

the U.S. financial system. In contrast, the existing sanctions pursuant to Executive Order 13310 were imposed for different reasons, including, for example, the government of Burma's continued suppression of the democratic opposition.

Moreover, as with the designation of Burma generally, the United States is sending a strong message to other jurisdictions and financial institutions to take similar steps to cut off these two banks from the international financial system due to the unacceptable risk of money laundering.

Finally, while the proposed special measures applicable to all Burmese financial institutions would certainly apply to Mayflower Bank and Asia Wealth Bank, a separate designation is necessary. The special measure Treasury proposes to apply to all Burmese financial institutions incorporates the licenses and exemptions applicable to the economic sanctions under Executive Order 13310. These exceptions are not appropriate when dealing with Mayflower Bank and Asia Wealth Bank, given their affiliation with narcotics traffickers. Also, by separately designating these two banks, to the extent Burma responds to the international call and begins to implement effective anti-money laundering controls, Treasury has the flexibility to alter the special measures applicable to all Burmese financial institutions while maintaining the absolute prohibition against these two institutions. The separate designation of Mayflower Bank and Asia Wealth Bank under Section 311 also fulfills another important goal of Treasury: To name publicly institutions posing risks to the international financial system and encourage all jurisdictions to exclude them.

II. Designation of Mayflower Bank and Asia Wealth Bank as Financial Institutions of Primary Money Laundering Concern

Based upon a review and analysis of relevant information, consultations with relevant agencies and departments, and a consideration of the factors outlined above, the Secretary has determined that Mayflower Bank and Asia Wealth Bank are financial institutions of primary money laundering concern. See the notice published elsewhere in this separate part.

The Secretary has found Mayflower Bank and Asia Wealth Bank, both located in Burma, to be of primary money laundering concern due to a number of factors, including: (1) They are licensed in Burma, a jurisdiction with inadequate anti-money laundering

controls; (2) individuals owning and controlling both banks are linked to drug trafficking and money laundering, including using the banks for such purposes; and (3) the individuals who own and control the banks are linked to the United Wa State Army (UWSA), an organization involved in narcotics trafficking, and designated as significant narcotics traffickers under the Foreign Narcotics Kingpin Designation Act,⁷ and, in the case of the Asia Wealth Bank, the owners are linked to organized crime.

As provided by section 311, the Secretary also considered the following three factors, all of which counsel in favor of designating both banks:

1. *The Extent to Which Such Financial Institutions, Transactions, or Types of Accounts Are Used To Facilitate or Promote Money Laundering in or Through the Jurisdiction*

The Secretary has information that Mayflower Bank is owned and controlled by convicted narcotics traffickers, is essentially controlled by the UWSA, and has been used to facilitate money laundering. For example, public sources indicate that Mayflower Bank is owned by Kyaw Win. His name has been linked to a former drug lord and to others who have been identified in connection with the narcotics trade.⁸ Various sources establish the connection between officials of the UWSA and Mayflower Bank, both in terms of their control over the institution as well as the use of the institution to launder funds.⁹ The UWSA operates an extensive drug trafficking operation.

Asia Wealth Bank, one of Burma's largest private banks, is affiliated with prominent organizations and figures in the drug trade, including members of the Kokang ethnic group headed by notorious druglord Peng Chia-Sheng. Eike Htun, the vice chairman of the bank, has been specifically identified as having connections with Burma's

narcotics trade.¹⁰ The bank has also been a repository for funds with illicit origins, and counterfeit notes.¹¹

2. *The Extent to Which Such Institutions, Transactions, or Types of Accounts Are Used for Legitimate Business Purposes in the Jurisdiction*

In response to economic turmoil, Burma recently suspended the banking operations of all private banks, including Mayflower Bank and Asia Wealth Bank. Although it appears that some private banks may be conducting operations despite the suspension, it is difficult to conduct legitimate business at this time. Additionally, Burmese law does not allow private banks to engage in foreign currency transactions. All foreign currency transfers into Burma are required to be executed by one of three of Burma's state banks (Myanmar Economic Bank, Myanmar Investment and Commercial Bank, and Myanmar Foreign Trade Bank).

Generally, Burma's poorly regulated banking system and ineffective money laundering legislation have created a business and investment environment conducive to the use of drug-related proceeds in legitimate commerce. Burma's economy continues to be vulnerable to drug money laundering because of its under-regulated financial system, weak anti-money laundering regime, and policies that facilitate the funneling of drug money into commercial enterprises and infrastructure investment.¹² According to a March 1998 report of Jane's Intelligence Review, about 60 percent of Burma's private investment is in one way or another related to narcotics.

3. *The Extent to Which Such Action Is Sufficient To Ensure, With Respect To Transactions Involving the Jurisdiction and Institutions Operating in the Jurisdiction, That the Purposes of the BSA Continue To Be Fulfilled, and To Guard Against International Money Laundering and Other Financial Crimes*

A determination that Mayflower Bank and Asia Wealth Bank—institutions operating in a jurisdiction with inadequate anti-money laundering laws and regulations, believed to be

⁷ 21 U.S.C. 1901–1908, 8 U.S.C. 1182.

⁸ See The Age Company Limited (Melbourne), "Burma's Banking Meltdown Goes Unnoticed Beyond its Borders," March 20, 2003; Asian Company Profiles Ltd., Mayflower Bank profile, July 3, 2003.

⁹ The Financial Times reports that the UWSA, one of the world's largest organizations of armed drug traffickers, has taken over the Mayflower Bank in Rangoon. See Heritage Foundation Reports, January 2002. A Thailand article from 2002 indicates that the UWSA bought shares in the Mayflower Bank and has been providing assistance to it, describing the Bank as part of the UWSA Business Empire. See Bangkok Phuchatkan, January 2, 2002.

¹⁰ See Backman, The Age (Melbourne), March 20, 2003; Global News Wire, BBC Monitoring, February 14, 2003.

¹¹ As recently as October 2002, significant funds from Yang Kya Haw, arrested for drug trafficking, were discovered in the Asia Wealth Bank. See Shanland (internet website), February 19, 2003. On April 30, 2002, counterfeit 1,000 Kyat notes were found at the Asia Wealth Bank branch in Pa-an, Burma. See Oslo Democratic Voice of Burma, May 2, 2002.

¹² See U.S. Department of State, International Narcotics Control Strategy Report, March 2003.