

# Illicit Trafficking in Narcotic Drugs and Psychotropic Substances and Money Laundering

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## Introduction

In the framework of MENAFATF work in the field of typologies and according to the adopted mechanism, the 12th Plenary Meeting (Doha, Qatar, November-December 2010) approved the TATWG recommendation with regard to the study of the project on "Illicit trafficking in Narcotic Drugs and Psychotropic Substances, and Money Laundering". The plenary meeting urged all member countries to fully cooperate with the Typologies Experts Group (TEG) to execute the project by responding to the questionnaire and effectively participating in the project's phases.

The project helps to shed the light on the substance of the offence of illicit trafficking in narcotic drugs and psychotropic substances, the relevant risks and negative effects as well as the associated issues such as when trade is considered licit and when it is illicit, the cultivation of drugs and other kinds of synthetic drugs and psychotropic substances, smuggling methods, most widely used kinds of drugs and psychotropic substances and the effective combating methods as well as other issues such as transformative/alternative crops. The project seeks to pinpoint the most widespread techniques of laundering proceeds of illicit trafficking in narcotic drugs and psychotropic substances in the Middle East and North Africa. It also seeks to understand more the relationship between these two crimes and develop the capacities of concerned entities to combat them. The project aims to understand more the nature of the crime of illicit trafficking in narcotic drugs and psychotropic substances, its scope and resulting risks and to identify the latest methods used in the cultivation, smuggling and trafficking in narcotic drugs and psychotropic substances. The project helps developing better ways to support the efforts of concerned entities in combating the two crimes of illicit trafficking in narcotic drugs and psychotropic substances and laundering their proceeds and help them carry out their role with more effectiveness in tracing criminals.

In this context, the project leader, Colonel Yousef Al Khaldi<sup>1</sup>, and the Typologies Experts Group examined the subject, used the resources and reports issued in this regard and largely relied on the questionnaire<sup>2</sup> which was prepared for this purpose and circulated among all MENAFATF member countries. The questionnaire contained specific questions to identify several issues, among which are the nature and scope of the crime of illicit trafficking in drugs and psychotropic substances in each country, the sanctions imposed on the perpetrators of such crime, the most modern means that the law enforcement entities noticed they are used in smuggling and illicit trafficking of drugs and psychotropic substances and the most common techniques noticed in laundering the proceeds there from. Eleven countries<sup>3</sup> responded to the questionnaire and provided relevant information and a number of case studies, some of which will be showcased in this report. In this context, the Secretariat hosted in its premises in the Kingdom of Bahrain a technical meeting for the TEG on 12 and 13 October 2011 to showcase the case studies and discuss the draft report; The report was also discussed at the 13<sup>th</sup> TATWG meeting that was held on the margin of the 14<sup>th</sup> Plenary Meeting, in Algiers, People's Democratic Republic of Algeria, during November 2011. The TATWG submitted a recommendation to the 14<sup>th</sup> plenary on the adoption of the report, which the plenary meeting did.

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<sup>1</sup> Colonel Yousef Al Khaldi, Assistant Director of GCC Criminal Information Center to Combating Drugs (GCC-CICCD), Expert of the Arab Office for combating drugs.

<sup>2</sup> A copy of the questionnaire is attached for the purposes of this project.

<sup>3</sup> The countries that participated in the project by answering the questionnaire are Jordan, Saudi Arabia, Sudan, Syria, Iraq, Kuwait, Oman, Qatar, Lebanon, Mauritania and Yemen.

## Executive Summary

Illicit trafficking in narcotic drugs and psychotropic substances is an international term that includes many offences involving narcotic drugs and psychotropic substances such as the production, cultivation, import, smuggling and promotion. The term extends to include crimes related to the tools and means of transportation used in the commission of the offences and the diversion of precursors and chemicals used in the illicit manufacture of narcotic drugs and psychotropic substances as well as crimes related to proceeds used in or resulting from illicit trafficking according to Article (3) of the United Nations Convention Against Illicit trafficking in Narcotic Drugs and Psychotropic Substances (1988) (Vienna Convention) and Article (2) of the Arab Convention Against Illicit Trafficking in Narcotic Drugs and Psychotropic Substances (1994).

The narcotic drugs and psychotropic substances problem has become one of the world's major issues. In the past, the problem of drugs trafficking was of concern only to a limited number of countries that suffered there from, but nowadays it is threatening all people and the entire global community; the countries that do not have a drug problem are only an exception. The international nature of illicit trafficking in narcotic drugs and psychotropic substances is evident in the cultivation and production of drugs in many countries as well as smuggling them across another country to be consumed in a third one.<sup>4</sup>

It is clear that the large funds generated from illicit trafficking in narcotic drugs and psychotropic substances and the trend of criminal groups in laundering these proceeds and giving them licit source, result in damaging national economies of countries. The laundered funds cause destabilization of the economy as they move quickly from one country to another to be spent as legitimate funds. Furthermore, the proceeds of illicit trafficking in drugs and psychotropic substances lead to social and economic disruption at the same time, where some people become wealthy without working or making an effort. This exacerbates unequal income distribution<sup>5</sup>.

The techniques by which proceeds of illicit drug and psychotropic substances trafficking may be laundered are varied but are not necessarily different than ML techniques in general. There is no specific approach adopted by money launderers but it can be said that the most commonly used techniques according to the case studies under review are purchase of real estate, trading in means of transportation such as expensive cars and bank deposits. It can be inferred that since the offence of illicit trafficking in narcotic drugs and psychotropic substances is one of the predicate offences generating large amounts of proceeds that are laundered, it is difficult to move these funds at the banks without raising suspicion. Hence, money launderers may resort to sectors with less supervision that form a future ground to conceal illicit funds among other funds generated normally from these sectors. More than one technique can be used in one money laundering operation, where in most cases, shell companies are established or real estate and cars are purchased and invested or sold as a ground to justify bank deposits and funds transfers.

It is noticed based on the experience of the countries participating in the project that there is an intersect between ML indicators found in money laundering cases in general regardless of the predicate offence generating the illicit funds being laundered, and the indicators which might show that the ML predicate offence is illicit trafficking in narcotic drugs and psychotropic substances. The indicators vary according to the various sectors used in the laundering operations, and are always changing according to the continuous development in the laundering techniques that make use of any technological or legislative development to carry out ML operations. It can be considered

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<sup>4</sup> Dr. Samir Abdel Ghani: International Cooperation Against Narcotic Drugs, Psychotropic Substances and Precursors, Legal Books House, Egypt, El Mahala El Kobra, 2011, Page 13 and beyond.

<sup>5</sup> The International Narcotics Control Board (INCB) Report on "Illicit Drugs and Economic Development" for 2002, United Nations Publication, New York, 2003, Pages 4 & 5, Sales No. (E.02.x1.9).

that extreme wealth, carrying out transactions with no clear economic justification, or bank transfers from and to persons existing in countries famous in the cultivation, manufacturing, smuggling or trafficking in narcotic drugs and psychotropic substances, are important indicators that should not be ignored.

Illicit trafficking in drugs and psychotropic substances is considered a serious crime. It usually transforms the offense of drugs and psychotropic substances from an individual crime to an international organized crime; cooperation at the international level among countries, organizations and international bodies, or among the concerned entities and bodies inside one country, has become necessary to combat illicit trafficking in drugs and psychotropic substances and other offences linked thereto such as terrorism, violence, corruption<sup>6</sup> and laundering proceeds of such crimes.

The Typologies Experts Group recommends enhancing the level of bodies concerned with combating illicit trafficking in narcotic drugs and psychotropic substances to general directorates to be commensurate with the magnitude of the problem and the risks which the country is exposed to. The TEG also points out the importance of establishing specialized divisions to combat money laundering inside the bodies concerned with combating illicit trafficking in narcotic drugs and psychotropic substances towards ensuring that investigations of ML offences are made in parallel to the ongoing investigations into illicit trafficking in narcotic drugs and psychotropic substances. The TEG confirms as well that international organizations also have an important role in providing the necessary support and cooperation to countries seeking combating solutions such as alternative crops. Member countries should also work on raising the awareness level of DNFBPs, in particular real estate agents, about ML techniques and indicators. Countries should ensure that effective coordination exists between bodies concerned with combating illicit trafficking in narcotic drugs and psychotropic substances and AML entities at both the local and international levels.

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<sup>6</sup> Dr. Samir Abdel Ghani: Previous reference, Page 241 and beyond.

## Chapter One

### Trafficking in narcotic drugs and psychotropic substances

#### Preamble:

The phenomenon of illicit trafficking in narcotic drugs, psychotropic substances and precursors is considered a global problem that almost every community suffers from its direct and indirect effects. Illicit trafficking in narcotic drugs and psychotropic substances represents 8% of total world trade. Quantities of drugs seized compared to smuggled quantities represent for instance 10% of heroin and 30% of cocaine. International and national measures to combat the spread of drugs, raise awareness of the harm they cause and treat drug addicts, cost about \$120 billion annually<sup>7</sup>.

The UN General Assembly recognizes that despite continued and increased efforts made by the international community and the concerned organizations and entities to combat the international issue of drugs and psychotropic substances, the issue continues to represent a serious threat to public health, the safety and well-being of humanity, in particular young people, and the national security and sovereignty of states; it undermines as well socio-economic and political stability of states.

The General Assembly encourages the Commission on Narcotic Drugs (CND) and the United Nations Office on Drugs and Crime (UNODC) to continue their efforts in the international drug control and urges all governments and competent bodies to pursue their efforts and activities against the drug problem and to coordinate, expand and strengthen their operational and technical activities with international bodies to achieve concrete positive results in the field of combating illicit trafficking in narcotic drugs and psychotropic substances.



Image 1  
Seizure of 130,000 kilograms of cannabis in addition to  
330,000 tablets of psychotropic substances  
while being smuggled by land inside car tires

<sup>7</sup> UNODC report for 2006, United Nations, New York, 2007, Page 10 and beyond.



## First Topic Narcotic Drugs and Psychotropic Substances

### First: Definition of narcotic drugs and psychotropic substances according to the international conventions

- 1- Definition of Narcotic Drugs:** The Single Convention on Narcotic Drugs, 1961, and as amended by the 1972 Protocol stipulated in Article (1/j) that "*drug means any of the substances in Schedule I and II, whether natural or synthetic*" and in Article (1/u), the Single Convention stipulated that "*Schedule I*", "*Schedule II*", "*Schedule III*" and "*Schedule IV*" mean the correspondingly numbered lists of drugs or preparations annexed to this Convention, as amended from time to time in accordance with Article 3.<sup>8</sup>

The United Nations Convention Against Illicit trafficking in Narcotic Drugs and Psychotropic Substances, 1988, defined narcotic drugs in Article 1(n) saying "*Narcotic drug means any of the substances, natural or synthetic, in Schedules I and II of the Single Convention on Narcotic Drugs, 1961, and that Convention as amended by the 1972 Protocol amending the Single Convention on Narcotic Drugs, 1961*"<sup>9</sup>.

The Arab Convention against Illicit trafficking in Narcotic Drugs and Psychotropic Substances, 1994, defined narcotic drugs in Article (1/17) as "*any substance, natural or synthetic, in Section I of the unified schedule*" and in Article (1/7) defined the unified schedule as: "*The Arab unified schedule of narcotic drugs and psychotropic substances taken from the United Nations conventions and their amendments*"<sup>10</sup>.

- 2- Definition of Psychotropic Substances:** Article (1/e) of the Convention on Psychotropic Substances, 1971, stated that: "*Psychotropic substance means any substance, natural or synthetic, or any natural material in Schedule I, II, III or IV*". Article (1/g), the Convention stipulated that: "*Schedule I*", "*Schedule II*", "*Schedule III*" and "*Schedule IV*" mean the correspondingly numbered lists of psychotropic substances annexed to this Convention, as altered in accordance with Article 2"<sup>11</sup>.

According to Article (1/r) of the United Nations Convention against Illicit trafficking in Narcotic Drugs and Psychotropic Substances, 1988, "*Psychotropic substance means any substance, natural or synthetic, or any natural material in Schedules I, II, III and IV of the Convention on Psychotropic Substances, 1971*".

The Arab Convention against Illicit trafficking in Narcotic Drugs and Psychotropic Substances, 1994, defined psychotropic substances in Article (1/20): "*Psychotropic substance means: any substance, natural or synthetic, or any natural material in Section II of the unified schedule*"<sup>12</sup>.

### 3- Combating Narcotic Drugs and Psychotropic Substances

In the field reality of combating Narcotic Drugs and Psychotropic Substances, the term "natural drugs" is used to refer to narcotics obtained from plants whether they maintain their natural form such as opium or have been converted into another form such as converting opium into

<sup>8</sup> The Single Convention on Narcotic Drugs, 1961, United Nations Publication, New York, 1979, and the Single Convention on Narcotic Drugs, 1961 as amended by the 1972 Protocol, United Nations Publication, New York, 1979.

<sup>9</sup> United Nations Convention against illicit trafficking in Narcotic Drugs and Psychotropic Substances, 1988, United Nations Publication, New York, 1991.

<sup>10</sup> Arab Convention against illicit trafficking in Narcotic Drugs and Psychotropic Substances, 1994, Arab League Publication.

<sup>11</sup> Convention on Psychotropic Substances, 1971, United Nations Publication, New York, 1979.

<sup>12</sup> The United Nations Convention against Illicit trafficking in Narcotic Drugs and Psychotropic Substances, 1988, previous reference.

heroin. The Schedules annexed to the Single Convention on Narcotic Drugs, 1961, and as amended by the 1972 Protocol, include the plants from which narcotics and their preparations are obtained such as the cannabis plant, the opium poppy, the coca leaves and their preparations such as cannabis, heroin, and cocaine. The Convention required prohibition of the illicit cultivation of these plants as well as the production, extraction, separation and manufacturing of their preparations.

"Psychotropic substances", "synthetic drugs", "psychoactive drugs" or "psychoactive substances" are different names for such substances. Psychotropic substances are drugs that have the properties of natural narcotics. They are chemically manufactured in laboratories from chemically processed substances and preparations that are not obtained from natural sources or plants.

Psychotropic substances are, in essence, medications used in the treatment of diseases, but their effect on humans equals the effect of natural narcotics. Following rigorous control and imposing penalties on illicit trafficking in and abuse of natural narcotics, demand was diverted to psychotropic substances as abusers and addicts found in them an alternative not prohibited by laws until international control was imposed on them pursuant to the Convention on Psychotropic Substances, 1971.

Although there are natural substances (obtained from plants) that have the properties of psychotropic substances, it is common, in the field of combating drugs that psychotropic substances are medications and pharmaceutical preparations that have an effect similar to natural drugs on the person who abuses them<sup>13</sup>.

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<sup>13</sup> Dr. Samir Abdel Ghani: Principles of Combating Drugs (Addiction and Combating - Countering Strategy), Legal Books House, Egypt, Al Mahala Al Kobra, 2009, Page 82.

## Second: Narcotic drugs and psychotropic substances in the international conventions

### (a) Narcotic Drugs in the Single Convention on Narcotic Drugs, 1961 and as amended by the 1972 Protocol:

Controlled drugs and preparations are listed in four Schedules annexed to this Convention, which are:

- 1- **Schedule I:** List of drugs included in Schedule I, which includes the most threatening substances having properties that cause addiction such as Cannabis, Opium, Heroin and Cocaine.
- 2- **Schedule II:** List of less threatening drugs such as Codeine, Norcodeine and Pholcodine.
- 3- **Schedule III:** Schedule III includes a list of preparations with a less likelihood of addiction than substances listed in Schedule I and II such as: Preparations of Cocaine containing not more than 0.1% of cocaine which are subject to less control measures than those imposed on the drugs listed in Schedule II and less rigorous than those imposed on the drugs listed in Schedule I.
- 4- **Schedule IV:** Schedule IV includes drugs with addiction threats exceeding the basic treatment benefits they provide such as: Cannabis and Cannabis resin and Heroin. These substances are subject to all control measures applicable to the drugs listed in Schedule I.

It is noteworthy that the Convention has established a system to amend the annexed Schedules by adding or deleting drugs from the Schedules or transferring drugs from one Schedule to another. An amendment to the Schedules should be carried out in cooperation and coordination between the UN Secretary-General, the World Health Organization (WHO) and the Parties to the Convention. The Commission on Narcotic Drugs (CND) should issue a resolution on the amendment.

### (b) Psychotropic Substances in the Convention on Psychotropic Substances, 1971:

Four Schedules were annexed to the Convention including the names of psychotropic substances. The Schedules underwent several amendments foremost among which was the amendment of 20 November 1995:

- 1- Substances listed in **Schedule I**, most of which are serious hallucinogens as they distort senses and cause excessive stimulation and addictive craving, such as:
  - **LSD** Lysergic Acid (Lysergide): LSD is typically absorbed through the skin if on blotter paper.
  - Mescaline: It is a substance having a less hallucinogenic effect than **LSD**.
  - **MDMA** (Ecstasy): It is a substance possessing stimulant and hallucinogenic properties.
- 2- The list of substances in **Schedule II**, most of which are stimulants, include:
  - Amphetamine and Dexamphetamine: Both substances are stimulants that may be used for the treatment of nervous breakdown.
  - Fenetylline (Captagon) is a stimulant that became illegal in most countries in 1985 due to its serious threatening effect to human public health.
  - Methamphetamine: When used illicitly, methamphetamine is commonly referred to as "ice". It is also a stimulant.
- 3- The list of substances in **Schedule III**, most of which are hypnotics, among which:
  - Flunitrazepam: It is a commonly used hypnotic drug. When used illicitly, it is referred to as "rewhesh" and "abu saleeb".

- Glutethimide: It is a hypnotic drug. Currently, it does not have a medical use due to its risk to humans.
  - Amobarbital: It is also a hypnotic drug.
- 4- The most important substances listed in **Schedule IV** are:
- Diazepam
  - Pemoline.

Generally, the substances listed in Schedule IV are used for medical purposes; if misused, they cause harm to human public health.

### Third: Most prevalent narcotic drugs and psychotropic substances:

After distinguishing between natural drugs and psychotropic substances, "Figure 2" shows the percentage of prevalence of each of these two kinds at the Middle East and North Africa level. It is noted that although natural drugs are more prevalent, but the difference in prevalence is not much; psychotropic substances are becoming increasingly prevalent due to the trend of abusing them to evade the rigorous control, combating and sanction imposed on natural drugs.

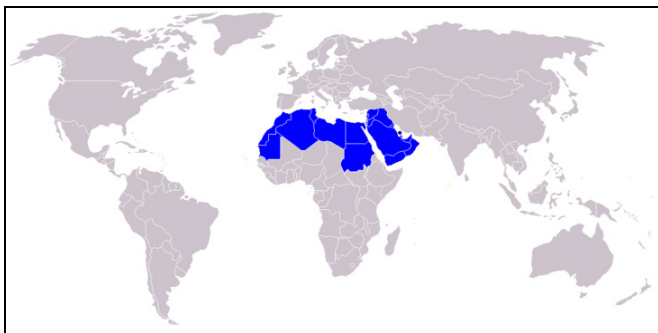


Figure 1: MENAFATF Member States

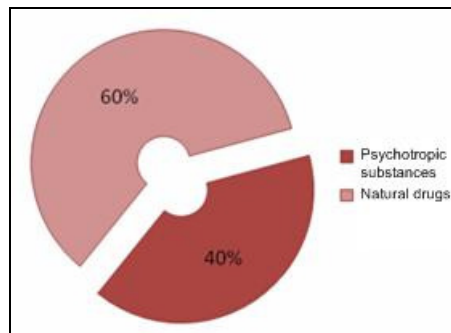


Figure 2 : Percentage of prevalence of natural drugs and psychotropic substances in the Middle East and North Africa<sup>14</sup>

Figure 3 depicts the most commonly used narcotic drugs and psychotropic substances, whether natural drugs which are detailed under "Figure 2" using shades of red and psychotropic substances, which we mentioned as being less prevalent than natural drugs, that are depicted using shades of grey.

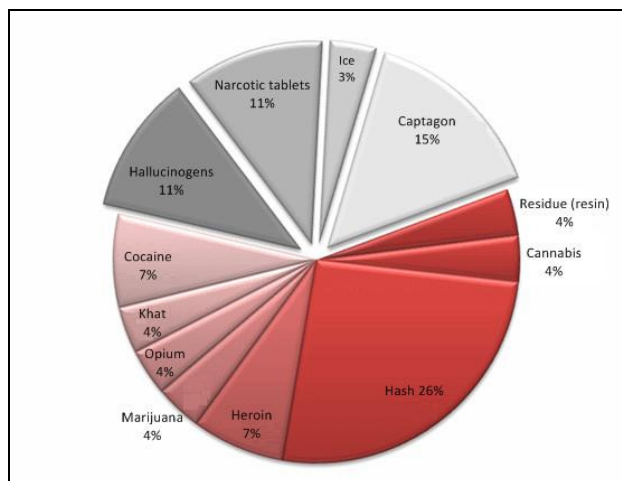


Figure 3: Percentage of prevalence of natural drugs and psychotropic substances in the Middle East and North Africa

As depicted in Figure 3, cannabis with all its different kinds is the most prevalent drug.<sup>15</sup> Cannabis remains the most widely abused drug in the world,<sup>16</sup> not only at the regional level. It is commonly abused in the region, which can be attributed to the proximity of the countries in the MENA region to those that cultivate and produce cannabis such as Afghanistan Iran and Pakistan<sup>17</sup>, and to the taste of abusers and addicts and their desire to abuse this drug, in addition to the persistence of drug

<sup>14</sup> As per the results of the study made for the purposes of this report.

<sup>15</sup> Hashish - marijuana - hash oil – kief, they are all obtained from the Cannabis plant which some refer to as hash plant.

<sup>16</sup> The percentage of abusers of hash and marijuana in the world exceeds 2.5% of the population of the globe, which is equal to more than 140 million abusers. This is the highest percentage of drug abusers in the world.

<sup>17</sup> International Narcotics Control Board (INCB) Report, 2010, P.1 38

traffickers on smuggling such kind and make it available to abusers for the purpose of making large profits from drug trafficking. Cannabis is followed, in terms of the rate of prevalence in the area, by (Captagon tablets<sup>18</sup>), and then by different kinds of psychotropic substances. Heroin and cocaine are less used in the region. This can be attributed to the price of substances and the standard of living in the region.

It is worth mentioning that it has been noticed that trafficking in khat is illicit in some countries whereas it is considered legal in other countries. Khat is cultivated in some of the region countries and is commonly chewed as a stimulant. The International Narcotics Control Board (INCB) mentioned that the WHO Expert Committee on Drug Dependence (ECDD) had considered and reviewed "khat" during two occasions, and during its last discussion on this issue in 2006, the ECDD determined that the potential of addiction is low, and that the level of abuse and threat to public health is not significant enough to impose international control. Therefore, the ECDD did not recommend the scheduling of khat. The ECDD recognized the social<sup>19</sup> and some health problems resulting from the excessive use of khat and suggested that national educational campaigns should be adopted to discourage use that may lead to such adverse consequences<sup>20</sup>. Khat is not listed in the Schedules annexed to the drugs combating law in the laws of some MENA countries; therefore, the traffic in and abuse of khat is not a criminal offence in such countries despite the social and economic problems it may cause, while it is criminalized by the majority of the MENA countries.



Image 2

Seizure of 110,000 kilograms of cannabis while being smuggled by sea

<sup>18</sup> Captagon: Captagon psychotropic drugs rank second in terms of prevalence all over the world as well as in the MENA in general as per the INCB report for 2010 (Pages 140-141).

<sup>19</sup> The Khat market volume is estimated in one of the member countries at USD 800 million/year; its cultivation covers two thirds of the cultivated area and 85% of the wells are used for its irrigation; in addition, khat addiction wastes 30 million working hours per day as the employees leave their working places early to buy khat.

<sup>20</sup> The Report of the International Narcotics Control Board for 2006, page 42.

## Second Topic

### Trafficking in Narcotic Drugs and Psychotropic Substances

#### First: Licit trade in narcotic drugs and psychotropic substances:

##### 1-Licit trade in narcotic drugs:

In some cases, trade in drugs is considered licit subject to certain controls. The Single Convention on Narcotic Drugs, 1961 and as amended by the 1972 Protocol, includes provisions with respect to licit trade in drugs where Article 30 of the Convention is entitled "Trade and Distribution". *The Parties shall require that the trade in and distribution of drugs be under license except where such trade or distribution is carried out by a State enterprise or State enterprises. The Parties shall control all persons and enterprises carrying on or engaged in the trade in or distribution of drugs. They shall also control under license the establishments and premises in which such trade or distribution may take place. The requirement of licensing need not apply to preparations.*

Due to the threat posed by drugs, the controls included a number of issues, such as the prevention of the accumulation in the possession of traders, distributors, State enterprises or duly authorized persons, of quantities of drugs and poppy straw in excess of those required for the normal conduct of business, subject to the prevailing market conditions. Moreover, medical prescriptions are required for the supply or dispensation of drugs to individuals. This requirement need not apply to such drugs as individuals may lawfully obtain, use, dispense or administer them while performing their therapeutic function.

##### 2- Licit trade in psychotropic substances:

Such as the case with drugs, the Convention on Psychotropic Substances, 1971, included provisions relating to licit trade in psychotropic substances. The provisions of Article 12 "Provisions Relating to International Trade" established that: *"every Party permitting the export or import of substances in Schedule I or II shall require an import or export authorization, on a form to be established by the Commission, to be obtained for each such export or import whether it consists of one or more substance. Such authorization shall state the international non-proprietary name, or, lacking such a name, the designation of the substance in the Schedule, the quantity to be exported or imported, the pharmaceutical form, the name and address of the exporter and importer, and the period within which the export or import must be effected. If the substance is exported or imported in the form of a preparation, the name of the preparation, if any, shall additionally be furnished. The export authorization shall also state the number and date of the import authorization and the authority by which it has been issued.* Article 13 of the Convention included the prohibition of and restrictions on export and import of such psychotropic substances.

**Second: Illicit trafficking in narcotic drugs and psychotropic substances:**

The United Nations Convention against Illicit trafficking in Narcotic Drugs and Psychotropic Substances, 1988 included international legal provisions and countries' obligations with respect to illicit trafficking. Article 3 of the Convention required each Party to adopt such measures, as may be necessary, to establish the following acts, as criminal offences under its domestic law, when committed intentionally:

- (a)
  - (1) The production, manufacture, extraction, preparation, offering, offering for sale, distribution, sale, delivery on any terms whatsoever, brokerage, dispatch, dispatch in transit, transport, import or export of any narcotic drugs or any psychotropic substance contrary to the provisions of the 1961 Convention, the 1961 Convention as amended or the 1971 Convention.
  - (2) The cultivation of opium poppy, coca bush or cannabis plant for the purpose of the production of narcotic drugs contrary to the provisions of the 1961 Convention and the 1961 Convention as amended.
  - (3) The possession or purchase of any narcotic drug or psychotropic substance for the purpose of any of the activities enumerated in (1) above.
  - (4) The manufacture, transport or distribution of equipment, materials or of substances listed in Schedule I and Schedule II, knowing that they are to be used in or for the illicit cultivation, production or manufacture of narcotic drugs or psychotropic substances.
  - (5) The organization, management or financing of any of the offences enumerated in (1), (2), (3) or (4) above.
- (b)
  - (1) The conversion or transfer of property, knowing that such property is derived from any offence or offences established in accordance with subparagraph (a) of this paragraph, or from an act of participation in such offence or offences, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in the commission of such an offence or offences to evade the legal consequences of his actions.
  - (2) The concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing that such property is derived from an offence or offences established in accordance with subparagraph (a) of this paragraph or from an act of participation in such an offence or offences.
- (c) Subject to its constitutional principles and the basic concepts of its legal system:
  - (1) The acquisition, possession or use of funds, knowing at the time of receipt, that such funds were derived from an offence or offences established in accordance with subparagraph (a) of this paragraph or from an act of participation in such offence or offences.
  - (2) The possession of equipment or materials or substances listed in Schedule I and Schedule II, knowing that they are being or are to be used in or for the illicit cultivation, production or manufacture of narcotic drugs or psychotropic substances.
  - (3) Publicly inciting or inducing others, by any means, to commit any of the offences established in accordance with this article or to use narcotic drugs or psychotropic substances illicitly.
  - (4) Participation in, association or conspiracy to commit, attempts to commit and aiding, abetting, facilitating and counseling the commission of any of the offences established in accordance with this article.



### **Third: Combating illicit trafficking in narcotic drugs in the international conventions:**

The problem of narcotic drugs and psychotropic substances is no longer specific to one country or a group of countries, rather, most countries in the world suffer from the threat of drugs and psychotropic substances abuse and addiction. This threat causes decline in public health and destruction of individuals, families and communities as well as fast increase in crime rates, violence and corruption. Moreover, human and financial resources are diverted from social and economic development to combating operations.

The drug problem has become one of the major problems countered by the international community whether in the United Nations, the Arab League, or the GCC in addition to the efforts exerted by each country individually or through mutual cooperation with another country, or multi-lateral cooperation among countries by signing international agreements and exerting joint efforts in the field of drug seizure and prevention for the purpose of achieving effective control on illicit narcotic drugs and psychotropic substances in addition to monitoring precursor chemicals to prevent them from being diverted to be used in the illicit manufacture of narcotic drugs and psychotropic substances.

As we mentioned above, illicit trafficking in narcotic drugs and psychotropic substances is an international term that includes all types of offences of narcotic drugs and psychotropic substances as established in accordance with clause (a), Article (3) of the United Nations Convention against Illicit trafficking in Narcotic Drugs and Psychotropic Substances (1988) and Article (2) of the Arab Convention against Illicit trafficking in Narcotic Drugs and Psychotropic Substances (1994). The Single Convention on Narcotic Drugs, 1961 and the Convention on Psychotropic Substances, 1971 contained provisions on the combating of illicit trafficking such as requiring parties to adopt such measures as may be necessary at the national level for the co-ordination of preventive and repressive action against the illicit trafficking by designating an appropriate governmental agency responsible for such co-ordination. Parties are also required to assist each other in the campaign against the illicit trafficking in drugs and co-operate closely with the countries and the competent international organizations to maintain a coordinated campaign against the illicit trafficking. Moreover, Parties shall ensure that serious offences are liable to adequate punishment, particularly by imprisonment or other penalty of deprivation of liberty.

Generally, the provisions and measures with respect to drugs combating are found in the international conventions on drugs control, which are the following:

- 1- The Single Convention on Narcotic Drugs, 1961 and as amended by the 1972 Protocol.
- 2- The Convention on Psychotropic Substances, 1971.
- 3- The United Nations Convention against illicit trafficking in Narcotic Drugs and Psychotropic Substances, 1988.

The United Nations bodies for drugs control are:

- 1- **Commission on Narcotic Drugs:** It consists of representatives of countries and is tasked with establishing policies on drugs control and implementation of international conventions.
- 2- **International Narcotics Control Board (INCB):** It is an independent and quasi-judicial control organ for the implementation of international conventions on drugs control and regulation of licit trade in drugs and psychotropic substances.
- 3- **United Nations Office on Drugs and Crime (UNODC):** It coordinates international efforts to combat narcotic drugs and psychotropic substances and raises the capacities of national bodies in countries to combat drugs and crime.

**Fourth: Main techniques of smuggling drugs and psychotropic substances:**

The means of smuggling drugs and psychotropic substances differ from one country to another depending on the geographic location of the country and the control level on the different sectors. These factors determine whether smuggling should be done by land, sea or air, and via regular or irregular routes and border crossings. Figure 4 indicates the means most relied on by drug smugglers based on the experience of the participating countries in the Typologies project.

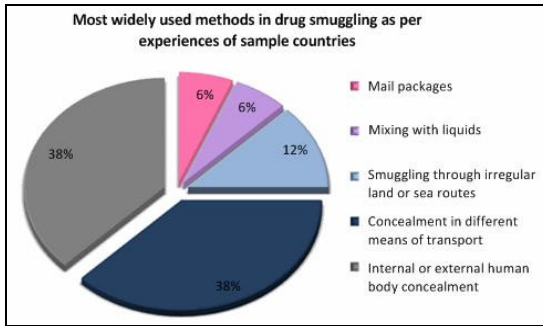


Figure 4 : Means used in drug smuggling in the MENA countries



Figure 5 : Most important drug smuggling routes in the world (CIA)

As indicated in “Figure 4”, the most widely means used by smugglers of narcotic drugs and psychotropic substances are concealment in different means of transportation, internal concealment inside the body by swallowing, external concealment in sensitive areas of the body, or in shoes. Drugs are also concealed in bags and their linings and smuggling can be done by mixing with liquids or by mail packages. The undiscovered smuggling means remain unknown to the security forces and call for ongoing monitoring and the adoption of modern intelligence techniques that succeed in detecting them, especially intelligence effort by joining smuggling groups and thwarting smuggling operations from the inside.



Image 3  
Heroin concealed in melamine trays



Image 4  
About 14,000 Captagon tablets concealed in pomegranates



Image 5  
About 13,500 kilograms of heroin concealed inside  
neon lamps



Image 6  
Seizure of 32 kilograms of heroin smuggled in rugs

### Third Topic

#### Regional Role in Combating Illicit trafficking in Narcotic Drugs and Psychotropic Substances

##### First: Regional role in combating illicit trafficking in narcotic drugs and psychotropic substances at the international level:

The regional role in combating illicit trafficking in narcotic drugs and psychotropic substances is one of the effective roles at the international level. For example, the Sub commission on Illicit Drug Traffic and Related Matters in the Near and Middle East held its last meetings, organized by UNODC and hosted by the Syrian government, in Damascus from 8 to 12 November 2010. The Near and Middle Eastern countries participated in the meeting.

The Sub commission discussed the current situation with respect to regional and sub regional cooperation in the field of combating drugs and looked into several issues foremost among which were:

- a) The ongoing threat from illicit opium production and trafficking in Afghanistan.
- b) Controlling precursor chemicals and addressing the growing challenge of unregulated alternatives and trafficking in and illicit manufacture and use of amphetamine-type stimulants in the Near and Middle East.

Recommendations adopted by the Sub commission at its plenary are presented as below:

- 1) As part of their strategy to combat trafficking in opiates smuggled from Afghanistan, Governments should encourage their law enforcement authorities to work with their Afghan counterparts, build partnerships and increase cooperation, thus strengthening the capacity and effectiveness of the qualified Afghan institutions.
- 2) Given the key role of cooperation between law enforcement agencies in combating cross-border trafficking, Governments need to ensure that their agencies have the necessary legislative authority, national contact points, an established procedure for the coordination of national authorities, fast clearance procedures and trained officers ready to respond to requests to carry out controlled delivery operations.
- 3) In response to the increasing use of international mail and express transport services provided by courier companies, governments should be encouraged to review their practices and procedures with regard to the screening of inbound and outbound consignments using those services.
- 4) Governments should encourage the law enforcement agencies managing their land, sea and air borders to develop cooperating agreements that promote regular information-sharing, joint training when undertaking common tasks, and coordination in the planning and execution of operations against drug dealers and smugglers.
- 5) Governments should be encouraged to strengthen their control over precursor chemicals and prevent them from being diverted to be used in illicit drug manufacture by gathering and exchanging information on non-scheduled substances, including derivatives especially designed to circumvent existing controls.
- 6) In order to strengthen cooperation among relevant chemical and pharmaceutical industries, Governments should encourage their competent national authorities to develop codes of conduct or memorandums of understanding that support mutual cooperation in efforts to prevent precursor chemicals from being diverted to be used in the illicit manufacture of drugs.

**Second: Regional role in combating illicit trafficking in narcotic drugs and psychotropic substances at the Arab level:**

The Arab Convention against Illicit trafficking in Narcotic Drugs and Psychotropic Substances of 1994 was signed with the purpose of strengthening Arab cooperation against the drugs problem and the provisions of activating Arab efforts in coordination with international efforts in combating drugs and psychotropic substances and controlling precursor chemicals.

The Arab bodies for combating drugs are:

- 1- Arab Interior Ministers Council: It functions under the umbrella of the Arab Leagues. Its most important achievements are:
  - a. The Arab Unified Model Law for combating drugs.
  - b. The Arab strategy against the illicit use of drugs and psychotropic substances.
  - c. The Guiding Model Arab law for combating money laundering.
  - d. The Guiding Model Arab law for combating drugs crimes committed via the Internet.
- 2- The Arab Office on Drugs Affairs: It coordinates Arab efforts in the field of combating drugs within the framework of the Arab Convention against Illicit trafficking in Narcotic Drugs and Psychotropic Substances of 1994.
- 3- The Arab Conference of Heads of Anti-Drug Agencies and its Subgroups. This conference is held annually and discusses the drugs issue in Arab countries and effective means of combating. It has three working subgroups and each group gathers a number of neighboring Arab countries that have the similar issue so that they can discuss it and come up with effective combating solutions.

With respect to the combating mechanisms that can be extracted from the information and data analyzed, it is noted that all states participating in this project have a department to combat drugs and psychotropic substances and the trafficking thereof. In most cases, it is a department among the security bodies inside the Ministry of Interior. Countries tend to establish this competent agency due to the seriousness of the offence of illicit trafficking in narcotic drugs and psychotropic substances and the large volume of funds and networks used to commit such an offence, which requires a cadre commensurate with this threat, volume and competence in tracing, seizing and proving operations. These entities should be provided with capacities, adequate training and international cooperation mechanisms.

With regard to efforts exerted by countries in the region within the steps following the process of combating illicit trafficking in narcotic drugs and psychotropic substances, the information analysis revealed that the majority of countries participating in the project are transit countries; hence, alternative crops are not necessary, while efforts focus on rehabilitation of addicts through rehabilitation centers.

The relatively few countries from the participating countries in the project, which are among the countries manufacturing drugs and psychotropic substances, adopt the abovementioned procedures towards addicts in addition to other procedures in an attempt to achieve sustainable development programs that include alternative crops as well as the development of poor areas and provision of adequate infrastructure to enable their habitants survive economically. However, there are many barriers, the most noticeable being: funding these programs or security challenges in the targeted areas.

### **Third: Regional role in combating illicit trafficking in narcotic drugs and psychotropic substances at the Gulf level:**

Gulf Cooperation Council (GCC) states are now suffering from illicit trafficking in narcotic drugs and psychotropic substances like the rest of the world due to high standard of living and stability, and their strategic location making them a meeting point between producing and consuming countries; moreover, they are the consumers of many kinds of narcotics and psychotropic substances smuggled into these states through their ports and across their air, sea and land borders.

The INCB report for 2010 mentioned that the Arabian Peninsula is mainly used as a transit area for smuggling heroin from Afghanistan into other Arab countries. Cocaine originating in South America reaches the region through Europe and cannabis remains the drug most widely abused in the Arabian Peninsula.

The INCB praises the efforts made by governments and their combating bodies in the region which achieve positive results in the field of combating drugs, and in particular the GCC states (State of Kuwait, United Arab Emirates, Kingdom of Bahrain, Kingdom of Saudi Arabia, Sultanate of Oman, and State of Qatar) and which believe in one destiny and one goal binding their people and seek coordination, cooperation and integration among them to achieve noble goals for the Arab nation.

In the field of combating drugs, the Gulf bodies are as follows:

- 1- The Annual Meeting of Heads of Drugs Combating Bodies that discusses the drug problem in the GCC states and seeks to enhance cooperation and coordination among them in the field of combating drugs.
- 2- GCC Criminal Information Center to Combat Drugs (GCC-CICCD) seeks to enhance cooperation among the GCC states in the field of combating illicit trafficking in narcotic drugs, psychotropic substances and precursor chemicals, coordinate joint efforts in combating and prevention against drugs and improving capacities of the drug combating bodies in the GCC states.

The regional role in combating illicit trafficking in narcotic drugs and psychotropic substances is not limited to field efforts such as arrest of involved criminal groups and persons, seizure and destruction of drugs cultivation areas or laboratories of Captagon manufacturing. This role extends to include ongoing coordination among combating agencies in the Arab region through regular groups and bilateral meetings, exchange of information and operations of controlled delivery in drug cargoes in order to detect all parties involved in illicit drugs trafficking.



Image 7  
Seizure of a quantity of heroin  
smuggled by swallowing

## Chapter Two

### The Connection between illicit trafficking in Narcotic Drugs and Psychotropic Substances with Money Laundering and with some other offences

#### Preamble:

The United Nations Convention against Illicit trafficking in Narcotic Drugs and Psychotropic Substances (1988) is deemed the first international legal effort to set up a legal structure for ML offence with the purpose of combating illicit drug trafficking through the money element and depriving persons and groups involved in drug trafficking from the proceeds of their illicit trade and eliminating their incentive. This Convention limited ML criminalization to the proceeds generated from illicit drug trafficking only because the convention is concerned with these offences without the others.

The Arab Convention against illicit trafficking in Narcotic Drugs and Psychotropic Substances (1994) established provisions matching those of the United Nations Convention of 1998 with respect to ML offence. Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime (Strasbourg, Convention 1990) established provisions pertaining to the search, seizure and confiscation of the proceeds from criminal offences in general. According to Article 1(e) of this Convention, "*Predicate offence means any criminal offence as a result of which proceeds were generated that may become the subject of an offence as defined in Article 6 of this Convention*".



Image 8

Seizure of 5,5 kilograms of heroin while being smuggled in meat

**First Topic**  
**Illicit trafficking in Narcotic Drugs and psychotropic substances**  
**and its relation with Money Laundering**

**First: Global scale of illicit trafficking in narcotic drugs and psychotropic substances:**

In his message on the International Day against Drug Abuse and Illicit trafficking on 26 June 2011, the UN Secretary-General said that the \$61 billion annual market for Afghan opiates is funding insurgency and international terrorism. In West Africa, the \$85 billion global cocaine trade is exacerbating addiction and money laundering while fueling political instability and threats to security. Every \$1 billion of pure cocaine trafficked through West Africa earns more than ten times as much when sold on the streets in Europe.

The United Nations Office on Drugs and Crime (UNODC) issued a recent report in June 2011 indicating that while the global markets for drugs such as cocaine, heroin and cannabis have declined, there is a significant increase in the consumption of psychotropic substances. According to the report, globally 149 - 272 million people representing 3.3 to 6.1% of the population aged 15 - 64 used illicit substances at least once in 2009.

Global opium cultivation fell by 4,860 tons in 2010 as the result of a blight that wiped out much of the opium harvest in Afghanistan, while opium production in Afghanistan was 8,200 tons in 2007 according to the INCB report.

**Second: Illegal source of money (The Predicate offence):**

Money laundering presupposes the commitment of a previous offence whereby proceeds are generated and are subject to ML criminal activities. This original offence is known as predicate offence: i.e. ML offence is a consequential offence of criminal activities generating illicit proceeds. It is not a usual offence that can be committed randomly without calculation, but it is well planned by criminal groups. Illicit trafficking in narcotic drugs and psychotropic substances is a predicate offence according to many laws.

The United Nations Convention against Illicit trafficking in Narcotic Drugs and Psychotropic Substances, 1988, required each State Party to criminalize acts related to funds derived from illicit drug trafficking or participation in such acts which aim to conceal the true nature of such funds (Articles 3(b) and 3(c)(1)).

According to Article 2(h) of the United Nations Convention against Transnational Organized Crime, 2000, "*Predicate offence shall mean any offence as a result of which proceeds have been generated that may become the subject of an offence as defined in Article 6 of this Convention*". Article 6 of the Convention required "*each State Party to criminalize the acts yielding criminal proceeds with the purpose of concealing their true nature and source*". Article 6 also required "*each State Party to include as predicate offences all serious crimes and offences associated with organized criminal groups as well as offences committed both within and outside the jurisdiction of the State Party*". Article 2(b) of the Convention defined "Serious crime" as "*conduct constituting an offence punishable by full deprivation of liberty of at least four years or a more serious penalty*".

According to Article 2(h) of the United Nations Convention against Corruption, 2003 "*predicate offence shall mean any offence as a result of which proceeds have been generated that may become the subject of an offence as defined in Article 23 of this Convention*". Article 23 of the Convention required *each State Party to criminalize laundering of crime proceeds for the purpose of concealing*



*or disguising the true nature of the property and making it appear legal. Predicate offences shall include offences committed both within and outside the jurisdiction of the State Party in question.*

In conclusion, the United Nations Convention against Illicit trafficking in Narcotic Drugs and Psychotropic Substances of 1988 criminalized ML offences resulting from illicit drug trafficking. The United Nations Convention against Transnational Organized Crime of 2000 and the United Nations Convention against Corruption of 2003 expanded the scope of offences to include all serious crimes generating proceeds that are laundered to evade criminal justice bodies.

## Second Topic

### Relation between Illicit trafficking in Narcotic Drugs and psychotropic substances with some Other Offences

#### **First: Illicit trafficking in narcotic drugs and psychotropic substances and terrorism:**

Terrorism is a political offence with an ideology. There are points where terrorism and illicit drug trafficking meet, but this does not alter the nature, source and goals of terrorism ideology being the main driving force and incentive of terrorism. There are strong connections and deep links between illicit drug trafficking and terrorism as they both threaten the security of countries and affect the stability and safety of their people. The international terrorist network is linked to three other criminal networks which are: Arms trafficking, drugs trafficking and money laundering network. This entails the effective fighting of all such networks at the same time to achieve positive combating results.

The most common links between illicit drug trafficking and terrorism are as follows:

- 1- The proceeds derived from illicit drug trafficking constitute the most important source of financing acts of terrorism in the framework of alliance among criminal groups.
- 2- International gangs of illicit drug trafficking use terrorist elements to secure and protect their trade against large remunerations of no less than 10% of profits of illicit trafficking. This represents a significantly large amount obtained by terrorist elements.
- 3- Terrorist elements may carry out smuggling operations of drugs for those who commit the offence of illicit trafficking against large amounts of money, which provide terrorist organizations with cash flow enabling them to carry out terrorist activities in many parts of the world.
- 4- Some studies indicate that most terrorists take drugs or psychotropic substances to maintain their connection with the criminal factors of illicit trafficking in drugs and psychotropic substances that fear them and, as a result, provide them with narcotic drugs and psychotropic substances against security and protection for them and their illicit trade.

#### **Second: Illicit trafficking in narcotic drugs and psychotropic substances and Organized crime:**

Illicit drug trafficking is an offence in itself and the international nature of drugs transfers it from a national or local individual offence to an international transnational offence, thus illicit trafficking moves into an organized crime. In this context, in the "Golden Triangle" countries (Myanmar, Laos and Thailand) of Southeast Asia, UNODC report indicated that ethnic groups living in north east Myanmar were stepping up opium cultivation to buy weapons to defend themselves against possible attacks by the military. It also said opium cultivation in Myanmar had increased for the third year in a row as Myanmar's opium production increased by 11% in 2010, with Shan state providing 95% of Myanmar's opium. Myanmar is the world's second largest producer of opium after Afghanistan. The "Golden Crescent" countries (Afghanistan, Pakistan and Iran) are principal areas of drugs cultivation, production and smuggling especially opium and heroin with Afghanistan producing 92% of the total world's production of opium.

**Case Study No. (1)**

An organized group consisting of 16 members who smuggle drugs and circulate forged currencies has been arrested. During the conduction of procedures in the case, it was found out that 10 of the members of this group have committed a ML offence of the proceeds generated from the predicate offences through buying cars and jewelry, establishing commercial projects (a car rental company), carrying out contracting projects by using bank loans paid by illicit funds, transfer of funds derived from drugs from country (A) to country (B) through commercial stores that transfer the money secretly and by structured amounts to banks in names other than those of the true beneficiaries and smuggling money across borders from country (A) to country (B) inside the car reserve tanks. The accused were sent to trial after the prosecution indicted them with charges of bringing in, transporting and smuggling large quantities of drugs and circulating forged currencies as predicate offences in addition to the offence of laundering funds derived from these crimes pursuant to the AML Law. The criminals were sentenced by execution for some and different imprisonment terms, as well as the confiscation of all the findings derived from the predicate offences and the destruction of the seized drugs and forged currencies.

Due to the international threat of organized (transnational) crime, the United Nations has placed high priority on the combating of this crime, which shows in particular in the many international conferences held on the prevention of crime and treatment of criminals and the issuance of the United Nations Convention against Transnational Organized Crime (Palermo Convention, 2000). Moreover, the United Nations Convention against Illicit trafficking in Narcotic Drugs and Psychotropic Substances (1988) clearly reflects the United Nations' concern for combating the organized crime, especially that the offences of illicit drug trafficking are considered among the most significant forms of transnational organized crime. The United Nations Convention against Corruption of 2003 also shows the ongoing UN efforts to combat the organized crime.

The organized crime has four characteristics:

- 1- Presence of organized crime groups of a hierarchical form
- 2- Making profits and generating proceeds is the motive of the crime.
- 3- Criminal groups resort to violence, corruption and bribery to achieve their goals.
- 4- Criminal groups and their activities expand across many borders.

These four characteristics of the organized crime apply to international gangs for illicit drug trafficking, which are an ideal representation of the organized crime.

### Third Topic

#### Importance of combating the laundered proceeds of drugs and psychotropic substances

##### First: Money Laundering:

The traditional efforts of combating drugs on the international and national levels tended to seize narcotic drugs and psychotropic substances and arrest the persons trading in them from producers, smugglers, traffickers and abusers; but these efforts were not directed at the money element. Modern combating nowadays is directed at several elements of illicit trafficking in narcotic drugs and psychotropic substances, foremost among which is the money element. Money is the purpose in the crime world in general and the drugs crimes in particular. Illicit trafficking gangs use it to enhance and support their groups with the latest means of transportation, communication and most destructive weapons. With that same money, corruption is spread and terrorism is supported; therefore, it was necessary to deprive criminal organizations of the money element which represents the core of their illicit activities.

The combating bodies started tracing the proceeds of illicit trafficking to seize, freeze and confiscate them, but the criminal groups did not give up. They protected their huge amounts of money by concealing their illicit source and making them appear as legal. This process is known as money laundering, which can be explained as any conduct aiming at disguising illicit sources of money so that it looks like it came from legal sources in order to evade the criminal justice authorities.

##### Second: Money laundering as a global issue:

Money laundering is one of the world's major problems. Criminal groups use money laundering to pump in billions of dollars in business and commercial activities which leads to corruption of institutions and individuals. There is no doubt that combating money laundering helps reduce international crime rates. Many studies admitted that it is not easy to produce a reliable estimate of the amount of money laundered annually; however, it is estimated that 2 - 5% of global GDP and 8% of world trade involved laundered money. The ML volume ranks third globally after currency exchange and car manufacturing<sup>21</sup>.

A recent report (2010) issued by the US Department of State estimated that the amount of money laundering reached USD 3,61 trillion which is bigger than the current US budget and amounts to 5% of global GDP. The report states that the ML amount has doubled after it was USD 300-500 billion in 1997 and that it is obvious that precious metals and stones are increasingly used in money laundering, value transfer and terrorism financing. In June 2011, Director of the Federal Drug Control Service of the Russian Federation (FSKN) declared that the proportion of global drug trade exceeds the oil and gas trade by 8% and that more than 1 million people died worldwide over the last ten years as a result of taking Afghan heroin. He also mentioned that the annual volume of global drugs trade is estimated at USD 500 billion. He added that within the framework of the "Canal 2010" operation carried out by the Collective Security Treaty Organization (CSTO), 6.6 tons of drugs and more than 40 tons of the basic ingredients used in their production were seized.

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<sup>21</sup> International Monetary Fund (IMF) estimates.

### Chapter Three

## Techniques of Laundering Proceeds of illicit trafficking in Narcotic Drugs and Psychotropic Substances

### Preamble

The scope of ML criminal offence was mentioned among the FATF International Recommendations (40 Recommendations). Recommendation 1 stipulated that countries should criminalize money laundering on the basis of the United Nations Convention against Illicit trafficking in Narcotic Drugs and Psychotropic Substances, 1988 (Vienna Convention) and the United Nations Convention against Transnational Organized Crime, 2000 (Palermo Convention). It can thus be inferred that ML criminalization started with combating illicit drug trafficking.

Within the same framework, Recommendation 1 gives countries the option of adopting one of four approaches to designate offences that generate illicit proceeds that undergo laundering and constitute a material element of ML offence. The first approach is based on the ratification of a list of ML predicate offences,<sup>22</sup> whereas according to the second approach, countries may consider all offences as ML predicate offences. Countries may apply a third approach (threshold approach) linked to a category of serious offences or to the penalty applicable to the predicate offence. The fourth approach is a combination of these approaches. It is to be noted that whichever approach is adopted, each country should consider offences, mentioned in the Glossary of the 40 Recommendations, as ML predicate offences. These offences should be criminalized in the national laws and considered as ML predicate offence, whichever approach is adopted by countries in designating predicate offences. These ML predicate offences shed the light on illicit trafficking in narcotic drugs and psychotropic substances.

We can then see the importance of combating illicit trafficking in drugs and the position of the trafficking among the predicate offences generating illicit proceeds. There is no doubt that this importance is primarily due to the seriousness of the offence and its connection to a large number of other offences as we mentioned above. It is considered a transnational organized crime where a large amount of capital is circulated.

It is to be noted that categorization of offences and names of penalties vary by countries. Most countries have adopted the three divisions of offences, however, names of categories differ from one country to another, but most jurisdictions adopt the terms "misdemeanor, felony and violation". In some countries the names and periods of imprisonments are different as well as the implications of these names. Despite that, we can generally say that the offence of illicit trafficking in narcotic drugs and psychotropic substances in the countries participating in the project falls under the category of a felony which is punishable by severe penalties that can reach execution in some cases and in other cases a minimum of long periods of imprisonment. Moreover, in most cases, financial penalties are imposed such as fines of different amounts according to the country and type of act.

It is worth noting that, based on the information gathered, the intent required in the moral element of illicit trafficking in narcotic drugs and psychotropic substances is mostly a general intent, which allows for broader application and easy proof of its presence. Special intent is required in limited cases. The material element includes several acts (such as, possession, traffic, import, cultivation and manufacturing) which are punishable by sanctions with a degree of severity according to their seriousness and the role of the person in trafficking and sometimes according to the targets in the distribution of drugs such as minors and holy places which entail, in this case, severer sanctions. It was noted that all participants countries in the project have stipulated in their laws for the confiscation of narcotic drugs and psychotropic substances as well as the materials and tools used in the commission of such offence and its proceeds.

<sup>22</sup> For more information on international conventions and predicate offences, please see the page on References.

## First: Techniques of laundering proceeds of illicit trafficking in narcotic drugs and psychotropic substances and suspicion indicators:

### a. Techniques of laundering proceeds of illicit trafficking in narcotic drugs and psychotropic substances

In most cases, techniques of laundering proceeds of illicit trafficking in narcotic drugs and psychotropic substances intersect with those used in money laundering in general. But it was noticed that some of the characteristics of proceeds of illicit trafficking lead to specific ML techniques and means that money launderers tend to use.

The following figure shows the most common techniques of laundering proceeds of illicit trafficking in narcotic drugs and psychotropic substances in the countries participating in the project:

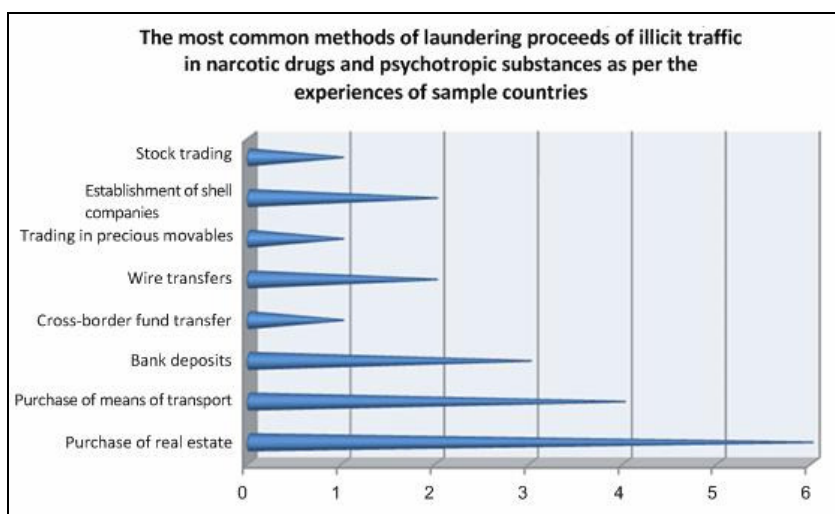


Figure 6: Techniques of laundering proceeds of illicit trafficking in narcotic drugs and psychotropic substances in the MENA

Based on figure 4, it is noticed that the most common techniques of laundering proceeds of illicit trafficking in narcotic drugs and psychotropic substances are the purchase of real estate, followed by the trading in the transportation means, particularly expensive cars, bank deposits are ranked third, followed by the establishment of shell companies and projects and wire transfers, and finally, on an equal level, each the stock trading, trading in precious movables and cross borders fund transfers. We can conclude that the offense of illicit trafficking in narcotic drugs and psychotropic substances being one of the predicate offences generating large amounts of proceeds that are laundered, it is difficult to move these funds in banks without raising suspicion. Hence, launderers may resort to sectors with less supervision that form a ground to hide illicit funds among other funds generated normally through the practice of these businesses.

#### Case Study No. (2)

A person opened a private bank account and provided the bank with information about his education, profession, and monthly income according to the account opening form available at the bank. Transactions were normal according to the account movement for a period of time, then the client made, in person, large cash deposits followed by incoming transfers from several persons; accordingly, the balance of the account reached millions of the local currency with at the same time, international transfer operations. The bank detected several indicators such as unusual activity on the account, receiving bank transfers from several persons with no clear purpose; the account movement was not commensurate with the client's income plus direct international transfers of the deposited funds. The bank informed the Financial Information Unit (FIU). The financial analysis confirmed the suspicion indicators towards the client and that there is no commercial activity that reflects the legitimacy of the source of funds or justifies the transfers conducted. On the other hand, the onsite investigations proved that there is a connection between the suspect and another person he meets at several different locations at different times.

Their meetings also occur several times on the same day which showed that the relationship between them is based on role-specific practices where one is responsible for the movement of funds in banks and their collection in cash and the other commits the predicate offence that generated these funds. The onsite investigations extended at the same time to the second party which confirmed with no doubt that the latter collects cash from drug traffickers in several places and at different times of the day and hands it to the suspect to transfer it through his personal account. By using this technique, they aim to cut any connection between these deals and the banking system. After detecting several operations to collect cash for drugs, the zero Hour arrived and these dealers were arrested after giving cash amounts to the person responsible for collecting the cash. Quantities of narcotic drugs were found in their possession. Along with the arresting operation, a secret onsite tracking of the person in charge of collecting the money was conducted and he was arrested after meeting the owner of the bank account in a public place while handing him the cash. When the latter arrived at his bank, he was arrested with the subject cash in his possession. The investigation concluded that they are involved in the crime and filed a lawsuit against them before the public court. The accused were sentenced to five years imprisonment for money laundering offence. The means of transport and communication used in the crime and the laundered funds were confiscated. Penalties of imprisonment for two to five years were also imposed for drugs crime in addition to the confiscation of the means of transport and communications used in the crime and the funds found in their possession.

We can notice as well that these techniques overlap and sometimes, more than one technique can be used in the same case. In most cases, the suspect starts by shell projects or purchase of real estate and cars and invests or sells them as a ground to justify bank deposits and transfers. Certain techniques are more common than others in order to make use of laundering tools in following the operations of drugs trafficking and sale. For instance, means of transport may be purchased and used in laundering as well as in future cross border smuggling operations. Projects can be set up to be used in drugs dealing such as restaurants, coffee shops, touristic projects and others. The proceeds of these projects can be used to conceal illicit funds generated from illicit trafficking in narcotic drugs and psychotropic substances and the accounts of these projects, such as shell import and export projects, can be used to transfer the cost of smuggled cargoes under regular invoices.

**Case Study No. (3)**

A drug abuser was arrested red handed and after interrogating him, he gave the name of the drug supplier who was also arrested. It was found out that the latter is a restaurant manager in city "A" and after conducting the necessary investigations, he confessed the he sells drugs in the restaurant that he uses as a cover for operations for the account of Mr. "A", owner of the restaurant, where he gives him daily an amount of about 200,000 ounces (which is equivalent to about USD 700) which is about 6,000,000 ounces monthly (equivalent to USD 21,000). He stated his name and confessed that he is the supplier who brings in the drugs. "A", owner of the restaurant was arrested with a quantity of cocaine and an amount of cash in his possession in his expensive car. After interrogating him, he confessed that he smuggles drugs in his private car from country "A" to country "B" to sell them at the restaurant that he uses as a cover to disguise his original activity, which is drug smuggling and sale, which enabled him to buy his expensive car and finance and operate his business, the restaurant. He was also planning to establish a chain of restaurants in different parts of the city for the same purpose. The restaurant owner and manager were arrested and the restaurant was closed. All contents of the restaurant were confiscated as well as the car, the quantity of cocaine and the cash amount. Pursuant to the investigation findings, the restaurant owner was indicted with charges of illicit drug trafficking in addition to laundering their proceeds. Preliminary judgments were rendered and the case is still viewed before the court.

## **b. Indicators of suspicion in money laundering operations resulting from illicit trafficking in narcotic drugs and psychotropic substances:**

After discussing the techniques commonly used by drug and psychotropic substances traffickers in laundering the proceeds of illicit trafficking, the criteria and indicators of suspicion should be noted. Based on the experience of the countries participating in the typologies project, there is an overlap between the ML indicators found in ML cases in general regardless of the predicate offence generating the illicit funds being laundered and the indicators that could reveal that the ML predicate offence is illicit trafficking in narcotic drugs and psychotropic substances. The general indicators vary by sector used in the laundering operations and are always changing according to the continuous development depending on the laundering techniques and their ongoing advancement that make use of any technological or legislative development to carry out money laundering operations. This also applies to indicators that enable linking between laundered proceeds and drug trafficking as a predicate offence that generated such proceeds. The following list shows some of the indicators related to operations of laundering illicit proceeds.

- Extreme wealth.
- Conducting transactions that do not have a clear or economic justification.
- Money transfers from and to persons in countries famous for the cultivation, manufacture, smuggling or trafficking in drugs.
- Presence of connection between the suspects in money laundering and drug traffickers.
- Visiting countries famous for drug trafficking.
- Repeated cash deposits.
- Large cash deposits against external transfer transactions.
- Transfers between accounts of one person in several banks and closing an account after completion of transactions.
- Inbound transfers to accounts which are inconsistent with the business of the account owner
- Cash withdrawal immediately after the execution of a transfer transaction.
- Replacing bank notes with others of higher values.
- Providing false information on the true financial position of the client.
- Early settlement of loans.

### **Case Study No. (4)**

A gang consisting of many persons of different nationalities who sell and smuggle drugs to Europe was arrested. Over the course of investigations in the case, it was found out that Mr. "A" is the main suspect in the case. He used to lead an extremely luxurious life and owned many expensive cars and luxurious houses in several cities and travelled a lot abroad. After interrogating him, it was found out that his main activity is the smuggling and sale of drugs which enabled him to buy the luxurious houses and cars and finance his many travels abroad and live a luxurious life as well as operate the fishing company owned by him which he uses as a cover to smuggle drugs in fish bags exported to Europe in addition to paying the salaries of the employees at this company. He also confessed that he received the proceeds of drug sale and smuggling through an attorney office where a cash amount of 78,000,000 ounces (equivalent to about USD 273,000) was transferred to an exchange office in favor of the attorney office representing fees against services provided by the attorney office in his favor. After receiving the money, the attorney office deducts its commission and gives the rest of the amount to Mr. "A". The investigation findings indicted him with charges of sale and smuggling of large quantities of drugs as a predicate offence in addition to the offence of laundering the proceeds generated from drug smuggling. All his properties were confiscated and all suspects were referred to appear before the court; Preliminary judgments were rendered; the case is still under study before the Supreme Court.



## **Second: Regional efforts to combat laundering of proceeds of illicit trafficking in narcotic drugs and psychotropic substances**

Combating money laundering in general and combating proceeds laundered through the illicit drugs trafficking in particular starts with the establishment of competent combating bodies. After the necessary legislative steps with respect to criminalization and sanctions, the need arises for the establishment of competent bodies which are necessary to implement combating operations through investigating, tracing and prosecuting and other measures for detecting offenses and imposing sanctions.

It is to be noted that all countries participating in the project have established security bodies competent in combating illicit trafficking in narcotic drugs and psychotropic substances. We can see that all the countries participating in the project have a competent body to combat money laundering in general, regardless of the predicate offence that generated the laundered proceeds. This body is usually affiliated to the Central Bank and in some other cases, it follows the security agencies.

It was noticed that some experiences of the countries participating in the project are based on the establishment, in addition to an AML/CFT competent body, of a competent division to combat money laundering and financing of terrorism at security agencies. This division is competent with combating the laundering of proceeds derived from all predicate offences and in limited cases, this division is established at the competent security agency to combat illicit trafficking in narcotic drugs and psychotropic substances. Therefore, it is concerned with combating the proceeds laundered by this offence only. It was also noticed, in some cases, that divisions competent in AML in general are established at the Customs. Hence, coordination with the different bodies with respect to smuggling operations may exist, where competent entities are notified immediately of any detected smuggling operations. Moreover, cross border transportation of funds should be reported as they could disguise cases of payment of expenses and amounts related to drug deals in general and smuggling of narcotic drugs and psychotropic substances in particular.

The assistance in combating the predicate offence and the close link between funds and their illicit source are among the most important benefits that can be achieved from establishing competent bodies.

While the most significant challenges are the following:

- Difficulty in identifying the source of funds and exchange of information.
- Absence of divisions to combat money laundering inside the drug combating bodies in some countries which restrict the traditional role of these bodies to detecting drugs and psychotropic substances and their traffickers without combating and tracing their illicit proceeds.

In order to break these barriers, it is important to develop systems, control measures, training and awareness and recruit competent calibers. It is also important to coordinate between different bodies and entities concerned with combating money laundering on both local and international levels in order to achieve the highest level of effectiveness for the desired goals. This can be translated in practice by establishing national and coordinating committees.

### **Case Study No. (5)**

The Financial Intelligence Unit (the "Unit") received a letter from the Internal Security Forces (ISF) referred from the Public Prosecutor's Office discriminatory where it stated the arrest of Mr. "A" with the charge of drug trafficking and in his possession a quantity of cocaine and cash amounts of different currencies in addition to two savings books issued by bank "A" in the name of Mr. "B" who is also arrested with the charge of drugs trafficking. Mr. "B" stated during investigation that the amount deposited in the first account belongs to his married daughter and that he inherited the amount deposited in the second account from his father and it belongs to him and his siblings. By auditing the accounts of Mr. "B" at bank "A", the "Unit" found the following:

First Account: Its balance was LBP 5,710,128,767 (equivalent to USD 3,8 million) that was feeded by repeated

large deposits of different values and accumulated interest. Cash amounts were withdrawn from this account, which raised suspicion about what Mr. "B" claimed that he inherited these funds from his father.

Second Account: Its balance was LBP 58,705,320 (equivalent to USD 39,000). This account was opened with a cash deposit at the amount of LBP 55,000,000 (equivalent to USD 36,000) and was fed later with amounts that represent monthly retirement salary and interest accumulated. Cash amounts were withdrawn from this account against the monthly salaries deposited.

Third Account: Its balance was LBP 7,518,605 (equivalent to USD 5000) and was fed by cash deposits of small values and interest accumulated. Withdrawals represent the values of commissions on the account.

No other accounts were detected for Mr. "A" and Mr. "B" in other banks and institutions. The Public Prosecutor's Office discriminatory was provided with the above information. The "Financial Intelligence Unit" took the two following decisions: (1) The decision to lift the secrecy and freeze the accounts mentioned in the ISF report. (2) The decision to release the second and third accounts and restore banking secrecy on them after a decision was issued by a Single Judge in a Criminal Court stating that these two accounts have no connection to drugs. The Single Judge of the Criminal Court also indicted Mr. "A" and Mr. "B" for the offence in Article 3 of the AML Law and sentenced them to three years imprisonment and a fine of LBP 20,000,000 (equivalent to around USD 13,000) each and the confiscation of funds available in the first account in favor of the State.

It should be noted, in this framework, that the information received from international sources is significantly important at the level of combating money laundering in general and in the event of laundering illicit proceeds derived from illicit drug trafficking in particular. This is due to the fact that the offence of drug trafficking is transcontinental by nature, and mostly done within the territories of many countries as the cultivation and manufacture countries are different from the consumption countries. There are also the transit countries.

Thus, it is important to enhance international cooperation among the different bodies of combating illicit trafficking in drugs and psychotropic substances in different countries and exchange intelligence information. It is also important to exchange intelligence information among AML/CFT entities through the Egmont Group and to sign bilateral agreements between countries for the exchange of information.

#### Case Study No. (6)

The "FIU" received a request for assistance from a counterpart FIU in country "A" informing that Mr. "A" also known as "A-1" and "A-2" had transferred an amount of USD 225,000 from country "A" to another country to the accounts of persons known to the reporting FIU in country "A" pursuant to a previous report and accused of receiving money transfers from drug traffickers from country "A". The said request for assistance indicated that Mr. "A" transferred:

- USD 149,970 to the account of Mr. "B" at bank "A" in country "B"
- USD 50,000 to the account of Mr. "C" at bank "B" in country "B"
- USD 50,000 to the account of Mr. "D" at bank "B" in country "B"

The request also indicated that a person holder of a driving license under the name of Mr. "A-2" attempted to transfer an amount of USD 290,000 to the account of Mr. "B" at bank "A" in country "B", but the bank employees suspected him and called the police who arrested him and found in his possession an ID card identifying him as Mr. "A". The amount of money he tried to transfer was frozen. Mr. "A" was charged with opening and moving accounts under fictitious names and structuring cash deposits. Mr. "A" was arrested and a trial session was scheduled in country "A". The request for assistance also stated that it is believed to exist a connection between Mr. "B", Mr. "E" and Mr. "F", knowing that Mr. "B" is the one who posted a USD 5000 bail for Mr. "A" when the latter was arrested by law enforcement authorities in country "A". The law enforcement authorities informed that Mr. "F" is a director of a charity organization and his name was mentioned to the law enforcement authorities in country "A" in one of the operations where Mr. "G" was arrested in a terrorist operation. The FIU in country "A" requested information on the persons and their bank accounts.

It is worth mentioning that the FIU had previously frozen the accounts of Mr. "G" once and for all due to his association with a terrorist organization. Regarding the persons in the above request for assistance, the following was indicated:

Bank "A":

The account is in the name of Mr. "B" who works in the tiles industry and declared that the owner of the economic right in the deposited money is his nephew Mr. "F" residing in country "A". There are several secondary accounts to this account on which no transfers from country "A" were conducted except an account in USD where two transfers from country "A" were conducted, the first at the amount of USD 149,798 by order from Mr. "A" and the

second at the amount of USD 125,957 by order of Mr. "A-2". These two transfers were withdrawn by virtue of two checks to the order of Mr. "B" and were endorsed for company "S" for money exchange which deposited them in its account. After contacting company "S" for money exchange, it was found out that one of the employees for Mr. "T" and Mr. "TH" has cashed the check. Mr. "T" is previously known to the FIU pursuant to previous reports. Banking secrecy has been lifted from his accounts and they were frozen once and for all.

Bank "B":

1) The account of Mr. "C", the owner of an electronics corporation, which has two secondary accounts. He declared when opening the account that the source of money is the corporation's work and transfers made from his brother in country "A". First Account: One transaction was conducted on this account where a transfer was credited from country "A" at the amount of USD 49,856 that was mentioned in the above request for assistance. The transfer amount was withdrawn by virtue of a check in USD for Mr. "H". The check was endorsed and deposited in the account of company "S" for money exchange. The company noted that one of the employees for Mr. "T" and Mr. "TH" has cashed the check. Second Account: Simple and limited transactions were conducted on this account.

2) An account in the name of Mr. "D" owner of a store for selling mobile phones. He stated that the money deposited in the account is transfers incoming from country "A". One transaction was conducted on this account in the form of a transfer from country "A" at the amount of USD 49,856 that was mentioned in the above request for assistance. The transfer amount was withdrawn by virtue of a check in USD for Mr. "H". The check was endorsed and deposited in the account of company "S" for money exchange. The company noted that one of the employees for Mr. "T" and Mr. "TH" has cashed the check.

The FIU decided to lift banking secrecy from these accounts and freeze their balances. The counterpart FIU in country "A" was provided with a copy of the FIU's decisions and the report on the accounts mentioned above. The Public Prosecutor's Office discriminatory referred the papers to the appeal public prosecution in order to take the necessary measures against: Mr. "A", Mr. "T", Mr. "B", Mr. "C" and Mr. "D" according to the AML Law. The FIU in country "A" stated that the information received from the Unit has contributed in enhancing the investigations in country "A" with respect to Mr. "A", Mr. "B", Mr. "C" and Mr. "D" and that Mr. "A" was arrested in country "A" and sentenced to 17 months of imprisonment.

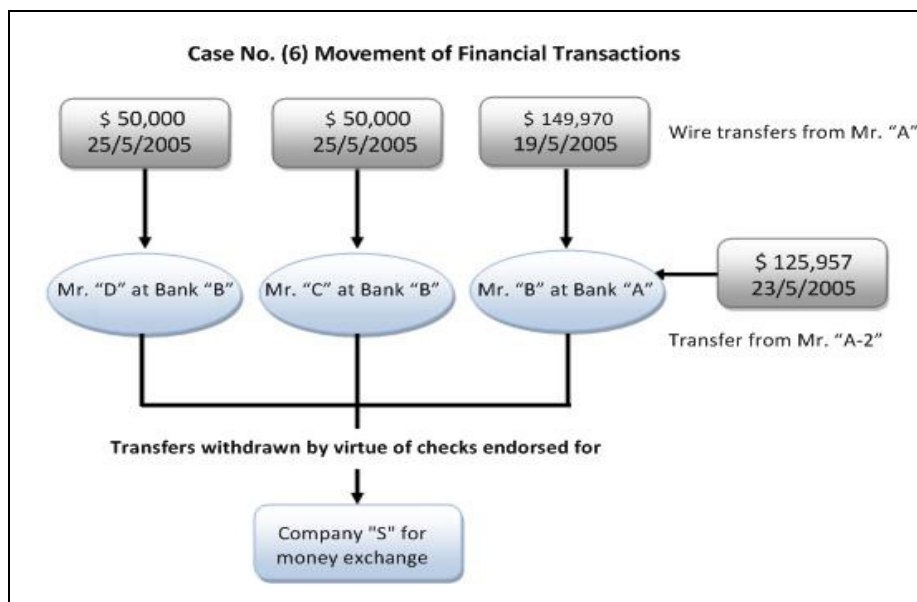


Figure 7: Movement of the financial transactions in Case Study No. (6)

## Recommendations

- To urge member countries to enhance the level of agencies concerned with combating narcotic drugs and psychotropic substances to general directorates or enhance their structure in accordance with the magnitude of the problem and underlying risks.
- To urge member countries to establish a division/section/office specialized in combating money laundering with specific tasks within the agencies concerned with combating narcotic drugs and psychotropic substances to improve cooperation and coordination with the agencies concerned with combating money laundering (FIU) and to facilitate the exchange of information amongst them; the countries should establish the mechanisms deemed appropriate for such coordination in order to ensure that investigations in money laundering offences are carried out in parallel with the ongoing investigations related to narcotic drugs and psychotropic substances.
- To urge concerned international organizations to increase the necessary support and cooperation for countries seeking to provide combating solutions such as alternative crops.
- To urge member countries to develop sustainable development programs and alternative crops as may be needed.
- To urge member countries to appoint liaison officers in other countries according to the need and magnitude of the problem.
- To urge member countries to adopt developed techniques and means to detect and trace smuggling operations by land, sea or air.
- To urge member countries to raise level of awareness of financial institutions and the DNFBPs, especially real estate agents, about the risks, techniques and indicators of ML operations.
- To urge member countries to enhance coordination between entities concerned with combating narcotic drugs and psychotropic substances and other domestic entities concerned with combating money laundering operations.
- To urge member countries to enhance international cooperation between entities concerned with combating narcotic drugs and psychotropic substances and those concerned with combating money laundering operations.

## References

### **First: Books and Reports:**

- (1) Dr. Samir Abdel Ghani: International Cooperation against Narcotic Drugs, Psychotropic Substances and Precursors, Legal Books House, Egypt, El Mahala El Kobra, 2011.
- (2) Dr. Samir Abdel Ghani: Principles of Combating Drugs (Addiction and Combating - Countering Strategy), Legal Books House, Egypt, El Mahala El Kobra, 2009.
- (3) Mohamed Amin El Roomi: Money Laundering in the Egyptian and Arab Legislations - Legal Books House, Egypt, El Mahala El Kobra, 2008.
- (4) Reports of the International Narcotics Control Board, United Nations, for the following years and on the following themes:
  - 1995: Giving more priority to combating money-laundering.
  - 2002: Illicit drugs and economic development.
  - 2005: Alternative development and legitimate livelihoods.
  - 2006: Internationally controlled drugs and the unregulated market.
  - 2007: The principle of proportionality and drug-related offences.
  - 2008: The international drug control conventions: history, achievements and challenges.
  - 2009: Analysis of the world situation: West Asia.
  - 2010: Drugs and corruption.
- (5) The United Nations Training Guide on Enforcement of Drug Laws, United Nations Office on Drugs and Crime, v.91-30091.

### **Second: International Conventions:**

- (1) The Single Convention on Narcotic Drugs of 1961, United Nations Publication, New York, 1979.
- (2) The Single Convention on Narcotic Drugs of 1961 as amended in the 1972 Protocol, United Nations Publication, New York, 1979.
- (3) The Convention on Psychotropic Substances of 1971, United Nations Publication, New York, 1979.
- (4) The United Nations Convention Against Illicit trafficking in Narcotic Drugs and Psychotropic Substances of 1988, United Nations Publication, New York, 1991.
- (5) The Arab Convention Against Illicit trafficking in Narcotic Drugs and Psychotropic Substances of 1994, Arab League Publication.
- (6) The United Nations Convention against Transnational Organized Crime, Palermo, 2000.
- (7) The United Nations Convention against Corruption of 2003.
- (8) Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime, Strasbourg, 1990.

**Annex No (1)**  
**List of internationally known Narcotic Drugs and Psychotropic Substances**

List of the most known types of drugs  
as per the sole agreement on Drugs for 1961 and  
the Protocol amending some of its provisions for 1972

Attached to the agreement are four schedules on the psychotropic substances known globally; we indicate below the most known:

First – Schedule I:

This schedule includes the products of particularities that cause addiction and are considered hazardous for the public health; the most known are:

- 1- Cannabis, cannabis resin (hashish) and cannabis extracts
- 2- Coca leaves
- 3- Cocaine
- 4- Concentrated poppy straw (substance extracted from the treatment of poppy straw to concentrate its alkaloids Aleconan).
- 5- Opium
- 6- Morphine
- 7- Heroin
- 8- Dezomorphine
- 9- Morphine- N -Oxide
- 10- Normorphine
- 11- Thebaine
- 12- Methadone
- 13- Normethadone
- 14- Phentalyn

Second – Schedule II:

Listing the products less analgesic and less hazardous than those listed in Schedule I; the most known ones are:

- 1- Codein
- 2- Norcodein
- 3- Pholcodine
- 4- Propiram

Third – Schedule III:

Includes the products which are less addictable than those listed in Schedules I & II:

- 1- Codein products which drugs quantity does not exceed 100 mg with a concentration of no more than 2.5%
- 2- Propiram products which do not contain more than 100 mg/medical dosage.
- 3- Cocaine products where the Codeine percentage does not exceed 0.1% and opium or morphine products where the morphine rate does not exceed 0.2%.

Fourth – Schedule IV:

It includes the products which are less risky in terms of addiction than the treatment benefits: The most known are:

- 1- Cannabis and cannabis resin (Hasish)
- 2- Heroin
- 3- Dezomorphine
- 4- Etorphine

List of the most known types of psychotropic substances  
as per the agreement on psychotropic substances for 1971  
and its latest amendments

Four Schedules were attached to the agreement; Schedule I includes the most hazardous psychotropic substances and they are products with no medical usage currently; while the following 3 Schedules, they include the psychotropic substances listed by degree of risk.

First – Schedule I:

- 1- Cathinone
- 2- Tenamphetamine (MDE) (MDA)
- 3- Lysergic LSD – 25
- 4- Ecstasy MDMA
- 5- Mescaline
- 6- Methcathinone

Second- Schedule II:

- 1- Amphetamine
- 2- Dexamphetamine
- 3- Fenetylline (Captagon)

Third- Schedule III:

- 1- Amobarbital
- 2- Proprietyne
- 3- Flunitrazepam
- 4- Glutethimide
- 5- Pentobarbital

Fourth – Schedule IV:

- 1- Alorabital
- 2- Amphyramon
- 3- Barbitol
- 4- Diazepam
- 5- Florazepam
- 6- Nitrazepam
- 7- Mezocarp
- 8- Pemoline
- 9- Phenobarbital



**Annex No. (2)**  
**Questionnaire of the Typologies project on**  
**“Trafficking in narcotic drugs and psychotropic substances with Money**  
**Laundering” which was sent to the countries.**

Questionnaire of the Typologies project on  
 “Illicit trafficking in narcotic drugs and psychotropic substances with Money  
 Laundering”  
In the Middle East and North Africa Financial Action Task Force

Introduction:

In the framework of MENAFATF work in the field of typologies and according to the adopted mechanism, the 12<sup>th</sup> Plenary Meeting (Doha, Qatar, November-December 2010) approved the TATWG recommendation on the study of a new typologies project on “Illicit trafficking in Narcotic Drugs and Psychotropic Substances and Money Laundering”. The plenary meeting urged all member countries to fully cooperate with the Typologies Experts Group (TEG) to execute the project by responding to the questionnaire and effectively participating in the project’s different phases.

The project sheds the light on the substance of the offence of illicit trafficking in narcotic drugs and psychotropic substances, its elements and the relevant risks and negative effects as well as the associated issues such as when trade is considered licit and when it is illicit, the cultivation of drugs and other kinds of synthetic drugs, smuggling methods, most widely used kinds of drugs and the effective combating methods as well as other issues such as transformative/alternative crops. The project seeks to identify the most widespread techniques of laundering proceeds of illicit trafficking in narcotic drugs and psychotropic substances. It also seeks to understand more the relationship between those two crimes and develop the capacities of concerned entities to combat them.

Objectives of the project:

- 1- To understand more the nature of the crime of illicit trafficking in narcotic drugs and psychotropic substances, its scope and resulting risks
- 2- To identify the latest methods used in the cultivation, smuggling and trafficking in narcotic drugs and psychotropic substances.
- 3- To identify the techniques most used in laundering the proceeds of illicit trafficking in narcotic drugs and psychotropic substances.
- 4- To develop better ways to support the efforts of concerned entities in combating the two crimes of illicit trafficking in narcotic drugs and psychotropic substances and laundering their proceeds and help them carry out their role with more effectiveness in tracing the criminals.

The responses of the member countries to the attached questionnaire and the case studies that were made available represent the most important references and material required to complete the project. Here after some guiding information for the countries on the questionnaire:

**(a) The cases required and the categories of their selection**

Each country is required to provide a preliminary analysis for the possible largest number of ML cases proceeded from the illicit trafficking in narcotic drugs and psychotropic substances without prejudice to the principle of confidentiality in the research and investigation provided for in the legislative regulations of the member countries:

- 1- Cases for which a conviction was issued.
- 2- Cases still before the courts.
- 3- Cases under investigation at the Public Prosecution/Judges of Investigation
- 4- Cases for which the Unit reached strong evidence of suspicion and which were referred to LEAs.
- 5- Cases where the research and investigation bodies (Judicial Police ...) reached evidence or strong indications of ML/TF.

Reference can be made to the data of the FIU of the State and to the data of the LEAs to reach such cases; It is highly recommended to refer to the experts of combating drugs and money laundering at all concerned entities in the State and not only the experts of one entity.

**(b) Points that should be considered in filling the questionnaire of information:**

- 1- Each case should have "a reference number" made of the first 3 letters of the State in English and a serial number for the case for ease of reference to the countries regarding these cases.
- 2- A description for each case (briefing of the sequential events); with respect to the principle of confidentiality of the research and investigation provided for in the legislations of the concerned countries, kindly use anonymous names and numbers or symbols instead of the names of the natural and legal persons, cities and countries, FIs and non FIs, and the real account numbers; you may keep the amounts and currencies as they are.
- 3- Type of the entity through which the case was referred: (Bank/securities company/insurance company/exchange company/Non FIs (to be mentioned) etc.)
- 4- Tools used in the case: (Cash/cheques/documentary credit/life insurance policies/shares, etc....)
- 5- ML techniques: (structuring whether in deposits or withdrawals or opening many accounts/submitting large or low invoices/cross border transportation of funds/exchanging banknotes with larger ones/transfers/use of false IDs/shell companies/settlement of loans/etc...)
- 6- Suspicion indicators related to the case.
- 7- Results the FIU has reached through the financial analysis, and the findings of the investigations and/or inquiries made by LEAs.

**Therefore, all member countries are kindly requested to respond to the questionnaire and provide case studies as per the previous presentation by end of the first week of March 2011, at most.**

Questionnaire of the Typologies project on  
 “Illicit trafficking in narcotic drugs and psychotropic substances with Money Laundering”  
 In the Middle East and North Africa Financial Action Task Force

<b>State:</b>	
<b>Person in charge:</b>	
<b>Phone Number:</b>	
<b>Email address:</b>	

1-	<u>Do you have a body or department or unit specialized in (If subordination exists)? Please evaluate briefly the experience (most important benefits, challenges and the way to face them and coordination with other entities)</u>
	..... ..... .....
2-	<u>What is the classification of the offense of illicit trafficking in narcotic drugs and psychotropic substances in the legislations of your country as per the 3 classifications of the crime (misdemeanor – felony – violation)? What is the analysis of its elements (both material and moral)? What are the sanctions imposed by your legislations on the perpetrators of such crime?</u>
	..... ..... .....
3-	<u>What are the most spread types of drugs whether the traditional or the recent ones based on your experience?</u>
	..... ..... .....
4 –	<u>What are the most modern means the criminals rely on in smuggling the drugs ?</u>
	..... ..... .....
5-	<u>What are the means adopted by your country after combating such as alternative agriculture (types and means of encouragement)? Kindly provide a brief description.</u>
	..... ..... .....
6-	<u>What is the classification of the offense of the proceeds generated from illicit trafficking in narcotic drugs and psychotropic substances in the legislations of your country as per the 3 classifications of the crime (misdemeanor – felony – violation)? Does the legislation in your country criminalize the participation in such crime ?</u>
	..... ..... .....

<p>7- Do you have a body or department or Unit specialized in <b>combating money laundered</b> from illicit trafficking in narcotic drugs and psychotropic substances? To whom it is subordinated (If subordination exists)? Please evaluate briefly the experience (most important benefits, challenges and the way to face them and coordination with other entities).</p> <p>.....</p> <p>.....</p> <p>.....</p>
<p>8- Based on your experience, what are the methods and techniques of ML generated from illicit trafficking in narcotic drugs and psychotropic substances?</p> <p>.....</p> <p>.....</p> <p>.....</p>
<p>9- In your opinion, what are the suspicion indicators and the evidence that may help the concerned entities in identifying the cases where the crime of illicit trafficking in narcotic drugs and psychotropic substances is ML predicate offense?</p> <p>.....</p> <p>.....</p> <p>.....</p>
<p>10- Did the law in your country require confiscating the narcotic drugs and psychotropic substances and whatever used in committing the offenses of narcotic drugs and psychotropic substances and the proceeds thereof?</p> <p>.....</p> <p>.....</p> <p>.....</p>
<p>11- Kindly provide some related statistics for the last 3 years on:</p> <ul style="list-style-type: none"> <li>- <u>Number of cases on illicit trafficking in narcotic drugs and psychotropic substances.</u></li> <li>- <u>Types of drugs mostly seized, the quantity of each and their value.</u></li> <li>- <u>Assets, funds, properties seized and the "Group" and the confiscation in cases of illicit trafficking in narcotic drugs and psychotropic substances.</u></li> <li>- <u>Any other statistics you deem appropriate and important.</u></li> </ul> <p>.....</p> <p>.....</p> <p>.....</p>
<p>12- Please provide as much as possible case studies to the form attached</p>

Statement of case studies

(Kindly mention the data of each case)

<b>Reference No:</b> .....
<b>Description of the case:</b> ..... ..... .....
<b>Type of Entity where the case occurred:</b> .....
<b>Tools and techniques used in this case:</b> ..... ..... .....
<b>Suspicion indicators related to the case:</b> ..... ..... .....
<b>Results of the financial analysis conducted at the FIU and the findings of the investigations and/or inquiries:</b> ..... ..... .....
<b>Sanction/status of the case (heard before the courts/under investigation/under inquiries):</b> ..... ..... .....