party reliance). Work on Recommendations 33/34 regarding the direct accessibility on the beneficial ownership information of companies and of trusts is continuing. Further work has also been done on Special Recommendation VII and the issue of possible changes to this recommendation on wire transfers, and the FATF is also consulting on that issue.

More information on the initial proposals emerging from this work can be found in the “FATF Consultation Paper, The Review of the Standards – Preparation for the 4th Round of Mutual Evaluations (October 2010)”<sup>32</sup>.

In addition to the issues presented above, the FATF is also reviewing Recommendations related to international cooperation, with a view to reinforcing requirements for countries on mutual legal assistance, extradition (Recommendations 36-39) and cooperation/exchange of information between competent authorities (Recommendation 40) and clarifying that these requirements equally apply for ML and TF situations. The key proposals are: (a) to clarify the respective obligations for the requesting and requested countries to have and use clear and efficient processes to facilitate the execution of mutual legal assistance and extradition requests in a timely manner; (b) to strengthen requirements for countries to have arrangements for sharing confiscated assets; (c) to require countries to be able to assist with requests based on foreign non conviction based confiscation orders in certain circumstances (such as death,

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<sup>32</sup> <http://www.fatf-gafi.org/dataoecd/3/30/46266717.pdf>

flight, or absence of the perpetrator); (d) to require countries to render mutual legal assistance notwithstanding the absence of dual criminality when assistance does not involve coercive actions determined by countries.

The FATF is considering revising Recommendation 27 (law enforcement authorities) and Recommendation 28 (powers of law enforcement authorities), with a view to ensuring that appropriate AML/CFT enforcement and prosecution powers and mechanisms exist, with the necessary tools to effectively carry out their functions. The objective is to make these two Recommendations more effective.

The key proposals for Recommendation 27 are that: (a) there should be designated law enforcement authorities responsible for ML/TF investigations within the framework of a national AML/CFT strategy; (b) for major proceeds generating offences (at a minimum), law enforcement authorities should pursue proactive financial investigations in parallel to the investigation of the offence, and should be able to make use of specialised multi-disciplinary groups for the purpose; (c) competent authorities should be responsible for ensuring prompt action to identify criminal assets and to initiate action to seize and freeze such property.

As regards Recommendation 28, the key proposals are that: (a) competent authorities are able to use a wide range of investigative techniques for ML/TF investigations, which at a minimum should include undercover operations, intercepting communications, accessing computer systems and controlled delivery; (b) countries should have effective mechanisms in place to identify in a timely manner whether persons hold or control accounts; (c) competent authorities should have a lawful process to identify assets without prior notification of the owner; and (d) competent authorities conducting ML/TF and other investigations should be able to request relevant information held by the FIU.

In addition, the FATF is reconsidering Recommendation 40 – international cooperation/exchange of information between competent authorities – with a view to ensuring full, effective and timely co-operation in practice. This latter work is still at a preliminary stage.

Further issues will be considered in the year ahead, including the structure of the Standards; the distinction between law, regulation and other enforceable means; adequate or inadequate implementation by countries of the FATF Recommendations; intra-group cross-border exchange of information; and the potential impact of data protection and privacy laws on AML/CFT.

The FATF expects to conclude and to adopt the revision of the Recommendations in February 2012 in order to be ready as from 2013 onwards for the start of the 4rd Round of Mutual evaluations.

Assessing the implementation of FATF recommendations greatly contributes to enhancing the systems for the prevention on money laundering and terrorist financing.

A member of CTIF-CFI took part in the evaluation of the Central African Republic and Guernsey.

### ***New studies on typologies***

The FATF is currently conducting, co-chaired by a member of CTIF-CFI, various projects on typologies. In accordance with its experience CTIF-CFI contributed to studies on:

- money laundering and human trafficking
- money laundering and maritime piracy

In 2010 various studies were finalized and published on:

- Money Laundering vulnerabilities of Free Trade Zones (March 2010)
- Combating Proliferation Financing: A Status Report On Policy Development And Consultation (April 2010)
- Money Laundering Using Trust and Company Service Providers (October 2010)
- Report on New Payment Methods (October 2010)

### ***New documents published by the FATF***

In 2010 the FATF published various documents to make all those involved in combating money laundering and terrorist financing implement the international FATF standards.

- FATF Best Practices: Detecting and Preventing the Illicit Cross-Border Transportation of Cash and Bearer Negotiable Instruments (February 2010)
- Guidance for countries and territories introducing a programme for tax amnesty or asset repatriation (April 2010)
- Global Money Laundering and Terrorist Financing Threat Assessments (June 2010)

### ***Public statements and countermeasures with respect to Iran and Democratic People's Republic of Korea***

In 2010 the FATF also issued various public statements calling on its members to advise their financial institutions to give special attention to transactions with certain countries / territories.

In these public statements the FATF identified countries that pose a risk to the international financial system due to the lack of a comprehensive AML/CFT regime.

Taking into account the FATF's public statements, and the ML/TF risks emanating from these jurisdictions, the persons and individuals subject to the Law of 11 January 1993 must apply enhanced customer due diligence measures for occasional transactions they carry out, or when entering into or maintaining a business relationship with, their customers when persons domiciled or established in Iran or in the Democratic People's Republic of Korea (DPRK) or with any other links to these countries are involved in a transaction or a business relationship in whatever capacity (as a customer, proxy holder or beneficial owner).

The CBFA (now FMSA) also took countermeasures with respect to Iran to protect the financial sector against the ML/TF risks emanating from Iran. We refer to the Statement CBFA\_2010\_18 of 25 August 2010 with the necessary countermeasures against Iran<sup>33</sup>.

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<sup>33</sup> Available in French at [http://www.cbfa.be/fr/ki/circ/pdf/cbfa\\_2010\\_18.pdf](http://www.cbfa.be/fr/ki/circ/pdf/cbfa_2010_18.pdf) or Dutch at [http://www.cbfa.be/nl/ki/circ/pdf/cbfa\\_2010\\_18.pdf](http://www.cbfa.be/nl/ki/circ/pdf/cbfa_2010_18.pdf).

### 3. UN resolutions and EU sanctions

As the nuclear programme and the programme for ballistic missiles are sources of concern because there is no progress in Iran's cooperation the United Nations Security Council adopted a fourth set of sanctions in 2010. On 9 June 2010 the United Nations Security Council adopted United Nations 1929 (2010) extending the restrictive measures imposed by Resolutions 1737 (2006), 1747 (2007) and 1803 (2008) and imposing additional restrictive measures against Iran.

Europe did not fail to take the necessary measures to support the UN process and these go beyond the FATF requirements. Following the adoption of United Nations Security Council Resolution 1929 (2010) Council Regulation (EC) No 423/2007 of 19 April 2007 concerning restrictive measures against Iran was repealed and replaced by Council Regulation (EU) No 961/2010 of 25 October 2010 on restrictive measures against Iran and repealing Regulation (EC) No 423/2007.

This is the most extensive set of EU sanctions. All parties and authorities involved are required to assist in the implementation of these measures. The restrictive measures of Council Regulation (EU) No 961/2010 comprise, in particular, additional restrictions on trade in dual-use goods and technology, as well as equipment which might be used for internal repression, restrictions on trade in key equipment and technology for, and restrictions on investment in the Iranian oil and gas industry, restrictions on Iranian investment in the uranium mining and nuclear industry, restrictions on transfers of funds to and from Iran, restrictions concerning the Iranian banking sector, restrictions on Iran's access to the insurance and bonds markets of the Union and restrictions on providing certain services to Iranian ships and cargo aircraft.

For a complete overview of the restrictions and prohibitions with respect to Iran applicable to credit institutions and financial institutions mentioned in to in Article 2, § 1 of the Law of 11 January 1993 we refer to the overview of restrictive measures of the European Union with respect to Iran and Belgian authorities that are to implement these measures<sup>34</sup>.

As to the obligations of the credit and financial institutions referred to in Article 2, § 1, of the Law of 11 January 1993 with respect to CTIF-CFI they must, in accordance with Article 23 of Council Regulation (EU) No 961/2010 if they suspect or have reasonable grounds to suspect that funds are related to proliferation financing in their relationships with credit and financial institutions domiciled in Iran, including the Central Bank of Iran, or branches or subsidiaries of credit and financial institutions domiciled in Iran or credit and financial institutions that are not domiciled in Iran but are controlled by persons and entities domiciled in Iran promptly report their suspicions to CTIF-CFI.

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<sup>34</sup>[http://diplomatie.belgium.be/en/policy/policy\\_areas/peace\\_and\\_security/sanctions/eu\\_sanctions/sanctions\\_iran/overzicht/](http://diplomatie.belgium.be/en/policy/policy_areas/peace_and_security/sanctions/eu_sanctions/sanctions_iran/overzicht/)

#### **4. Egmont Group**

The Egmont Group is aimed at developing an international network of FIUs and enhance information exchange and communication between FIUs.

During the eighteenth plenary meeting of the Egmont Group that took place in Cartagena Colombia (27 June – 1 July 2010) the FIUs of Afghanistan, Cameroon, Côte-d'Ivoire and Uruguay were accepted as new members<sup>35</sup>. Mr. Boudewijn VERHELST, Deputy Director of the CTIF-CFI was elected Chair of the Egmont Group on 29 June 2010 for the duration of one year.

The Egmont working groups and the Egmont Committee met from 11 to 14 October 2010 in Chisinau, Moldova. One hundred and fifty participants representing 62 Egmont countries, 3 observer FIUs and 7 international organisations attended the meetings.

In November 2010 the South African FIU organised a two-day joint Egmont and FATF typologies meeting. Over two hundred participants from 48 countries and 14 international organisations took part in this event. There were representatives from law enforcement, FIUs, supervisory authorities and policy makers.

They discussed topics such as national and international co-operation in information exchange, the impact of the financial crisis, maritime piracy and human trafficking.

An Egmont workshop “African FIUs Moving Forward” was also organised to provide outreach and technical assistance. Presentations were held on challenges of setting up an FIU in Africa as well as identifying operational good practices.

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<sup>35</sup> The list of all 120 members of the Egmont Group is available on the Egmont Group’s website <http://www.egmontgroup.org/>.

## 5. International cooperation

### 5.1. Operational cooperation

CTIF-CFI requests information from foreign FIUs when a disclosure points to links with another country, either through the individuals involved or the transactions.

In 2010 CTIF-CFI also regularly sent requests abroad and also received numerous from foreign FIUs. The statistics on international cooperation are listed below.

The operational cooperation with foreign FIUs is usually based on written agreements between different FIUs (MOU or Memorandum of Understanding). In 2010 seven new MOUs were signed (Algeria, Benin, Mali, Morocco, San Marino, Sri Lanka and Togo). Sometimes requests for information are sent to FIUs with which no MOU has been signed when this is useful for operational purposes and when the exchanged information is protected by strict confidentiality. It should be stressed though that information is always exchanged in a secure way. The exchanged information may never be used without prior consent of the FIU providing the information and permission may only be granted on the basis of reciprocity.

The figures below on the number of requests received from and sent to foreign FIUs not only refer to normal requests but also to spontaneous requests for information exchange. Spontaneous information exchange takes place when CTIF-CFI informs the foreign FIUs that a file was reported and links were identified with the country of this foreign FIU even if CTIF-CFI did not query the FIU beforehand. Conversely CTIF-CFI received information from foreign FIUs on individuals with an address in Belgium who fell prey to fraud in the country of that FIU or warnings<sup>36</sup> for particular fraud schemes. CTIF-CFI also considers this exchange of information as spontaneous information exchange.

#### ***Breakdown of the requests of information received from foreign FIUs in 2008, 2009 and 2010***

	MOU <sup>(1)</sup>	2008	2009	2010
Luxembourg	22/04/99	99	101	113
France	01/02/94	78	84	53
Netherlands	29/06/95	51	43	40
Jersey	14/07/00	2	7	19
United Kingdom	24/05/96	9	7	16
Guernsey	27/09/00	3	9	15
Spain	16/12/96	23	6	13
United States	08/07/94	3	4	9
Switzerland	16/07/99	2	6	7
Finland	29/10/98	2	16	6
Croatia	25/01/99	1	3	5
Italy	15/05/98	0	5	5
Singapore	07/09/01	1	1	5
Slovakia	06/06/00	3	5	5
Albania		1	3	4

<sup>36</sup> Warnings or information on money laundering techniques are published on CTIF-CFI's website or its annual report. In 2010 CTIF-CFI posted warnings on its website regarding Nigerian scams, fraud involving CO2 emission rights and Brazilian illegal workers.

Australia	23/06/97	1	0	4
Bulgaria	02/03/99	6	7	4
Cyprus	09/10/98	2	3	4
Ireland	17/10/00	3	9	3
Israel	28/06/02	1	4	3
Monaco	20/10/00	4	4	3
Serbia	20/02/04	2	3	3
Anguilla		1	0	2
Bahamas	30/11/01	0	1	2
Cameroon				2
Germany	19/12/00	3	4	2
Greece	08/10/99	1	0	2
Hong Kong		0	2	2
Norway	07/06/95	0	0	2
Poland	20/03/02	2	2	2
Russia	12/12/02	4	4	2
Ukraine	19/09/03	3	3	2
Austria	17/10/00	0	0	1
Bahrain				1
Belarus				1
British Virgin Islands				1
Czech Republic	17/11/97	1	3	1
Denmark	30/03/98	1	4	1
Estonia	20/11/00	0	1	1
Gibraltar	17/10/00	0	1	1
Hungary	18/01/00	3	1	1
India		1	0	1
Isle of Man		2	5	1
Latvia	27/07/99	2	1	1
Lebanon	10/09/02	2	0	1
Mauritius				1
Montenegro		0	0	1
Netherlands Antilles	07/06/02	1	3	1
Philippines		0	0	1
San Marino	06/04/10			1
Slovenia	23/06/97	0	0	1
South Africa	29/07/03	0	1	1
Turkey	16/05/03	0	4	1
Venezuela	29/07/03	1	3	1
Algeria	27/04/10	0	1	0
Armenia		2	0	0
Bosnia Herzegovina		1	2	0
Brazil	23/07/99	1	0	0
Canada	02/01/03	1	0	0
Costa Rica		0	2	0
Dominican Republic		0	0	0
Egypt		1	0	0
Georgia	08/08/05	1	0	0
Guatemala	03/02/03	1	0	0
Iceland		1	0	0
Japan	27/06/03	1	0	0
Kazakhstan		0	1	0
Liechtenstein	15/03/02	1	3	0
Lithuania	18/10/99	0	0	0

Macedonia	21/10/08	2	1	0
Malta	23/01/03	0	1	0
Mexico	27/01/00	1	0	0
Moldova	07/12/07	0	1	0
Nigeria		2	2	0
Peru	07/10/05	1	0	0
Portugal	05/03/99	2	2	0
Qatar		4	0	0
Romania	27/11/00	4	9	0
Saint Vincent and the Grenadines		1	0	0
Senegal	21/11/05	1	0	0
Sri Lanka		0	2	0
Sweden	22/03/96	1	0	0
Taiwan		3	1	0
Thailand	24/04/02	0	1	0
<b>TOTAL</b>		<b>358</b>	<b>402</b>	<b>381</b>

<sup>(1)</sup> As a rule CTIF-CFI cooperates with FIU counterparts on the basis of an MOU, but if necessary it can also exchange information on a case by case basis.

*Breakdown of the requests of information sent to foreign FIUs in 2008, 2009 and 2010*

	<b>2008</b>	<b>2009</b>	<b>2010</b>
Netherlands	930	857	725
France	557	657	526
Germany	150	188	214
Luxembourg	188	194	187
Spain	86	158	116
Italy	116	115	96
United Kingdom	127	92	86
Switzerland	42	41	34
United States	34	78	33
Romania	28	19	30
Russia	47	41	29
Bulgaria	22	28	23
Turkey	24	23	23
Poland	10	9	22
Hong Kong	10	13	20
Cyprus	17	10	17
British Virgin Islands	18	15	15
Greece	11	7	15
Israel	15	27	15
Netherlands Antilles	6	13	14
United Arab Emirates	7	4	13
Canada	14	11	12
Egypt	3	5	12
Monaco	12	12	12
China	0	4	11
Ireland	18	0	10
Finland	6	3	7
Jersey	6	4	7
Serbia	0	0	7
Sweden	7	8	7
Ukraine	11	7	7
Austria	8	7	6
Brazil	13	15	6
Liechtenstein	5	5	6
Portugal	19	16	6
South Africa	8	4	6
Czech Republic	11	6	5
Gibraltar	5	5	4
Hungary	2	5	4
Lebanon	5	6	4
Lithuania	5	6	4
Malta	0	2	4
Norway	3	4	4
Slovakia	5	0	4
Albania	2	5	3

Bahamas	4	4	3
Croatia	2	3	3
Taiwan	6	2	3
Armenia	0	0	2
Denmark	6	7	2
Guernsey	5	2	2
India	0	1	2
Isle of Man	5	5	2
Japan	0	3	2
Latvia	7	1	2
Panama	10	8	2
Thailand	5	2	2
Australia	5	9	1
Belarus	0	1	1
Belize	3	1	1
Cayman Islands	2	0	1
Colombia	2	2	1
Costa Rica	0	1	1
Estonia	3	3	1
Iceland	0	0	1
Indonesia	1	0	1
Macao	0	0	1
Macedonia	1	2	1
Mexico	2	1	1
Moldova	6	1	1
Montenegro	0	5	1
Philippines	1	0	1
Saint Vincent and the Grenadines	1	1	1
Singapore	5	2	1
Slovenia	3	4	1
Venezuela	2	1	1
Andorra	3	0	0
Anguilla	1	1	0
Argentina	2	0	0
Aruba	2	0	0
Bahrain	1	0	0
Guatemala	1	0	0
Honduras	1	0	0
Mauritius	6	3	0
New Zealand	1	1	0
Nigeria	0	1	0
Senegal	1	1	0
South Korea	1	0	0
<b>Total</b>	<b>2.720</b>	<b>2.808</b>	<b>2.457</b>

### ***Quality of international cooperation***

One of the Egmont Group working groups to which CTIF-CFI contributes is carrying out a project aimed at improving information exchange and international cooperation between Egmont members.

CTIF-CFI's contribution to this project showed that 80 % of CTIF-CFI's requests sent to foreign FIUs are answered within one month. Barring some exceptions CTIF-CFI generally received a satisfactory response from the foreign FIUs. In case CTIF-CFI's questions were not answered or inadequately answered the question was submitted to the FIU once again.

In case of issues regarding international cooperation with other FIUs this was due to the foreign FIU's refusal to grant permission to use the information. CTIF-CFI believes that a refusal without stating a reason or refusal for the sake of expediency is to be avoided.

It should also be noted that international cooperation should not be hampered by unreasonable requests to already include the predicate offence in the request as such indication then becomes a condition for answering requests. Especially in files with a possible fiscal impact cooperation is refused due to this reason. This conflicts with the Principles of Information Exchange between FIUs, which should be as free as possible without excessive or unjust restrictive measures.

CTIF-CFI's statistics show that some 85% of the requests that CTIF-CFI received from foreign FIUs were answered within one month. In 2010 information from 78 requests received from abroad (as a separate file or as additional information in an existing file) was reported to the judicial authorities. This information originated from 24 FIUs.

## **5.2. International cooperation regarding trends**

### ***Chinese criminal networks***

In recent years CTIF-CFI received a substantial number of disclosures involving Chinese nationals or people of Chinese origin. Given the need to efficiently deal with the large and constant number of disclosures it was decided to conduct strategic analysis<sup>37</sup> on this issue. CTIF-CFI decided to coordinate a project on Chinese criminal networks within the *College voor de strijd tegen de fiscale en sociale fraude / Collège pour la lutte contre la fraude fiscale et sociale* [Board for combating tax fraud and social fraud] of State Secretary Carl Devlies and met with various partners in this working group.

Due to the large number of open files on individuals that can be related to China and the international scope of their actions CTIF-CFI decided to discuss this with Egmont members. On 30 November and 1 December 2010 some delegates of the FIUs of the Netherlands, Spain, France, Italy and Luxembourg came to CTIF-CFI to discuss the issue of Chinese criminal networks.

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<sup>37</sup> Cf. [glossary](#).

### **5.3. Technical assistance**

CTIF-CFI also organised training sessions in Belgium and abroad for magistrates, representatives of financial and non-financial professionals and representatives from foreign FIUs.

CTIF-CFI provided assistance for training and welcomed nine delegations in 2010 from Democratic Republic of the Congo, Greece, Morocco, Netherlands, Niger, Serbia, Togo and Zambia.

### **6. Magistrates' training**

CTIF-CFI also participated in training sessions of magistrates of the Belgium's Public Prosecutor's Offices. It welcomed various judicial trainees as part of their external training.

## GLOSSARY

This glossary contains the various terms used in the annual report 2010.

**Additional disclosure:** new disclosure to CTIF-CFI by the same or a different disclosing entity on suspicious financial transactions carried out by or suspicious activity related to the same or a different individual known to CTIF-CFI and that can be related to transactions or activity previously disclosed to CTIF-CFI.

**Closed file:** file that CTIF-CFI decides to close for lack of serious indications of money laundering or terrorist financing as referred to in the law.

**Date/romance scam (emotional fraud):** type of fraud where ads are placed on dating sites or forums using Internet pictures of handsome men and women. Shortly afterwards the customers are then repeatedly asked to pay or the “Internet date” suddenly needs money.

**Disclosing entity:** institution or person subject to the AML CFT law<sup>38</sup>.

**Disclosure:** information on one or more suspicious transactions or facts carried out by one or more individuals or related to one or more individuals that can be related and disclosed to CTIF-CFI at a certain moment.

**File:** compilation of all disclosures from one or more disclosing entities that can be related. This refers to suspicious transactions or facts, not necessarily to money laundering or terrorist financing.

**Financial flows:** general analysis of suspicious financial flows in the reported files in order to identify the geographical origin and destination of the money according to the predicate offences potentially related to the suspicious flows.

**Financial institution (or financial profession):** any person or entity who conducts as a business one or more of the following activities or operations for or on behalf of a customer<sup>39</sup>:

1. Acceptance of deposits and other repayable funds from the public.
2. Lending
3. Financial leasing
4. The transfer of money or value
5. Issuing and managing means of payment (e.g. credit and debit cards, cheques, traveller’s cheques, money orders and bankers’ drafts, electronic money).
6. Financial guarantees and commitments
7. Trading in:
  - (a) money market instruments (cheques, bills, CDs, derivatives etc.);
  - (b) foreign exchange;

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<sup>38</sup> Cf. art. 2, art. 3 and art. 4 of the Law of 11 January 1993 – [www.ctif-cfi.be](http://www.ctif-cfi.be) – Legal provisions – Belgian legislation

<sup>39</sup> Cf. Glossary FATF 40 Recommendations – [www.fatf-gafi.org](http://www.fatf-gafi.org)

- (c) exchange, interest rate and index instruments;
  - (d) transferable securities;
  - (e) commodity futures trading
8. Participation in securities issues and the provision of financial services related to such issues
  9. Individual and collective portfolio management
  10. Safekeeping and administration of cash or liquid securities on behalf of other persons
  11. Otherwise investing, administering or managing funds or money on behalf of other persons
  12. Underwriting and placement of life insurance and other investment related insurance
  13. Money and currency changing

**FIU:** Administrative, judicial, policy or hybrid authority responsible for receiving, analyzing and disseminating disclosures from institutions and persons subject to the AML/CFT law<sup>40</sup>.

**Foreign FIU:** foreign financial intelligence unit exercising functions similar to CTIF-CFI's and subject to equivalent obligations with regard to professional secrecy.

**Freezing order:** decision to oppose execution of any transaction for a maximum of two working days starting from the time of notification should CTIF-CFI deem such action necessary due to the seriousness or urgency of the matter<sup>41</sup>.

**Integration:** all methods of investing legal funds of criminal origin, mostly placed and layered beforehand, in the legal and economic circuits.

**Layering:** succession of financial transactions with the aim of erasing any connection between the placed capital and its criminal origin as quickly as possible.

**Missing trader:** front company used for VAT carousel fraud to illegitimately claim back or not pay VAT for intra-Community transactions.

**Money laundering stage:** various forms of money laundering that are generally divided into stages: placement, layering and integration.

**Money mules:** local intermediaries who receive proceeds of crime (phishing, fraud) on their personal bank accounts, withdraw the money in cash, get a commission and then send the remaining money to a beneficiary using money remittance.

**Money remittance:** service where an intermediary transfers money that was deposited in cash through international systems for payments by order of his client to a beneficiary designated by this client. In Belgium these services are usually provided by exchange offices, even though this has now been extended to other sectors.

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<sup>40</sup> Cf. art. 22 of the Law of 11 January 1993 – [www.ctif-cfi.be](http://www.ctif-cfi.be) – Legal provisions – Belgian legislation

<sup>41</sup> Cf. Law of 11 January 1993, art. 23, § 2 – [www.ctif-cfi.be](http://www.ctif-cfi.be), Legal provisions - Belgian legislation

**Network:** simultaneous reporting of various files to the judicial authorities as the transactions involved have the same characteristics and indicate that they are probably carried out by order of a criminal organisation or a criminal network.

**Nigerian scam (419 fraud), advance fee scam, mass marketing fraud:** types of fraud where potential victims get a very profitable offer involving a contract, lottery winnings or an inheritance. When the victims respond personal information is requested and additional documents are sent to make the offer more credible. Shortly afterwards the victims are asked to pay an advance in order to collect the entire amount. Requests to pay money continue to be made until the victims get suspicious and stop paying.

**Non-financial professions** refer to the following professions<sup>42</sup>:

- a) Casinos (which also includes internet casinos).
- b) Real estate agents.
- c) Dealers in precious metals.
- d) Dealers in precious stones.
- e) Lawyers, notaries, other independent legal professionals and accountants – this refers to sole practitioners, partners or employed professionals within professional firms. It is not meant to refer to ‘internal’ professionals that are employees of other types of businesses, nor to professionals working for government agencies, who may already be subject to measures that would combat money laundering.
- f) Trust and Company Service Providers refers to all persons or businesses that are not covered elsewhere under these Recommendations, and which as a business, provide any of the following services to third parties:
  - acting as a formation agent of legal persons;
  - acting as (or arranging for another person to act as) a director or secretary of a company, a partner of a partnership, or a similar position in relation to other legal persons;
  - providing a registered office; business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement;
  - acting as (or arranging for another person to act as) a trustee of an express trust;
  - acting as (or arranging for another person to act as) a nominee shareholder for another person.

**Open file:** file still being analysed where serious money laundering or terrorist financing indications have not yet been identified.

**Phishing:** form of Internet fraud where confidential information (usually bank information) from potential victims is obtained when they log in to a fake website of a reliable company such as a bank. The victims are often led to this fake website by e-mail.

**Placement:** all the ways through which funds that are direct proceeds of crime are channelled into the financial system, usually in the form of large amounts of cash.

**Politically Exposed Person (PEP):** individual who is or has been entrusted with prominent public functions in a foreign country, for example a Head of State or of government, senior

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<sup>42</sup> Cf. Glossary FATF 40 Recommendations – [www.fatf-gafi.org](http://www.fatf-gafi.org)

politician, senior government, judicial or military official, senior executive of state owned corporations, important political party official<sup>43</sup>.

**Preventive system:** system introduced to complement the repressive approach to money laundering (Article 505 of the Criminal Code) with a series of administrative measures to prevent the use of the financial system for purposes of money laundering and terrorist financing.

**Report:** compilation of information that CTIF-CFI reports to the Public Prosecutor's Office in case of serious indications of money laundering or terrorist financing.

**Reported amount:** cumulative account of suspicious transactions identified in files reported to the competent Public Prosecutor's Office.

**Reported file:** one or several related disclosures where CTIF-CFI's analysis points to serious indications of money laundering or terrorist financing and is therefore reported to the competent Public Prosecutor's Office.

**Strategic analysis:** proactive analysis of money laundering and terrorism financing trends to complement and enhance the operational work of financial analysts and issue appropriate recommendations on internal policy and legislation when appropriate.

**Supervisory authority:** (semi) public authority responsible for supervising or checking institutions or persons referred to in AML/CFT law<sup>44</sup>.

**Suspicious transaction:** transaction that institutions or persons referred to in the AML/CFT law consider particularly likely, by its nature or its unusual character in view of the customer's activities, by the circumstantial elements or by the capacity of the persons involved to be related to money laundering or terrorist financing.

**Typological analysis:** typological analysis of files reported to the Public Prosecutor's Office that provides an overview of the main money laundering and terrorism financing of the past year.

**Warning signal:** feature related to the nature of the transaction that should be noticed by the disclosing institutions and persons and is to be used as an indicator to identify financial transactions that may be suspicious and require a thorough analysis and potentially need to be disclosed to the FIU.

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<sup>43</sup> Cf. Glossary FATF 40 Recommendations – [www.fatf-gafi.org](http://www.fatf-gafi.org) and art. 12 § 3 of the Law of 11 January 1993 – [www.ctif-cfi.be](http://www.ctif-cfi.be) – Legal provisions – Belgian legislation

<sup>44</sup> Cf. art. 38 and 39 of the Law of 11 January 1993 – [www.ctif-cfi.be](http://www.ctif-cfi.be) – Legal provisions – Belgian legislation

## ACRONYMS

**AML/CFT:** anti-money laundering - combating financing of terrorism

**CBFA:** Banking, Finance and Insurance Commission, now called the Financial Services and Markets Authority (FMSA)

**CTIF-CFI:** *Cellule de Traitement des Informations Financières – Cel voor Financiële Informatieverwerking*

**COSC:** Central Office for Seizure and Confiscation (OCSC – COIV)

**FATF:** The Financial Action Task Force is an intergovernmental body aimed at developing and fostering national and international AML/CFT policies. The FATF secretariat is housed at the OECD headquarters. The 35 members of the FATF are: Argentina, Australia, Austria, Belgium, Brazil, Canada, Denmark, the European Commission, Finland, France, Germany, Greece, the Gulf Co-operation Council, Hong Kong (China), Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, the People's Republic of China, Portugal, the Republic of Korea, the Russian Federation, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The FATF reports (in English and in French) can be found on the Internet ([www.fatf-gafi.org](http://www.fatf-gafi.org)). The Belgian delegation for this body is led by CTIF-CFI's President.

**FIU:** Financial Intelligence Unit

**FSRB:** The FATF Style Regional Bodies (FSRBs) are: the Asia/Pacific Group on Money Laundering (APG), the Council of Europe Committee of Experts on the evaluation of Anti-Money Laundering Measures (MONEYVAL), the *Grupo de Acción Financiera de Sudamérica* (GAFISUD), the Middle East and North Africa Financial Action Task Force (MENAFATF), the Caribbean Financial Action Task Force (CFATF), the Eurasian Group (EAG), the *Groupe intergouvernemental d'action contre le blanchiment en Afrique de l'Ouest* (GIABA) and the Eastern and Southern Africa Anti Money Laundering Group (ESAAMLG).

**GIFCS:** Group of International Finance Centre Supervisors (formerly the Offshore Group of Banking Supervisors OGBS)

**IMF:** International Monetary Fund

**Moneyval:** Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) has 28 permanent members and two temporary members: Albania, Andorra, Armenia, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Georgia, Hungary, Latvia, Liechtenstein, Lithuania, Malta, Moldova, Monaco, Montenegro, Poland, Romania, the Russian Federation, San Marino, Serbia, the Slovak Republic, Slovenia, the former Yugoslav Republic of Macedonia, and Ukraine. Two countries designated by the FATF Presidency are also members, on a two-year basis. For the current period, these are Austria and the United Kingdom. Israel has been an active observer since January 2006. ([www.coe.int/moneyval](http://www.coe.int/moneyval))

**ML/TF:** money laundering / terrorist financing

**MOU:** Memorandum of Understanding

**OLAF:** European Anti-Fraud Office