

# Preface to the First Edition

Money laundering is a worldwide problem. It involves hundreds of billions of dollars that are laundered through international financial institutions. With increasing globalisation and liberalisation of financial systems, countries are becoming more vulnerable to the risks of money laundering and its contagious effects. The sheer scale of money laundering and the damage it causes warrant a strategic global approach. The work of the Financial Action Task Force (FATF) in formulating global policies to combat money laundering over the last 15 years has addressed the changing methods and techniques used by money launderers as they respond to evolving counter-measures. The FATF's original 40 Recommendations were drawn up in 1990 to combat the misuse of financial systems by persons seeking to launder dirty money, usually the proceeds of the narcotics trade and other criminal activities. In 1996, the Recommendations were revised for the first time to reflect evolving money laundering typologies. Following the terrorist attacks on the United States of 11 September 2001, the FATF issued a further nine Special Recommendations to combat terrorist financing, which sometimes involved the use of funds from legitimate sources for this illegitimate activity.

Following the increasingly sophisticated combination of techniques, such as the use of legal persons to disguise the true ownership and control of illegal proceeds and increased use of professionals to provide advice and assistance in laundering criminal proceeds, a comprehensive review of the Recommendations was undertaken and completed in June 2003. The process of revising the 40 Recommendations was extensive and open to FATF members, non-members, observers, financial institutions and other affected sectors and interested parties. The consultation process provided a wide range of inputs to the review. The Commonwealth Secretariat participated in the review process and the revised 40 Recommendations have been endorsed by the Commonwealth for implementation in all its member countries.

As part of its work in promoting good governance and combating corruption, the Commonwealth has over the years been in the forefront of international efforts to combat money laundering and terrorist financing, particularly through supporting its developing member countries in implementing comprehensive anti-money laundering (AML) and combating financing of terrorism (CFT) systems that comply with global standards. In 1996, the Secretariat developed generic Commonwealth Guidance Notes for the financial sector. The Guidance Notes were revised in 2000 and published as *A Model of Best Practice for Combating Money Laundering in the Financial Sector*.

It has been recognised that legislation alone is not enough to combat money laundering and terrorist financing; the financial sector and other associated businesses and professions must play a central and critical role. It is, therefore, essential for policy-

makers to include the financial sector and other associated businesses and professions in the development of AML/CFT legislation and regulations.

This publication is a revision of the 2000 Commonwealth publication, *A Model of Best Practice for Combating Money Laundering*. It incorporates the new international standard arising from the revised 40 Recommendations and the nine Special Recommendations on Financing Terrorism.

I hope that this manual will be helpful for policy-makers, regulators, financial institutions and professionals, especially those working in the law and accounting and in designated businesses such as real estate agents and dealers in precious metals. At the macro level, it is intended as a tool for policy-makers in developing legislation and regulations; at the micro level, it seeks to provide guidance to individual financial institutions, businesses and professionals on combating money laundering and terrorist financing.

The manual is divided into three main parts: the first deals with global issues, strategies and standards; the second with national issues and, in particular, national strategy formulation; and the third with financial and professional sector procedures.

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