



## **ACTION GUIDE FOR PARLIAMENTARIANS COMBATting THE LAUNDERING OF CORRUPT MONEY**

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#### **1. Introduction**

A description of the purpose of the Action Guide; how it relates to GOPAC's mission and mandate; what results can be expected; and how parliamentarians can use the Action Guide.

The following questions will be addressed in this introductory chapter:

- Why should Parliamentarians be concerned about the laundering of corrupt money? {e.g. Restricting the ability to launder corrupt funds will inhibit corruption which, in turn, will free up scarce public resources to build hospitals, schools, roads, etc.}
- Will an effective domestic anti-money laundering regime negatively impact inbound foreign direct investment?
- How can the Action Guide respond to the different types of circumstances that Parliamentarians from developed countries; Parliamentarians from countries in transition; and Parliamentarians in developing countries may be facing?
  - Developed countries: (with some exceptions) have a collective consciousness oriented towards transparency, which generally produces positive results.
  - Countries in transition: (their governance structures vary – i.e. more opaque cases like China and Russia; more transparent cases like Brazil). In these countries, aim at promoting laws and developing a culture of transparency and good governance (but the results are most likely to be slow in coming).
  - Developing countries: the majority of these countries lag behind legislatively and even the political will to combat corruption and money laundering is not strong or even existent. Public institutions typically are lacking in independence and strength.
  - How can GOPAC increasingly engage NGOs and parliaments, in addition to governments in many countries, in the fight to eliminate or reduce significantly the laundering of corrupt money?
  - How can the Action Guide be linked to the GOPAC/UNDP Toolkit for Parliamentarians that is based on the GOPAC Policy Positions (including AML) and the UNCAC Prevention Provisions, as a step towards a synthetic form of a dashboard (application of rules and quality of national commitments)?

#### **2. How Money Laundering and Corruption are Linked**

- The money laundering cycle. Understanding the basic concepts and techniques of money laundering.
- Focusing on the laundering of corrupt money and how an effective anti-money laundering regime that combats the laundering of drug money, terrorist financing, and other criminal activities, can also combat the laundering of corrupt money.
- Differentiating between ‘grand’ or ‘big ticket’ corruption and petty bribery, and how these differences impact anti-money laundering policies and structures.

### **3. *The Size, Scale, and Scope of Global Money Laundering***

### **4. *Current anti-money laundering initiatives (AMLI) and best practices***

- Research and capacity-building in response to the money laundering-corruption nexus.
- Use of Anti-money laundering (AML) information for anti-corruption purposes.
- Including Financial Intelligence Units (FIUs) in wider anti-corruption strategy on national and international levels.
- Extending AML technical assistance to the developing world .
- Stolen Assets Recovery Initiative (StAR).
- Mutual Legal Assistance (MLA).
- International cooperation (between FIUs, MLA, informal information sharing, extradition).

### **5. *Key Components of Anti-Money Laundering Legislation, Regulations and Guidelines )***

- FATF 40 + 9 recommendations set the standard.
- Clear legislation on predicate offences.
- The United Nations Convention Against Corruption (UNCAC) money laundering prevention provisions (articles 14 & 23).
- Defining suspicious transactions.
- Privacy considerations.
- Defining financial intermediaries.
- Politically exposed persons (PEPs);
  - Income transparency and disclosure of assets.
- Reporting requirements for financial intermediaries.
- Monetary instruments.
- Seizure and freezing of corrupt assets.
- Telegraphic transfers and internet banking.
- Solicitor/client privilege.
- Domestic/offshore money laundering (offshore banking system).
- Asset recovery:
  - StAR initiative (World Bank/UNODC).
  - Avoid partisan ‘fishing expeditions’.
  - Mutual legal assistance.
  - Double jeopardy.
  - Dual criminality.
  - National interest.
- Establishment of Financial Intelligence Unit (FIU) .

- Oversight, independent reporting lines, and accountability of FIU.
- Revenue transparency.

## **6. *Establishing a Financial Intelligence Unit (FIU)***

- How does a Financial Intelligence Unit (FIU) fit into an effective overall anti-money laundering regime?
- Different types of FIUs (administrative; law enforcement; judicial/prosecutorial; hybrids. advantages and disadvantages of each type).
- Organization structure and design.
- Financial resources requirements.
- ‘Know your customer’.
- Risk management.
- Oversight and independent reporting lines.
- Inter-agency cooperation.
- Vulnerabilities for corruption in AML institutions.
- Relations with other executive institutions dealing with anti-corruption- information sharing (there is a misconception that FIU is the only AML institution, whereas it is a critical one, that serves for analysing and disseminating info, among others i.e. law enforcement).
- International cooperation and collaboration / MOUs or formal agreements with other institutions.

## **7. *AML tools to prevent, detect and investigate corruption***

- Avenues for policy considerations.

## **8. *The Role of Parliamentarians in Combating Money Laundering***

- Combating the laundering of corrupt money.

## **9. *Politically Exposed Persons (PEPs), Corruption and Money Laundering***

- Identifying PEPs (foreign and domestic PEPs).
- Source of wealth and funds, whether legitimate or not.

## **10. *International Organizations Involved in the Fight against Money Laundering (i.e. FATF, World Bank, UNODC, IMF, INTERPOL, Transparency International, etc.)***

## **11. *Conclusion***

## **12. *Acknowledgements***

### ***Appendices***

- A. Benchmark anti-money laundering legislation.
- B. Model FIU.
- C. GOPAC’s anti money laundering initiative.