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# **Engaging Parliamentarians in Strengthening Global Anti-Money Laundering Efforts**

Global Programme against Money Laundering, Proceeds of Crime and the  
Financing of Terrorism (GPML)

29 September 2010



## Scale & Scope - Proceeds of Corruption

Not possible to accurately pinpoint magnitude of proceeds of corruption



Estimates:

- Proceeds of corruption stolen from developing countries range from US\$ 20-40 billion p.a. Equivalent to annual GDP of World's 12 poorest countries where over 240 million live
  - World Bank – More than 1 trillion US\$ is paid in bribes\* every year and the harm exceeds the proceeds – US\$ 1 bribe = US\$ 1.7 damage
  - Asian Development Bank – Cost of corruption = up to 17% of a country's GDP
- \* Does not include theft of public assets



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*“When public money is stolen for private gain, it means fewer resources to build schools, hospitals, roads and water treatment facilities... The vulnerable suffer first and worst... Fortunately, there is a way to fight back. The United Nations Convention against Corruption is the world’s strongest legal instrument to build integrity and fight corruption.”*

*Secretary-General, Ban Ki Moon, International Anti-Corruption Day, 9 December 2009*



## Money Laundering: a crime which destabilises economies and expands criminal activities

- The objective of the vast majority of criminals and criminal enterprises worldwide is to earn money from crime and to accumulate wealth
- Criminally derived wealth brings with it the ability to further and expand criminal enterprises, corrupt officials, infiltrate legitimate business and even to destabilize fragile economies

### Why countering money laundering?

- ❖ Effective means of identifying criminals and criminal enterprises (and the underlying criminal activity from which the money is derived)
- ❖ Effective way of disrupting the activities of criminal groups
- ❖ Effective technique of identifying and confiscating assets derived from crime
- ❖ Highly effective method of protecting a country's financial institutions, businesses and other aspects of the economy from the influence of criminals



## UNODC AML/CFT Mandate (1)

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- Mandate given to UNODC by the 1988 UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances
- UNODC mandate was strengthened in 1998 by the United Nations General Assembly Special Session (UNGASS) Political Declaration and Action Plan against Money Laundering which broadened its remit beyond drug offences to all serious crime.



## UNODC AML/CFT Mandate (2)

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### ➤ Strengthened by:

- UN Convention against Transnational Organized Crime (2000)
- UN Convention against Corruption (2003)

### ➤ The General Assembly:

- *Recognizing that the problem of laundering of money derived from ... serious crimes, has expanded internationally to become such a global threat to the integrity, reliability and stability of financial and trade systems and even government structures as to require countermeasures by the international community as a whole in order to deny safe havens to criminals and their illicit proceeds, ...*
- *“Calls upon the United Nations Office for Drug Control and Crime Prevention to continue to work, within the framework of its global programme against money laundering, ... to give effect to the above principles by providing training, advice and technical assistance to States upon request and where appropriate.”*



## UNODC AML/CFT Mandate (3)

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- International Convention for the Suppression of the Financing of Terrorism (1999)
- UN Security Council Resolutions call on UN Member States to combat terrorism, including financing of terrorism:
  - 1267(1999) & 1735 (2006) (Al-Qaida and Taliban sanctions)
  - 1373(2001) (prevention and suppression of terrorist financing),
  - 1535 (2004) (creation of the CTED) & 1624 (2005) (incitement to terrorism)



## UNODC AML/CFT Mandate (4)

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### ➤ Resolution 1617 (2005) of the UN Security Council:

*“ Strongly urges all Member States to implement the comprehensive, international standards embodied in the Financial Action Task Force’s (FATF) Forty Recommendations on Money Laundering and the FATF Nine Special Recommendations on Terrorist Financing;”*

### ➤ Resolution 60/288 (2006) of the UN General Assembly,

**Annexed Plan of Action:** *To encourage States to implement the comprehensive international standards embodied in the Forty Recommendations on Money Laundering and Nine Special Recommendations on Terrorist Financing of the Financial Action Task Force, recognizing that States may require assistance in implementing them*

*To encourage the International Monetary Fund, the World Bank, the United Nations Office on Drugs and Crime and the International Criminal Police Organization to enhance cooperation with States to help them to comply fully with international norms and obligations to combat money-laundering and the financing of terrorism;*





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# GPML and the Fight against Money Laundering & Terrorist Financing



## Action by GPML

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- Equipping States with legal, institutional & operational frameworks to comply with international standards + UN SC Res;
- Equipping States with knowledge, means & expertise to implement national AML/CFT legislation;
- Increasing capacity to successfully undertake financial investigations & prosecutions;



## Action by GPML

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- Equipping States to set up comprehensive AML/CFT systems to detect, seize confiscate illicit proceeds;
- Assisting in establishment of Financial Intelligence Units (FIUs);
- Strengthening cooperation with international organizations involved in AML/CFT.



## Global Programme against Money Laundering

Programme components

### Technical assistance

- Mentorship programme
- Specialised training
- Mock trials

### Capacity building

- FIU development
- Building capacity in asset recovery
- Raising awareness

### Advisory services

- Advisory services on policy development
- Legislative drafting assistance



## GPML field support

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### Mentorship Programme since 2000

- Providing in-depth assistance & sustainable capacity for: AML/CFT legislation, Financial Intelligence Units (FIUs), financial investigation, asset recovery & development of FATF Style Regional Bodies (FSRBs)/AML Groups
- Extremely positive response from donors & countries receiving assistance

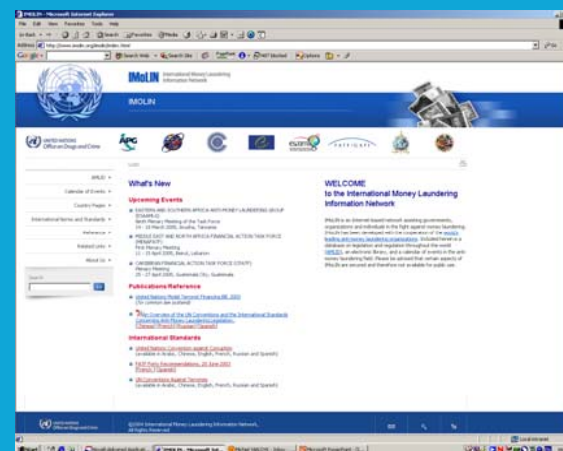
*Mentoring .... on the ground "living, not just delivering"*

# Major UNODC tools & services

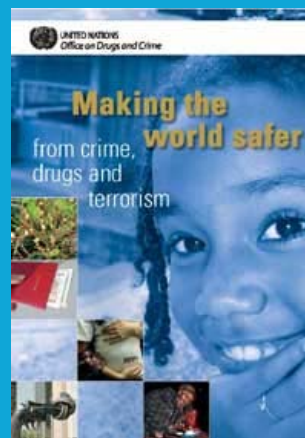
## Computer-Based Training (CBT)



## IMoLIN / AMLID

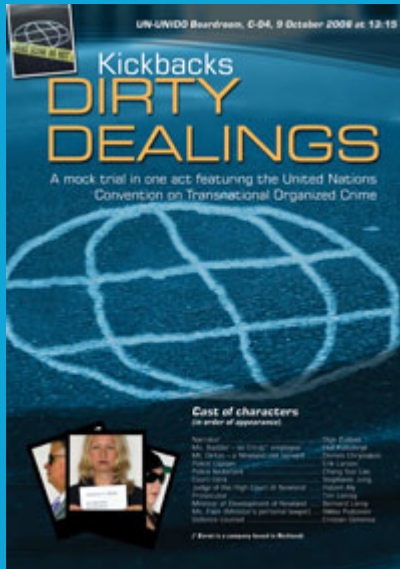


## Model legislation

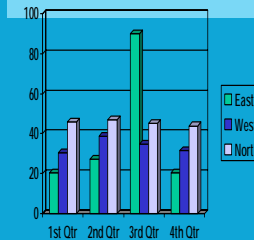


# Major UNODC tools & services

## Mock trials



## FIU Analyst Training and Financial Investigation Training Courses



## IT solutions



# Computer-Based Training (CBT)

- 13 AML basic modules providing training to law enforcement
- Available in 10 languages
- New modules on asset forfeiture being developed
- About 60 training centers in Asia/Pacific, Caribbean, East Africa
- 50,000 people trained in 20 countries since 2003
- Alternative to the usual way of training delivery
- Quick quality training to a large target audience





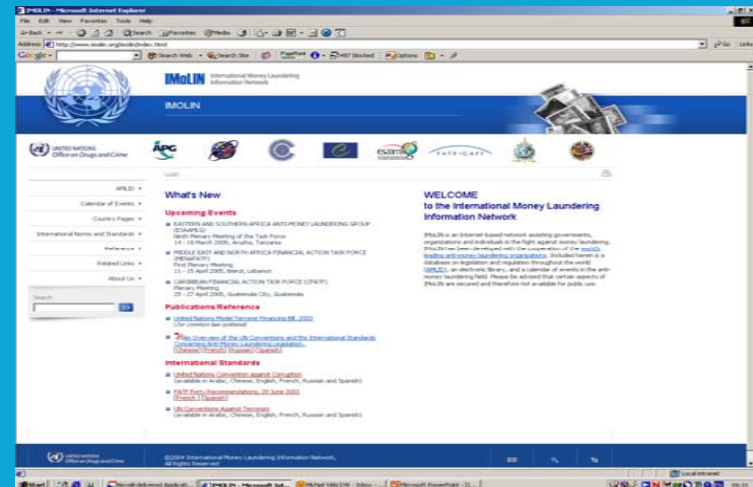
# International Money Laundering Information Network (IMoLIN)

[www.imolin.org](http://www.imolin.org)

- Established in 1998
- 11 Partner Organizations
- 2nd Round of Legal Analysis Launched – 27 February 2006
- AMLID questionnaire updated
- New Conventions Framework section

**AMLID**

- Access is restricted to Government & Law Enforcement Officials only
- Browse by Region
- Search for Country
- Laws / Subjects / Contacts
- Languages: English, French & Spanish





## Model Legislation on ML & TF

### Civil Law Legal Systems

- Developed in collaboration with IMF
- Model legislation on Money Laundering & Financing of Terrorism
- Finalized in 2006

### Common Law Legal Systems

- Being updated / developed in collaboration with IMF & Commonwealth Secretariat
- Model legislation on Money Laundering, Financing of Terrorism, Proceeds of Crime & Civil Forfeiture



## Mock Trials: Capacity-building and mentoring

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- Developed in 12 countries so far
- Snap-shot of the real situation (legislative framework, infrastructure, human resource, etc.)
- Designed to make the threat of conviction and confiscation real
- Includes case-management, courtroom skills and international cooperation exercises which – moving beyond theory and into practice - allow the participants to measure their skills against recognized experience and expertise
- Can be broken down to very specific exercises, such as opening and closing arguments, introduction of forensic evidence, direct and cross-examination, etc.



## Financial Intelligence Analyst Training Course

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- Opportunity for FIU analysts to develop knowledge and skills in the analysis process and the development of financial intelligence.
- Focus on analysis of suspicious transactions related to possible money laundering and the financing of terrorism.
- Opportunity to learn analytical techniques, appreciate sources of information used for analyses, understand the tools available to assist the process and learn how to write effective and accurate intelligence reports.
- Addresses relationship between the FIU and agencies responsible for investigation of money laundering and financing of terrorism and ensure that high quality information is provided to these agencies.



## Financial Investigation Training Course

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- Opportunity for investigators to develop knowledge and skills in financial investigation and to raise awareness of terrorist financing and money laundering methods.
- A national course: has a practical focus and is designed upon legal and procedural processes in the country of training.
- Opportunity to learn the legislative aspects of financial crime, understand their powers, to conduct searches and undertake interviews.
- Addresses relationship between police and prosecutors and ensure that high quality information is presented to the courts in cases of terrorist financing or money laundering charges.



## UNODC IT Solutions

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Provides FIUs with electronic data receipt, data cleansing, data storage, document management, tactical and strategic analysis capability including data visualisation, workflow and task management  
(<http://goaml.unodc.org>)



Provides law enforcement, regulatory, anti-corruption and prosecution agencies with an integrated case and information management system, workflow and task assignment, electronic case file, data visualisation and prosecution file management system  
(<http://gocase.unodc.org>)



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## Major UNODC tools & services

### RISK OF MONEY LAUNDERING THROUGH FINANCIAL INSTRUMENTS

- Developed by UNODC and FIU Colombia
- Financial instrument
- Documents of interest
- 450+ warning signs / red flags
- Training of judicial authorities
- Training of staff in financial institutions



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Risk of Money Laundering through Financial Instruments, Users and Employees of Financial Institutions





## Synergies with other UNODC AML/CFT related initiatives

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- Financial flows linked to the piracy off the coasts of Somalia
- Counter-Terrorism Implementation Task Force (CTITF)
- Stolen Asset Recovery Initiative (StAR)
- Inter-Agency Asset forfeiture Network in Southern Africa (ARINSA) and South American Assets Recovery Inter-Agency Network (CARINSUD)





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# The Stolen Asset Recovery (StAR) Initiative



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## Stolen Asset Recovery (StAR) Initiative

Launched in New York by the World Bank and UNODC on 17 September 2007 to:

- Reduce barriers in developed countries to asset recovery
- Strengthen the ability of developing countries to recover their wealth





## GPML and the StAR Initiative

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Involved in three knowledge products:

- Policy Paper on Politically Exposed Persons (PEPs) – Finalized;
- Handbook on Asset Recovery - Ongoing;
- StAR Barriers Peer Review Paper - Ongoing.



## Policy Paper on Politically Exposed Persons (PEPs)

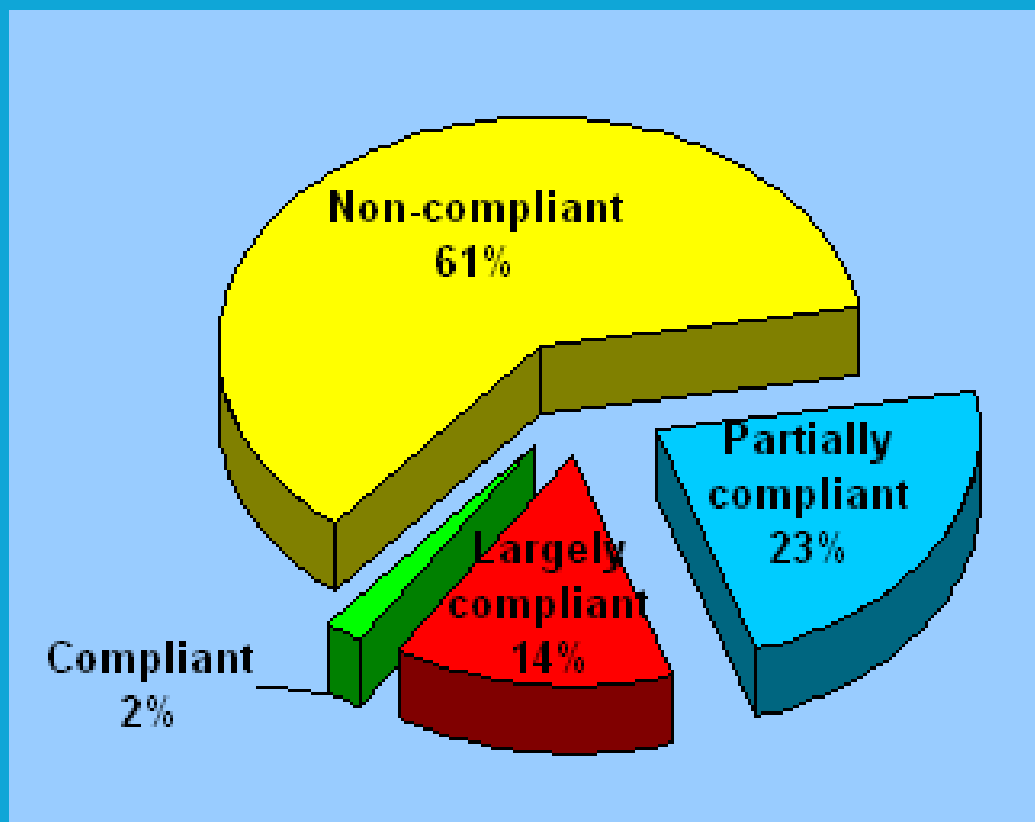
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- Joint UNODC/WB StAR Initiative - Presented in the context of the UNCAC's Conference of States Parties (COP3) – 09 to 13 November 2009, Doha, Qatar;
- Between June & September 2009 eight jurisdictions (Liechtenstein, Jersey, United Kingdom, Switzerland, Argentina, Hong Kong, France and the United States) visited & desk research on about 20 countries conducted;
- Offers a series of recommendations and good practices designed to help increase the quality and effectiveness of PEP measures of regulatory authorities and banks;



## Policy Paper on Politically Exposed Persons (PEPs)

- Findings: 61% of the 124 countries that have been evaluated for compliance with FATF Rec 6 were non-compliant and 23% were partially compliant;





## Policy Paper on Politically Exposed Persons (PEPs)

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### Three Key Actions Identified:

- ❖ Strong and sustained political will and mobilization
- ❖ Clarification and harmonization of the international requirements
- ❖ Stock-taking of the emerging typologies, focused on lifting what impedes the identification of beneficial ownership



## Policy Paper on Politically Exposed Persons (PEPs)

### Recommendation 1:

- ❖ All PEPs, foreign & domestic, should be subject to Enhanced Due Diligence

### Recommendation 2:

- ❖ Contracting customer must provide written declaration of the identity of the beneficial owner at account opening

### Recommendation 3:

- ❖ Public Officials should be asked to provide a copy of the Asset and Income Disclosure forms that they have filed with their governments as well as subsequent updates

### Recommendation 4:

- ❖ Countries should not introduce time limits outlining when a former PEP customer does not need to be treated as such



## GPML and the StAR Initiative – Forward Agenda

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Open-ended Intergovernmental Working Group on Asset Recovery – Fourth Intersessional Meeting, Vienna 16-17 December 2010:

- Expected that the Handbook on Asset Recovery will be presented;
- StAR Barriers Peer Review Paper will be presented:
  - General Barriers;
  - Legal Barriers;
  - Operational Barriers.





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# Key Elements of an AML/CFT Strategy



## Key elements of an AML/CFT strategy

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### 1. Legislation

**Appropriate laws and regulations**

### 2. Prevention

**Procedures, supervision of financial institutions and reporting to authorities**

### 3. Detection

**Financial intelligence analysis & law enforcement**

### 4. International cooperation



## Essential Elements

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### 1. Laws & Regulations

- Creating a legal framework which enables action to be taken against money laundering and terrorist financing
- Defining both as crimes
- Specifying penalties and procedures
- Permitting freezing, seizure and forfeiture



## Essential Elements

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### 2. Prevention - Procedures & supervision

- Establish obligations for financial services
  - KYC - client identification & record retention
  - Monitor accounts for unusual activity
  - Suspect Transaction Reporting (STR)
- Comprehensive AML/CFT procedures
  - Training
  - Compliance program



## Essential Elements

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### 3. Detection - Analysis & enforcement

- Effective intelligence analysis
  - Access to financial intelligence for investigators (eg following terrorist activity)
  - Analysis of financial transactions leading to targets for predicate crimes, financial crime, money laundering or its facilitation
- Support FIU analysis with specialist investigation expertise (e.g. drug trafficking)



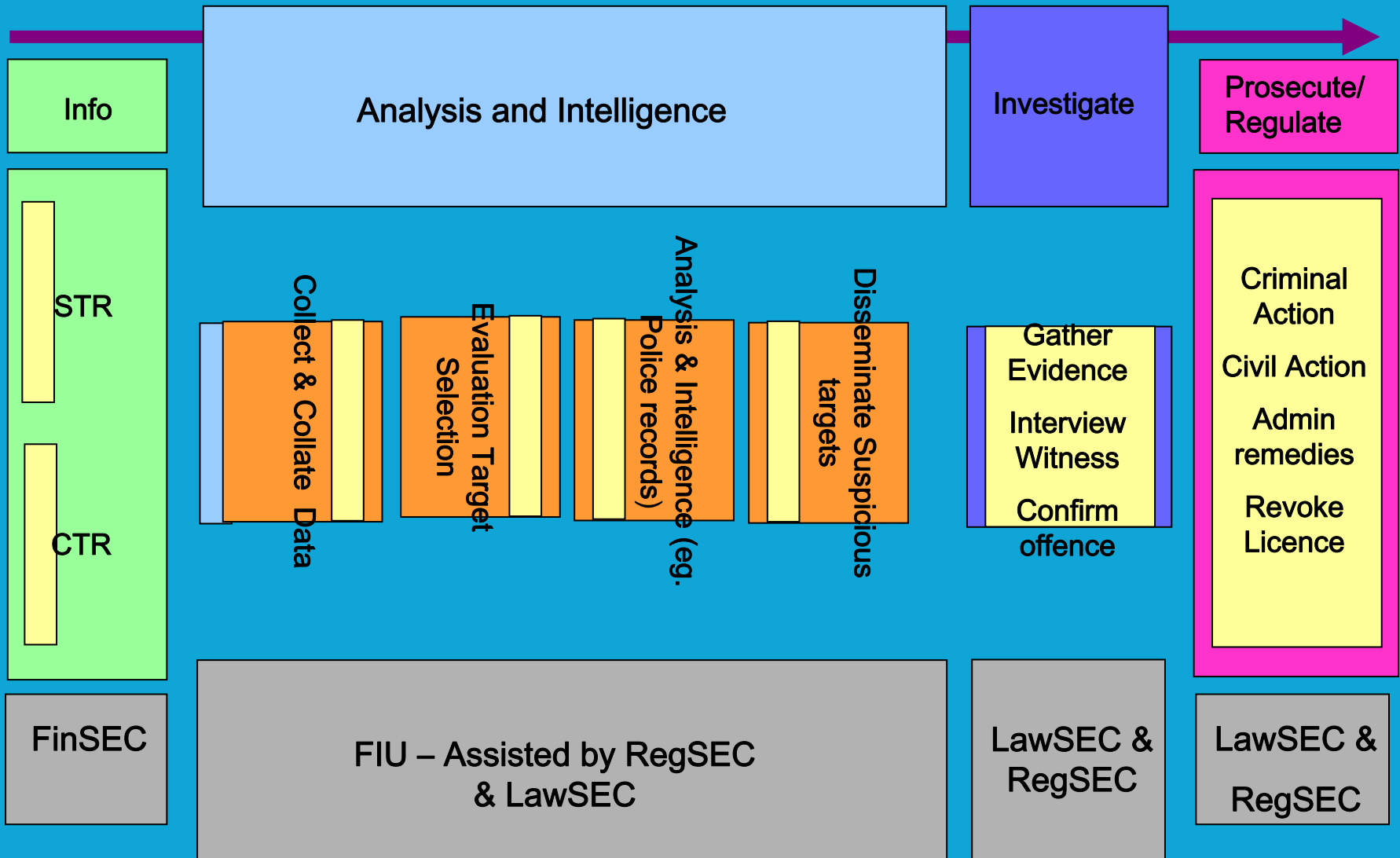
## Essential Elements

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### 4. International Cooperation

- Should be as broad as possible and cover as a minimum:
  - assistance for administrative matters i.e between financial market supervisory authorities( Banks, securities companies, insurance companies),
  - tax (fiscal), customs, police and
  - money laundering matters (FIU to FIU)

# From Start to Finish





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# Collaborative Efforts with NGOs





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*“The private sector should not lag behind Governments. Businesses must also prevent corruption within their ranks, and keep bribery out of tendering and procurement processes.”*

*Secretary-General, Ban Ki Moon, International Anti-Corruption Day on 9 December 2009*



## UNODC and NGOs

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- Role of private sector in combating corruption is crucial;
- COP3 adopted resolution 3/2 underscoring role private sector has to play in preventing and fighting corruption;
- Global Forum VI on Fighting Corruption & Safeguarding Integrity: “Strength in Unity: Public-Private Partnership to Fight Corruption” took place 7-8 Nov 2009 and preceded COP3:
  - Emphasis contribution private sector can make;
  - Explore how to forge alliances between private sector & donor community;
  - Outcome brought to attention of COP.



## GPML and NGOs

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- Engage NGOs mainly through work of mentors;
- Role of the Media:
  - Investigative journalism;
  - Important role of press releases – highlight positive developments & great tool to raise awareness of ML & asset recovery;
  - Reporting on AML cases.
- Manual on “Risk of ML Through Financial Instruments”:
  - Training of staff in financial institutions.



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# Important Role of Parliamentarians



## Role of Parliamentarians

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- ❖ Strong political will
- ❖ Legislative Harmonization
- ❖ Consistent, comprehensive & sustained strategy
- ❖ Promote informal assistance channels
- ❖ Promote non-conviction based confiscation



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## Thank You

Michiel van Dyk

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Global Programme against Money Laundering, Proceeds of Crime and the Financing of Terrorism (GPML)

