

BUFF/01/52

April 12, 2001

**Statement by the Managing Director on
Enhancing Contributions to Combating Money Laundering—Policy Paper
Executive Board Meeting 01/38
April 13, 2001**

1. Money laundering poses a threat to the functioning of both national financial sectors and to the international financial system as a whole. Moreover, as money laundering operates in most cases across national borders, it is clearly an area in which effective action will require international cooperation. Thus, it is clear that the Fund needs to play an active role in the international efforts to fight money laundering. The issue before the Board today is therefore how—not whether—the Fund can contribute more effectively to this effort.
2. The Fund and the World Bank are already active in this area, through our expanded financial sector assessment program and our work on standards and codes. These activities can make an important contribution to the prevention of financial crime, and money laundering in particular, by helping our members to adopt appropriate legal, institutional, and procedural arrangements and develop more efficient supervisory systems.
3. But I am convinced that the Fund can and should do more to help in the international effort to combat money laundering. The staff paper you have received proposes ways to achieve this, by stepping up the Fund's preventive role, while recognizing that law enforcement matters are beyond the scope of the Fund's mandate and expertise.
4. First, the Fund in close cooperation with the Bank must deepen the focus on all relevant anti-money laundering elements in the assessment and implementation of standards, particularly the Basel Core Principles for Banking Supervision and the standards for insurance and securities markets. For this purpose, the proposal is to make more intensive and systematic use of our Financial Sector Assessment Programs, our OFC assessments, and our TA programs. Staff will report explicitly and in greater depth on compliance with anti-money laundering elements of these supervisory standards. And a new methodology will be developed to ensure both comprehensiveness and uniformity of these assessments. Ultimately, the objective should be to incorporate all relevant anti-money laundering elements as a specific module into the ROSC and FSAP process.
5. Second, a more effective fight against money laundering calls for more effective collaboration: with the Financial Action Task Force, with the regional anti-money laundering groups, and also with relevant UN agencies. We recognize the value of the FATF 40 Recommendations, and believe that the Fund should work more closely with the FATF. This includes a working process to secure a broad consensus on anti-money laundering criteria

among the international community, which can be applied even-handedly across the Fund's membership.

6. Third, we need to do more to help members strengthen their anti-money laundering defenses. In order to make the international efforts to combat money laundering more efficient, developing and emerging market countries need support to enable them to implement the appropriate measures. The developed countries should make the necessary resources available and contribute needed expertise. And the enhanced activities of the Fund in this area have resource implications for the Fund itself that will need to be addressed.

7. This statement has dealt mainly with the prevention of money laundering, in which the Fund and Bank can play a major role. Actions in the area of criminal law enforcement (in which Directors have indicated that Fund involvement would not be appropriate) is at least as important—and the fact that seizures tend to be modest by comparison with the large profits generated from serious crime makes it clear that there needs to be a stronger effort in this difficult area as well. Efforts on both of these fronts will require more effective action at the national level. And they will also require strengthened international cooperation among the many national and international agencies involved.

8. There is evidence that money laundering often involves the major financial centers. This is why it is so important that the major industrial countries take decisive action and lead by example—by adapting their own legislation and supervisory practices to rapidly-changing practices in global financial markets; through more effective cooperation among the relevant supervisory bodies and agencies involved in the effort to combat money laundering, as well as improved cross-border cooperation; and by strengthening enforcement in their jurisdictions.