



## **Anti Money Laundering and Recovery of Assets: The Two Sides of the Coin**

### **BRIEFING NOTE**

Money laundering is a device for making funds obtained illegally accessible for the personal use of perpetrators without being traceable back to their illicit source – typically by transferring the funds across international borders to legitimate financial institutions. Money laundering empowers corruption and organized crime. Corrupt public officials need to be able to launder bribes, kick-backs, public funds and, on occasion, even development loans from international financial institutions. Organized criminal groups need to be able to launder the proceeds of drug trafficking and commodity smuggling. Terrorist groups use money laundering channels to get cash to buy arms. The social consequences of allowing these three groups access to the capacity to launder money can be disastrous.

The central concept of Anti-Money Laundering Initiatives (AMLI) is to reduce the motivation for economic crimes by making more difficult access to their proceeds. AMLI initiatives are important to discourage supply of funds to international terrorists and their organizations. Impeding the international flow of such funds reduces the means available to terrorists and identifying their sources discourages their funders.

The principal global initiative to reduce money laundering to date has been the formation of the Financial Action Task Force (FATF) in 1991. FATF is closely associated with the OECD and its members, and its secretariat is located in the OECD offices in Paris. It recommends 40 actions – currently being updated – for governments. These have been accepted by most OECD countries. The recommendations include:

- making money laundering a crime;
- requiring financial institutions to: know their clients; maintain records; and exercise due diligence regarding suspicious transactions; and
- requiring governments to: monitor cross-border transport of cash and report aggregate flows to the IMF and BIS (Bank for International Settlement); ensure financial institutions have appropriate capacity; and cooperate internationally on information, investigation and prosecution.

FATF also has a peer review process to assess the degree and quality of member's compliance with its recommendations. GOPAC is currently seeking observer status on the FATF as part of our efforts in ensuring parliamentary participation in the fight against money laundering.

Each region of the world faces a unique set of challenges when it comes to the fight against money laundering and the financing of terrorism. Participants in a previous GOPAC AML Seminar in East Africa identified in-country laundering of funds to be of particular concern whereas, in Latin America, money laundering as related to drug and weapons trafficking were identified. Despite these differences, it is abundantly evident that commonalities exist that can be used for future dialogue i.e. harmonization of legislation, repatriation of funds, technical cooperation amongst nations etc.

***Role of Parliamentarians:*** Parliamentarians can play a vital role through their influence on legislation, by vigorous oversight of government activity and support of parliamentary auditors, and perhaps most effectively through personal leadership. They can engage the public and help build the political will to act. However, to do so, they must understand how money laundering occurs and the mechanisms for its mitigation.

***Issues to Be Addressed in the Workshop:***

- Overview of money laundering and financing of terrorism trends and international initiatives to fight them.
- Representatives from the International Monetary Fund, the World Bank, the FATF and Egmont Group will speak to their organisations efforts in AML and their work with parliamentarians.
- The parliamentary panel will discuss how we might move the agenda forward.