

Committee: United Nations Office on Drugs and Crime (UNODC)
Issue: Establishing National Legislations and Combative Methods in Regards to Implementing Measures Against Money-Laundering and Financing of Terrorism
Student Officers: Haya El Mahdi and Zeina Abdeldayem (UNODC President and Chair)

I. Introduction

Money laundering and financing of terrorism have always been detrimental and appalling matters present in most nations' economic systems and societies. Money laundering is defined as "the processing of criminal proceeds to disguise their illegal origin. This process is of critical importance, as it enables the criminal to enjoy these profits without jeopardizing their source."¹ The amount of negative effects that such actions have on our financial systems and global economy is detrimental. However, the UNODC cannot identify specific numbers for the amounts of money invested in crime and terrorism, where only rough numbers can be reported.² Other than that, the financing of terrorism and money laundering allows even more crime to occur, and promotes corruption in the national legal systems of all states around the globe.

Since the establishment of the United Nations Office on Drugs and Crime (UNODC) in 1997, its core purpose has been to eradicate crime. As money laundering and financing of terrorism promote such illicit actions, the UNODC must work to combat them. Consequently, the UNODC has established coherent and effective resolutions and conventions that have immensely helped in eradicating money laundering and financing of terrorism.³ However, with the developing nature of such criminal organizations and the evolution of technology, the UNODC and international organizations face great challenges and obstacles.

II. Involved Countries and Organizations [United States]

The U.S. dollar is the most powerful currency in the world. That's because it's backed by the country with the largest economy, the United States of America. For that reason, it's often used as a global currency. **Thus, happens large volumes of daily transactions through its banks which expose the U.S. to substantial money laundering.**⁴ It also encounters terrorist financing risks due to the unique openness and global reach of its financial system, and the direct threat terrorist groups pose to U.S. interests.⁵ According to the Anti Money-Laundering and Counter Terrorist-Financing Measures mutual evaluation report conducted on the United States in December 2016, it claims that **The United States of**

¹ "Money Laundering." *Money Laundering - Financial Action Task Force (FATF)*. FATF, n.d. Web. 22 Aug. 2017. <<http://www.fatf-gafi.org/faq/moneylaundering/>>.

² Brooks, Cheryl. "United Nations Office on Drugs and Crime." *Illicit Money: How Much Is out There?* UNODC, n.d. Web. 22 Aug. 2017. <http://www.unodc.org/unodc/en/frontpage/2011/October/illicit-money_-how-much-is-out-there.html>.

³ Anum-kofi, Baaba. "United Nations Office on Drugs and Crime." *United Nations Instruments and International Standards*. UNODC, n.d. Web. 06 Oct. 2017. <<https://www.unodc.org/unodc/en/money-laundering/Instruments-Standards.html?ref=menuaside>>.

⁴ "Anti-Money Laundering/Counter Terrorist Financing." *U.S. Department of State*. U.S. Department of State, n.d. Web. 21 Aug. 2017.

⁵ "United States' Measures to Combat Money Laundering and Terrorist Financing." *Documents - Financial Action Task Force (FATF)*. N.p., n.d. Web. 21 Aug. 2017.

America happens to be the dominating nation in regards to the combat of money laundering and the financing of terrorism. National coordination and cooperation on AML/CFT (Anti-Money Laundering/Combating Financing of Terrorism) have been improving; resulting in authorities investigating and prosecuting a wide variety of money laundering activity, in particular complex and high-dollar value criminal offences, persecuting over 1200 money laundering cases per year. With a considerable USD 4.4 billion confiscated by the government in 2014 through the investigation of money launderers, it is obvious that the government chooses to pursue high-value confiscations.⁶ Moreover, the **US directs immense efforts towards the area of financing of terrorism, as it prosecutes and convicts individuals for terrorist financing and is being the strongest advocator (especially when it comes to UN related issues) in combating the issue at hand.**⁷

[Democratic People's Republic of Korea (DPRK)]

North Korea has been accused for decades of earning money from illicit drugs, arms deals and financial scams that include counterfeiting high-quality dollar notes. Moreover, the FATF has blacklisted North Korea, along with Iran. They are identified by the FATF as being among 13 “high risk and non-cooperative jurisdictions”. As a result of such placement, blacklisting entails enhanced monitoring of and restrictions on financial access of North Korean financial institutions by the international financial system, according to Tristan Webb, former senior DPRK research analyst for the Foreign and Commonwealth Office of the United Kingdom. (Choi, *supra*.) In addition, according to article 34 of Resolution 2270 of the United Nations Security Council, adopted in March in response to North Korea's nuclear test of January 6, 2016, “States shall prohibit financial institutions within their territories or subject to their jurisdiction from opening new representative offices or subsidiaries, branches or banking accounts in the DPRK.” Thus, the **implemented sanctions have isolated North Korea, leaving it out of the international banking network.**⁸ **In an attempt to drop the sanctions and get back on the economic map,** on April 20, 2016, the Presidium of the Supreme People's Assembly of the DPRK issued a decree on the **adoption of the Law on Anti-Money Laundering and Combating Financing of Terrorism.** The Law's objective is the establishment of a national coordinating committee for anti-money laundering and combating financing of terrorism (AML/CFT) actions. Although the Law's adoption does not necessarily mean that North Korea will institute an open-door policy or aggressive economic reforms, “it does signify its desire to overcome international sanctions” that have prevented foreign financial organizations from seeking to enter the country.⁹

[Iran]

Iran has a large underground economy, spurred by restrictive taxation, widespread smuggling, sanctions evasion, currency exchange controls, capital flight, and a large Iranian expatriate community which makes money laundering and the financing of terrorism very likely and evident. The FATF (Financial Task Force) warned of Iran's failure to address the risks of terrorist financing, urging

⁶ "United States' Measures to Combat Money Laundering and Terrorist Financing." *Documents - Financial Action Task Force (FATF)*. N.p., n.d. Web. 21 Aug. 2017.

⁷ FATF (2016), *Anti-money laundering and counter-terrorist financing measures - United States*, Fourth Round Mutual Evaluation Report, FATF, Paris

www.fatf-gafi.org/publications/mutualevaluations/documents/mer-united-states-2016.htm

⁸ "North Korea Says Committed to Fighting Money Laundering, Terror Financing." *Reuters*. Thomson Reuters, 16 Jan. 2015. Web. 21 Aug. 2017.

⁹ Zeldin, Wendy. "Global Legal Monitor." *North Korea: Anti-Money Laundering and Anti-Terrorism Financing Law Adopted | Global Legal Monitor*. N.p., 19 May 2016. Web. 21 Aug. 2017.

jurisdictions around the world to impose countermeasures to protect their financial sectors from illicit finance emanating from Iran. In **1984, the Department of State designated Iran as a State Sponsor of Terrorism.** With all of this being said, Iran still **provides material support, including resources and guidance, to multiple terrorist organizations and other groups that undermine the stability of the Middle East and Central Asia,** such as “the Houthi group Ansarallah in Yemen, the Asad regime in Syria, and multiple Shia militia groups in Iraq. Hamas, Lebanese Hizballah, and the Palestinian Islamic Jihad (PIJ) maintain representative offices in Tehran, in part to help coordinate Iranian financing and training.” Nonetheless, Iran has used its national banks to continue funding terrorist organizations and finance its nuclear and ballistic missile programs. Consequently, numerous world’s leading financial institutions have chosen to boycott Iranian banks. In March 2012, **the Society of Worldwide Interbank Financial Telecommunication (SWIFT) removed Iranian financial institutions from its network,** curtailing the institutions’ ability to send and receive international wires, in order to comply with EU sanction violations that have been imposed on Iran.¹⁰

[The International Monetary Fund (IMF)]

The IMF is quite a known organization when it comes to the combat of money laundering and finance of terrorism. After the tragic events of September 11, 2001, the IMF intensified its anti-money laundering (AML) activities and extended them to include combating the financing of terrorism (CFT). **With its great significance and successful effort in combating money laundering, the AML/CFT program has evolved and is being updated and revised over the years, and has been the core framework for nation states to implement to try and combat the issue at hand. In 2004, the Executive Board agreed to make AML/CFT assessments and capacity development a regular part of IMF work.** The AML/CFT program takes measures against money laundering and the financing of terrorism, as it is designed to prevent the misuse of the financial system. They call for the detection, reporting, and confiscation of suspicious financial flows and for sanctioning of criminals. These efforts have been part of the Fund’s work for almost two decades, from analysis and policy advice, to country assessments against AML/CFT standards, to building institutional and operational capacity.¹¹ In 2014, the IMF’s Executive Board reviewed the Fund’s AML/CFT strategy and gave strategic directions for the work ahead.¹²

[The Financial Action Task Force on Money Laundering (FATF)]

A 37-member inter-governmental body established by the 1989 G7 Summit in Paris, FATF has chief responsibility for developing a worldwide standard for AML/CFT, working with other key international organizations, such as IMF, the World Bank, the United Nations. **To help national governments implement AML/CFT regimes, the FATF issued a list of recommendations that set out a basic, universally applicable framework of measures covering the “criminal justice system, the financial sector, certain non-financial businesses and professions, transparency of legal persons and arrangements, and mechanisms of international cooperation.”**¹³ In 2014, The IMF Board endorsed the revised the FATF recommendations and assessment methodology, as the IMF staff conducted its first five evaluations to evaluate the implementation of the recommendations (with Belgium, Norway, Spain,

¹⁰“Iran.” *U.S. Department of State*. U.S. Department of State, n.d. Web. 21 Aug. 2017.

¹¹Lagarde, Christine. “Stepping Up The Fight Against Money Laundering And Terrorist Financing.” *The Huffington Post*.

¹²“The IMF and the Fight Against Money Laundering and the Financing of Terrorism.” *IMF*. N.p., 31 May 2017. Web. 21 Aug. 2017.

¹³Ibid.

Australia and Malaysia). It also led the assessments of Italy and Canada and is currently conducting assessments of Mexico and Colombia.¹⁴

III. Focused Overview of the Issue

1) Sub topic 1: Explaining money laundering and financing of terrorism

[Sub-Sub Topic 1.1: How does money laundering and financing of terrorism occur (cycle/process)]

For starters, money laundering and financing of terrorism must be defined properly, for the matter must be discussed with extreme precaution and diligence. **Money laundering is defined by the UNODC as “the method by which criminals disguise the illegal origins of their wealth and protect their asset bases, so as to avoid the suspicion of law enforcement agencies and prevent leaving a trail of incriminating evidence.”**¹⁵ Additionally, financing of terrorism is described by the UNODC as follows: **“Money for terrorists is derived from a wide variety of sources. While terrorists are not greatly concerned with disguising the origin of money, they are concerned with concealing its destination and the purpose for which it has been collected. Terrorists and terrorist organizations therefore employ techniques similar to those used by money launderers to hide their money.”**¹⁶

With that said, money laundering and financing of terrorism follow a very detailed process to conceal the criminals’ money from the hands of legal officials. **For money laundering, the UNODC defines the process/cycle by three particular steps: placement, layering and integration. Placement the first step in the process, is basically when the terrorist gather the money collected from the illicit activities they performed, which is referred to as “dirty money”.** After this “dirty money” is collected, the terrorist or criminal makes sure that that this money is well integrated into the financial system by utilizing several methods. **Some of the methods used to integrate “dirty money” into financial systems are referred to in banks as “suspicious actions/activities” that banks or financial services use as a trail to detect acts of money laundering and financing of terrorism.** To elucidate, Operation Green Quest, a US agency for combating the financing of terrorism established in October 2001, distinguished some of these suspicious actions occurring in financial systems for evidence of money laundering and financing of terrorism:

“Account transactions that are inconsistent with past deposits or withdrawals such as cash, cheques, wire transfers, etc. Transactions involving a high volume of incoming or outgoing wire transfers, with no logical or apparent purpose that come from, go to, or transit through locations of concern, that is sanctioned countries, non-cooperative nations and sympathizer nations. **Unexplainable clearing or negotiation of third party cheques and their deposits in foreign bank accounts.** Structuring at multiple branches or the same branch with multiple activities. Corporate layering, transfers between bank accounts of related entities or charities for no apparent reasons. **Wire transfers by charitable organisations to companies located in countries known to be bank or tax havens.** Lack of apparent fund raising activity, for example a lack of small cheques or

¹⁴ "The IMF and the Fight Against Money Laundering and the Financing of Terrorism." *IMF*. N.p., 31 May 2017. Web. 21 Aug. 2017.

¹⁵ Maio, Susannah. "United Nations Office on Drugs and Crime." *Introduction to Money-Laundering*. UNODC, n.d. Web. 22 Aug. 2017. <<https://www.unodc.org/unodc/en/money-laundering/introduction.html?ref=menuaside>>.

¹⁶ Ibid.

typical donations associated with charitable bank deposits. Using multiple accounts to collect funds that are then transferred to the same foreign beneficiaries. Transactions with no logical economic purpose, that is, **no link between the activity of the organization and other parties involved in the transaction.** Overlapping corporate officers, bank signatories, or other identifiable similarities associated with addresses, references and financial activities. Cash debiting schemes in which deposits in the US correlate directly with ATM withdrawals in countries of concern. Reverse transactions of this nature are also suspicious. Issuing cheques, money orders or other financial instruments, often numbered sequentially, to the same person or business, or to a person or business whose name is spelled similarly.”¹⁷

The following step taken towards “legitimizing” this “dirty money” is layering. Layering is a more difficult and complicated step than Placement. **Layering is establishing a so-called company and creating a bank account for this company. After the company’s bank account is established, the criminal(s) or terrorist(s) ask the bank to make a wire transfer disguised as this company to an offshore bank that is referred to as a “tax haven” or “bank haven”.** Such banks, referred to as “bank havens”, have very limited policies or regulatory checkups made that allow such money to slip into their financial systems. Lastly, after the money has been transferred to an offshore bank, the money is loaned to another fake company owned by the same criminals, with the purpose to diverge any officials tracking their money.

Finally, the last step in the process of money laundering is referred to as “Integration”. Integration in this case is meant to imply that this “dirty money” that has been obtained in the past from illicit activities is now considered “legitimate”. The money is invested into licit activities and financial services such as stocks (financial investments), banks, real estate, or luxury items (commercial investments). However, this is a model for the money laundering schemes that have been performed in the past. Currently, there may be other methods that have been utilized by such criminals that are yet to be detected. This process or cycle is just a model or the closest officials and the United Nations have been able to, cooperatively, detect.

¹⁷ "Money Laundering and Financial Crimes - Part 1." *U.S. Department of State*. U.S. Department of State, n.d. Web. 22 Aug. 2017. <<https://www.state.gov/j/inl/rls/nrcrpt/2002/html/17952.htm>>.

Figure 1- *A Typical Money Laundering Scheme*. Digital image. *UNODC*. UNODC, n.d. Web. 22 Aug. 2017. <http://www.unodc.org/images/money-laundering/money_laundersing_scheme_big.jpg>.

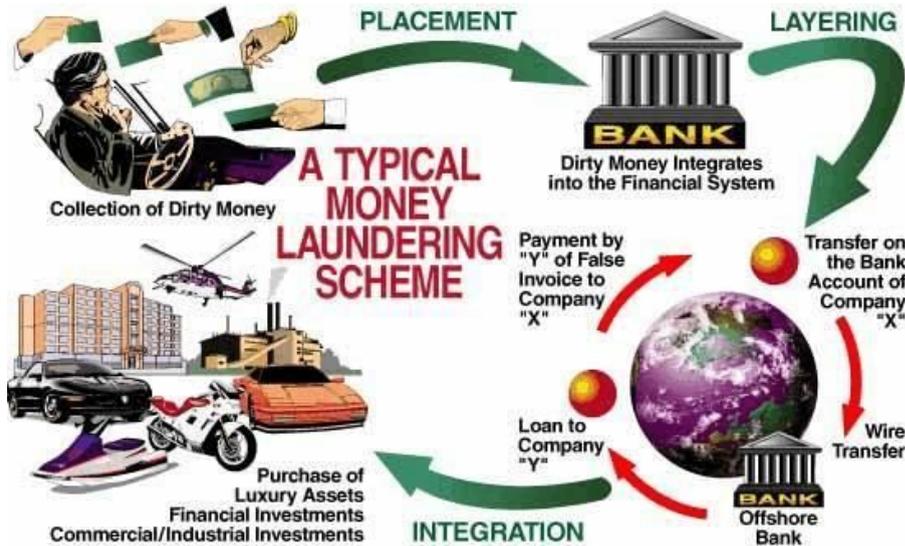


Figure 1 - The cycle of Money Laundering by the UNODC.

[Sub-Sub Topic 1.2: Where does money laundering and financing of terrorism occur]

Money laundering and financing of terrorism can practically happen anywhere around the world. However, criminals or terrorists tend to choose their locations very strategically and according to several factors. **First of all, money laundering cannot be transferred through financial services in a country with an unstable economy. Investing this “dirty money” into a stable economy will allow some time for the terrorist or the criminal to go through the process of laundering their money (placement, layering and integration), as the process or cycle of money laundering is a very complicated and time-consuming one.** Therefore, having a stable economy assures such criminals that the value of their money is not lost whilst they’re keeping it in their fake bank accounts and figuring out the logistics of financing more terrorist or criminal actions. Consequently, the location of money laundering and financing of terrorism depends on the stage of laundering they have reached.

To expound, when undergoing the first step—placement—the location will most probably be close to the source of funds or the illicit activities they have obtained the money from. **In this step, the terrorist(s) or the criminal(s) are eager to move the money as fast as possible to avoid having the officials link the money to the illicit activities occurring in the same country.** However, during the second step—layering—the funds are being moved to another located by wire transferring. **The location where such money is transferred to is “an offshore financial centre, a large regional business centre, or a world banking centre – any location that provides an adequate financial or business infrastructure.** At this stage, the laundered funds may also only transit bank accounts at various locations where this can be done without leaving traces of their source or ultimate destination.”¹⁸ **Lastly, the final step—integrating—requires a location where the laundered money can be invested easily, especially if the amount of laundered money is a huge sum. The laundered money will require an economy with**

¹⁸ Money Laundering." *Money Laundering - Financial Action Task Force (FATF)*. FATF, n.d. Web. 22 Aug. 2017. <<http://www.fatf-gafi.org/faq/moneylaundering/>>.

several and variable investment opportunities and a stable economy with a stable exchange rate (XRT). As a result, this laundered money will be invested in several investments and divided upon them but will in the end return to the same bank account owned by these terrorist(s) or criminals(s) to further finance their illicit activities and criminal/terrorist organizations.

2) Sub Topic 2: The cause of money laundering and financing of terrorism.

Money laundering and financing of terrorism have been present in our economic systems and societies due to the excessive amount of money obtained from illicit activities performed through transnational organized crime, terrorist or criminal organizations and individual criminals or terrorists. Furthermore, there are many indirect causes which contribute by simply facilitating the process, **the first of which is the absence of legislation in the nation/country where the money laundering and financing of terrorism has occurred.** Legislation that provides loopholes or isn't upgraded to international standards allows the criminal or terrorist to use their money to finance their illicit activities or launder their money. Similarly, **money laundering and financing of terrorism are sometimes used as a means to evade taxes. Evasion of taxes is a popular crime amongst criminals, business moguls and terrorists, where they wire transfer their money to countries with banks having less taxes applied on their income.** In this case, money laundering is key for the process of tax evasion.

Most importantly, the incentives behind most illicit activities is to gain and maximize their profits as much as possible. Most criminals and terrorists find the legitimate process and licit activities very time-consuming and more difficult when it comes to increasing their profits, compared to terrorist or criminal activities. For instance, in the 2009 report by the UNODC, it is reported, roughly, that "the total amount of criminal proceeds generated in 2009, excluding those derived from tax evasion, may have been approximately \$2.1 trillion, or 3.6 per cent of GDP in that year (2.3 to 5.5 per cent). Of that total, the proceeds of transnational organized crime - such as drug trafficking, counterfeiting, human trafficking and small arms smuggling - may have amounted to 1.5 per cent of global GDP, and 70 per cent of those proceeds are likely to have been laundered through the financial system."¹⁹ To further expound, there are certain illicit activities that provide criminals or terrorists with great amounts of profit, such as: human trafficking, arms trafficking, drug trafficking, corrupt practices and activities with national officials, terrorism, theft, etc. **However, the main reason behind money laundering and financing of terrorism is to help facilitate a process for "black/dirty" money to appear as "white/legitimate" money. Similarly, money laundering is a process meant for limiting, as much as possible, the amount of exposure such criminals and terrorists can receive by national Financial Intelligence Units (FIUs).**²⁰

3) Sub Topic 3: The impact and disadvantages of money laundering on economic systems and on our society.

As mentioned before, money laundering and financing of terrorism have extensively impacted the global economy, national financial systems, and societies. In the UNODC report mentioned above, it is said that: **"the total amount of criminal proceeds generated in 2009, excluding those derived from**

¹⁹ Brooks, Cheryl. "United Nations Office on Drugs and Crime." *Illicit Money: How Much Is out There?* UNODC, n.d. Web. 22 Aug. 2017. <http://www.unodc.org/unodc/en/frontpage/2011/October/illicit-money_-how-much-is-out-there.html>.

²⁰ Money Laundering." *Money Laundering - Financial Action Task Force (FATF)*. FATF, n.d. Web. 22 Aug. 2017. <<http://www.fatf-gafi.org/faq/moneylaundering/>>.

tax evasion, may have been approximately \$2.1 trillion, or 3.6 per cent of GDP in that year (2.3 to 5.5 per cent). Of that total, the proceeds of transnational organized crime - such as drug trafficking, counterfeiting, human trafficking and small arms smuggling - may have amounted to 1.5 per cent of global GDP, and 70 per cent of those proceeds are likely to have been laundered through the financial system.”²¹

Money laundering and financing of terrorism have lots of negative effects on businesses around the globe. **Firstly, a bank or financial service’s integrity and reputation is its most important asset, where the marketplace will not accept banks or financial providers with a suspicious background.** Since it is very difficult for banks and financial services to track consistently the origin of the money they obtain through their customers, several scenarios can occur allowing such “dirty money” to enter the financial system and integrate into it, posing a threat to such services’ integrity. **One of those scenarios is that an employee or a director could accept bribes, and therefore allow money into the bank or the financial service.** With that said, the bank can be accused of performing such illegal actions and can be included in the fines and consequences the criminal or criminal organization has committed. **Therefore, money laundering and terrorism financing can lead to placing businesses in jeopardy by breaking legal, professional and ethical standards.**

Moving on, as mentioned before, terrorism financing and money laundering lead to a lot of consequences on the national and global economies. **There are several macroeconomic consequences, such as the sudden changes in money demand that can occur by funding terrorism. Terrorism funding/financing allows the terrorist or criminal to abruptly transfer huge sums of money to another country or take them as cash.** Whenever large sums of money are extracted from banks or financial services, the country experiences an unexpected rise in the money demand, which tends to obstruct other processes in the working and cause inconveniences. **Other than that, the financial legal transactions are said to be “contaminated” whenever laundered or terrorism funding money integrates into the financial system.** Such a consequence leads to problems for the banks and financial services with the national authorities and may lead to false accusations.

Additionally, the financing of terrorism and money laundering leads to prominent risks to banks, whenever a bank examination of soundness occurs. A bank examination is basically “An evaluation of the safety and soundness of a bank. The primary focus is an examination of the bank’s assets and liabilities, but the exam also commonly includes a review of its adherence to regulations and standards, its compliance with various laws - such as truth-in-lending - and an examination of its electronic data processing systems.”²² With that said, **such illicit money transfer can lead to a lot of risks for the bank’s soundness. Moreover, with the inexplicable and sudden wire transfers, the international capital flows experience increased volatility and instability, which gives false signals on international capital flows, hence causing more inconveniences and financial turmoil.** Lastly, by accepting corruption and crime in our society, the ideals and standards that were once adhered to by the people will be no longer followed. The entire society will look down and undermine the rule of the law

²¹ Brooks, Cheryl. "United Nations Office on Drugs and Crime." *Illicit Money: How Much Is out There?* UNODC, n.d. Web. 22 Aug. 2017. <http://www.unodc.org/unodc/en/frontpage/2011/October/illicit-money_-how-much-is-out-there.html>.

²² "Bank Examination." *Investopedia*. Investopedia, n.d. Web. 22 Aug. 2017. <<http://www.investopedia.com/terms/b/bank-examination.asp>>.

and their democracies and governments, due to the evidence of corruption and crime present in their nations.

IV. Key Vocabulary

1. **Money laundering:** the process of “legitimizing” money that has been illegally gained from illicit actions by wiring the money into the financial system and then integrating it into legitimate businesses and financial services. To emphasize, the UNODC recognizes the process of money laundering as a cycle that goes as follows: placement, layering and integration in the briefest manner possible. However, money laundering can occur using several and different strategies.²³
2. **Terrorism financing:** Sources of finance utilized by terrorists to fund illicit actions such as: illegal arms’ sales, human trafficking, drug trafficking, etc.²⁴
3. **Asset forfeiture and asset recovery:** the process of the national authorities or the government confiscating assets from a suspected convict. In context, the UNODC utilizes the concepts of asset forfeiture and recovery to combat money laundering and financing of terrorism, as it does not allow the criminal or terrorist to further proceed with their illicit actions.²⁵
4. **National legislation:** A legislation is a set of laws created towards a specific purpose to be able to be utilized effectively in the judicial branch. However, a national legislation is the set of laws set and adhered to by the national officials and the government cooperatively. In context, the UNODC aims to align international and the United Nations standards with national legislations and policies in regards to illicit trafficking, drug smuggling, money laundering and financing of terrorism. The Global Programme and the Model Legislation aim to achieve such a goal, but by altering the standards according to each country’s nature.²⁶

V. Important Events & Chronology

²³ Maio, Susannah. "United Nations Office on Drugs and Crime." *Introduction to Money-Laundering*. UNODC, n.d. Web. 22 Aug. 2017. <<https://www.unodc.org/unodc/en/money-laundering/introduction.html?ref=menu-side>>.

²⁴Ibid.

²⁵ Golubovic, Vladan. "United Nations Office on Drugs and Crime." *Money-laundering, Financing of Terrorism and Asset Forfeiture*. UNODC, n.d. Web. 22 Aug. 2017. <<https://www.unodc.org/southeasterneurope/en/money-laundering-financing-of-terrorism-and-asset-forfeiture.html>>.

²⁶ "Legislation - Dictionary Definition." *Vocabulary.com*. Vocabulary, n.d. Web. 06 Oct. 2017. <<https://www.vocabulary.com/dictionary/legislation>>.

1990	The Financial Action Task Force (FATF) established the 40 Recommendations for improving national legal systems, enhancing the role of the financial sector and intensifying cooperation in the fight against money-laundering. ²⁷
1997	Law Enforcement, Organized Crime and Anti-Money-Laundering Unit of UNODC is responsible for carrying out the Global Programme against Money-Laundering, Proceeds of Crime and the Financing of Terrorism ²⁸
1998	UN Convention against the Illicit Traffic in Narcotic Drugs and Psychotropic Substances is the first international convention which criminalizes money-laundering ²⁹
2000	International Convention for the Suppression of the Financing of Terrorism was established which requires nations to take measures to protect their financial systems from being misused by persons planning or engaged in terrorist activities. ³⁰
2003	UN Convention Against Transnational Organized Crime. ³¹
2006	Resolution 60/288 of the UN General Assembly (20 Sept 2006), stresses the importance of the implementation of the FATF 40 Recommendations and the 9 Special Recommendations on terrorist financing. ³²

VI. Past Conventions and Resolutions

Regarding the issue at hand, there are copious resolutions and conventions which aimed to pave the way for a world free of money laundering and finance of terrorism. Starting with the conventions; **The 1988 United Nations Convention against the Illicit Traffic in Narcotic Drugs and Psychotropic Substances** is the first international legal instrument which criminalizes money-laundering.

In 2002, the **International Convention for the Suppression of the Financing of Terrorism** was established, calling upon Member States to take measures to protect their financial systems from being misused by persons planning or engaged in terrorist activities.

²⁷ "Money Laundering and the Financing of Terrorism." *Money Laundering and the Financing of Terrorism - The Egmont Group*. N.p., n.d. Web. 21 Aug. 2017.

²⁸ Christopher.elkhazen. "United Nations Office on Drugs and Crime." *UNODC and Money-Laundering/Countering the Financing of Terrorism*. N.p., n.d. Web. 21 Aug. 2017.

²⁹ "Money Laundering and the Financing of Terrorism." *Money Laundering and the Financing of Terrorism - The Egmont Group*. N.p., n.d. Web. 21 Aug. 2017.

³⁰Ibid.

³¹Ibid.

³²Ibid.

Nonetheless, two vital conventions which tackled **money**-laundering offences and aimed to criminalize such act and put it in the category of “serious crimes” which differed from the past circumstances in which only criminalized money laundering in circumstances dealing with illicit drug trafficking. **The Convention Against Transnational Organized Crime (2003) and The Convention Against Corruption (2005)** oblige nations to compile a comprehensive domestic supervisory and regulatory framework for banks and non-bank financial institutions, for persons and entities susceptible to being involved in any money-laundering schemes. The Conventions also call for the establishment of Financial Intelligence Units (FIUs).³³

As for resolutions, In September 2001 **after the tragic event of September 11, the UN Security Council adopted Resolution 1373**, which declared obligations on nations, such as the “prevention and the suppression of the financing of terrorist acts, the criminalization of terrorism-related activities and of the provision of assistance to carry out those acts, the denial of funding and safe haven to terrorists and the exchange of information to prevent the commission of terrorist acts.” In the same resolution, the Council also established the Counter-Terrorism Committee (CTC) to monitor the implementation of the resolution.

In the consecutive years of 2005 and 2006, the Security Council Resolution adopted **resolution 1617 (2005)** while the General Assembly adopted [Resolution 60/288 \(2006\)](#), which stresses the importance of the implementation of the FATF 40 Recommendations and the 9 Special Recommendations on terrorist financing.³⁴

VII. Failed Solution Attempts

Despite the international community’s dedicating its efforts towards eradicating the issue of money laundering and the finance of terrorism, some of those efforts have fallen short. **The Basel Committee on Banking Supervision (BCBS)**, for example, has been established as an international committee for the regulation of the international banking system set up by the Central Banks of the Group of Ten (G-10) countries (United States, Germany, France, Sweden, Belgium, Canada, Italy, Japan, Netherlands and Switzerland). The BCBS has issued the Basel Statement of Principle to prevent the criminal use of banking system for the purpose of money laundering. However, such countries, especially Japan, continue to have serious money launder cases.³⁵ **Another failed attempted solution was the Prevention of Money Launder (PMLA) Act that was established in 2002.** This act aimed to prevent, control and combat money laundering activities, to seize the properties of those involved with money launder and deals with matters related to money laundering in general. However, due to its loophole structure and poor ratification by member states, the act was first amended in 2005 and later in 2009 and 2012, but still poses very little significance.³⁶ Another act that rusted along the years and is recognized as “outdated” is the **Unlawful Activities Prevention Act, 1967**, which was enacted to combat terrorist

³³ Ibid.

³⁴ Ibid.

³⁵ "AML : Combating Money Laundering and Financing of Terrorism." *Bankeredu - A Blog for Banker's Education*. N.p., 04 Apr. 2017. Web. 21 Aug. 2017.

³⁶Jain, Rajat. "Prevention Of Money Laundering Act, 2002 (PMLA) And Significance Of Reasons To Believe For Attachment Of Property - Government, Public Sector." *Prevention Of Money Laundering Act, 2002 (PMLA) And Significance Of Reasons To Believe For Attachment Of Property - Government, Public Sector - India*. Vaish Associates Advocates, 29 Apr. 2016. Web. 21 Aug. 2017.

financing by preventing the entry or transit of funds or resources belonging to people or entities who are suspected to be or engaged in terrorist activities.³⁷

VIII. Possible Solutions

- To further strengthen the capacity of each Financial Intelligence Unit (FIU) present in all member states.
- The UNODC should help in assisting member states in cooperating with international organizations. This will help each member state with improving and upgrading their FIUs, databases and expertise.
- Call upon the United Nations to further its cooperation with more international organizations that can help facilitate and align the UN's standards with national legislations of all member states (using the Global Programme).
- Establish a process by which illicit proceeds are confiscated from corrupt officials, criminals, terrorists, traffickers, organized criminal organizations, etc.
- Member states should identify faulty organizations that have a high crime-terror nexus points. Accordingly, eradicating them completely by cutting off their resources, finances and proceeds.
- Utilize the UNODC's efforts in enhancing the Global Programme established by the UNODC by aligning their legislations to the UN's and international standards to assist the member states in confiscating such illicit proceeds and improving their databases, operational and strategic methods used.
- To fund and strengthen the capacity of judicial bodies and legal authorities in all member states that are in charge of criminalizing such actions. Moreover, provide technical assistance and expertise by the United Nations (UN).

IX. Useful Links

- **Maio, Susannah. "United Nations Office on Drugs and Crime." *Introduction to Money-Laundering*. UNODC, n.d. Web. 22 Aug. 2017. <<https://www.unodc.org/unodc/en/money-laundering/introduction.html?ref=menuside>>. - This article on the UNODC website explains explicitly what money laundering and financing of terrorism is. It properly outlines the objectives and purposes of such terrorist organizations or criminals when it comes to such a matter.**
- **"Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT)." *Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT)*. IMF, n.d. Web. 06 Oct. 2017. <<https://www.imf.org/external/np/leg/amlcft/eng/>>. - Provides a proper and summarized idea of the International Monetary Fund's (IMF) efforts to combat money laundering and the financing of terrorism. They established the Anti-Money Laundering (AML)/Combating The Financing Of Terrorism (CFT) program as an effective tool to help support such a cause. The website describes their objectives and also why money laundering and financing of terrorism are extremely dangerous for our economic systems and our societies.**

³⁷ "AML : Combating Money Laundering and Financing of Terrorism." *Bankeredu - A Blog for Banker's Education*. N.p., 04 Apr. 2017. Web. 21 Aug. 2017.

- **"Europe's Crime-terror Nexus: Links between Terrorists and Organized Crime Groups in the European Union."** *Europe's Crime-terror Nexus: Links between Terrorists and Organized Crime Groups in the European Union* (2012): 1-66. Web. 6 Oct. 2017. <[http://www.europarl.europa.eu/RegData/etudes/etudes/join/2012/462503/IPOL-LIBE_ET\(2012\)462503_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/etudes/join/2012/462503/IPOL-LIBE_ET(2012)462503_EN.pdf)>. - This document by the European Union (EU) provides a strategic and conceptual background on how organized crime and terrorism are linked. This paper is a study of to what extent they are linked and is referred to as the crime-terror nexus points that determine the linkage.
- **Cao, Nancy.** "United Nations Office on Drugs and Crime." *Money-Laundering Links*. UNODC, n.d. Web. 22 Aug. 2017. <<https://www.unodc.org/unodc/en/money-laundering/links.html?ref=menuaside>>. - This article on the UNODC website is extremely helpful and effective, as it lists a great deal of international organizations combating money laundering and financing of terrorism. In addition, it links to all or most member states that have financial intelligence units that contributed to the matter. For each country, there is a link to a website explaining their contributions to the matter.

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- "Anti-Money Laundering/Counter Terrorist Financing." *U.S. Department of State*. U.S. Department of State, n.d. Web. 21 Aug. 2017.
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