

What Is Money Laundering?

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Goal of this presentation

- Define the problem of money laundering
- Describe its effects
- Outline certain counter-measures

The definition of money laundering

The reason for money laundering

If crime is committed for financial gain...
money laundering permits the criminal to
enjoy the profits of his crime

The concept of money laundering

- A process – usually financial
- Involves criminal proceeds
- Purpose is to disguise or conceal illegal origin

How money is laundered

- Placement
 - Funds are introduced into financial system*
 - Cash, electronic form...*
- Layering
 - Funds are processed by financial system*
 - Using traditional or non-traditional banking system*
- Integration
 - Funds are circulated and re-invested in system*
 - Connections to source no longer apparent*

The scope of money laundering

- Magnitude
- Touches most financial centres
- Stability factor
- Lack of oversight / ineffective measures

The effects of money laundering

Its effect on business

- Integrity depends in part on perception
- Possibility of complicity
- Prudential risks to soundness
- Contamination effect
- Increased volatility of capital flows

Its effect on economic development

- Attraction of weak or inadequate controls
- Differences in systems are exploited
- Postponing action is dangerous

Its effects on society at large

- Infiltration of financial services sector
- Control of sectors of the economy
- Corruption of public officials
- Allows underlying criminal activity to continue

Overview of Counter-measures

The international response

- United Nations
Vienna Convention (1988)
- Basle Committee
Statement of Principles (1988)
- Financial Action Task Force
Forty Recommendations (1990)

The Financial Action Task Force

- Created by G7 in 1989
- Purpose: to develop policy for national anti-money laundering programmes
- Forty Recommendations (1990)
- Mutual and self evaluation
- Now includes 29 member jurisdictions and 2 organisations

The Forty Recommendations

- Legislation
 - Criminalise money laundering*
 - Establish mechanisms for confiscation*
- Financial system
 - Customer identification*
 - Record keeping*
 - Suspicious transaction reporting*
- International co-operation
 - Formal and informal sharing of information*

Other initiatives

- United Nations
- Commonwealth
- European Union
 - Directive 91/308/EEC (1991)*
- Council of Europe
 - Strasbourg Convention (1990)*
 - PC-R-EV Committee (1997)*
- Offshore Group of Banking Supervisors
- Egmont Group of FIUs

FATF: current and future

- Non-cooperative countries & territories
- Review of the 40 Recommendations
- Money laundering typologies
- Self-assessment of FATF members
- Mutual evaluations

In summary

- Definition of money laundering
- Description of its effects
- Outline of counter-measures

For more information...

FATF website at: www.oecd.org/fatf

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