

SM/01/46
Correction 1

September 20, 2001

To: Members of the Executive Board

From: The Secretary

Subject: **Financial System Abuse, Financial Crime and Money Laundering—
Background Paper**

The attached corrections to SM/01/46 (2/12/01) have been provided by the staff:

Page 29, last para., line 1: for “Set up in 1984” read “Set up in 1986”
line 2: for “In 1998,” read “In 1992,”

Questions may be referred to Mr. H. Evans (ext. 34918) and Mr. Gajdeczka (ext. 37124).

Att: (1)

Other Distribution:
Department Heads

4. Multilateral Organizations Not Affiliated with the FATF

Commonwealth Secretariat

The Commonwealth Secretariat, while not principally involved in money laundering issues, has prepared a Model Anti-Money Laundering Law, designed primarily for use in Commonwealth countries.

Financial Stability Forum

The FSF was convened in April 1999 to promote international financial stability through information exchange and international co-operation. In March and April 2000, the *FSF Working Group on Offshore Financial Centers* issued a report on the role of OFCs with respect to global financial stability. Among the market integrity standards four are relevant to money laundering, including access to and sharing of financial information and transparency of ownership structures. The FSF also published a classification of OFCs by the perceived quality of supervision and the degree of cooperation, in part to establish priority jurisdictions for assessment.⁵⁰ The FSF has called on the Fund to take responsibility for developing, organizing, and carrying out a process for assessing OFCs' adherence with these and other standards.⁵¹

In September 2000, the FSF and the Basel-based Financial Stability Institute hosted a seminar on *Cooperation and Information Sharing Among Supervisory Authorities* with experts from onshore and offshore financial centers. Fund staff participated in the seminar and provided an overview of the Fund's assessment and assistance program for OFCs.⁵²

Inter-American Drug Abuse Control Commission (CICAD)

Set up in ~~1984~~ 1986 as an autonomous agency of the Organization of American States (OAS), CICAD is primarily involved in coordinating anti-drug programs of the OAS. In ~~1998~~ 1992, it published a model anti-money laundering law entitled Model Regulations Concerning Laundering Offenses Connected to Illicit Drug Trafficking and Related Offenses.

⁵⁰ FSF Press Release of May 26, 2000, *Grouping of Offshore Financial Centers*, available at www.fsforum.org.

⁵¹ OFC issues were discussed by the Executive Board on July 10, 2000, and a voluntary exercise of OFC assessments involving Fund staff is underway (see SM/00/136, Supplement 1 and BUFF/00/98).

⁵² See *Financial Stability Forum—An Update of Activities*, September 20, SM/00/244, October 27, 2000.

Interpol Bureau des Fonds Provenant d'Activités Criminelles (FOPAC)

FOPAC, a branch of the International Criminal Police Organization or Interpol, cooperates with police departments and multilateral organizations in gathering and disseminating information on the movement and laundering of proceeds of crime. It has also developed model legislation designed to make it easier to obtain the kind of evidence needed in criminal investigations and proceedings aimed at confiscation of the proceeds of crime, and is working with United Nations agencies (see below) to complete an automated compendium of information on the status of legislation and law enforcement in different countries. Jointly with FinCEN (the United States FIU), FOPAC is conducting studies in Eastern Europe and Asia on the status of emerging anti-money laundering legislation and investigations.

Offshore Group of Banking Supervisors (OGBS)

The OGBS was established in 1980 as a forum for supervisory cooperation among banking supervisors in OFCs, and comprises most of the larger offshore financial centers. It has participated in mutual evaluation exercises with regional anti-money laundering organizations, and provides some technical assistance with respect to the setting up of FIUs in OFCs.

United Nations Office for Drug Control and Crime Prevention (UNODC) and the United Nations Drug Control Program (UNDCP)

One of the early international initiatives on combating money laundering was the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (the “Vienna Convention”) adopted in 1988. While the Convention primarily focused on drug trafficking, it recognized that even those individuals or firms that are not directly involved in handling drugs but direct, finance, manage or profit from the criminal networks represent drug offenders. Signatories agreed to make money laundering a criminal offense and to eliminate obstacles to the effective investigation of money laundering. The Convention also emphasized the importance of international cooperation and exchange of information to combat drug trafficking. The enforcement mechanism of the Convention was based on the enhanced mutual assistance and extradition process. Recognizing that the main obstacle to the enforcement of the Convention are differences across national legal systems, the United Nations subsequently developed the Model Treaty on Mutual Assistance in Criminal Matters and the Model Treaty on Extradition to bridge gaps between national legislations.

Although, like the CICAD, United Nations offices continue to be primarily concerned with narcotics, they have recently devoted increasing attention to money laundering. Most of the anti-money laundering work is undertaken by the UNODC’s Global Program Against Money Laundering, designed to monitor weaknesses in global financial systems related to money laundering, and to assist countries in criminal investigations by putting together a team of international investigators and providing technical advice for investigations. However, the UNDCP also funds technical assistance in anti-money laundering, and, along