

Preface

Money laundering is a world-wide problem. It has been reckoned that about \$600 billion, or 2 to 5 per cent of the world's gross domestic product, is laundered, even at the lowest estimate. It is a truly international problem and affects both large and small, and rich and poor, countries, industrial economies and international financial centres. With increasing globalisation and liberalisation of financial systems, countries are becoming more vulnerable to the risks of money laundering and its contagious effects. The problem calls for an international response, appropriate to the financial and economic realities of each country.

Over the past decade OECD's Financial Action Task Force on Money Laundering (FATF) has been developing a comprehensive set of policy recommendations which now provides a world standard. The Commonwealth has been in the forefront of international efforts to combat money laundering. It has endorsed the FATF's 40 Recommendations; organised several workshops on raising awareness of the scale and complexity of the problem; supported regional initiatives; and in this context played a catalytic role in the establishment of the Commonwealth Eastern and Southern Africa Anti-Money Laundering Group in August 1998. It has organised two self-evaluation exercises for the financial sector and has stressed the value of the self-evaluation tool in assisting internal monitoring of compliance with anti-money laundering laws and regulations. In 1996 it developed generic Commonwealth Guidance Notes for the financial sector. It was recognised that legislation alone is not enough to combat money laundering; the financial sector must play a central and critical role. It is therefore essential for policy makers to include the financial sector in the

development of legislation and regulation.

For good practice guidance notes to be effective, they need to be reviewed on a regular basis so that they reflect changing circumstances and experience. Many changes in global anti-money laundering standards have taken place since the publication of the Commonwealth's first guidance notes in 1996. The techniques and structures used by launderers are changing all the time as they try to circumvent preventive measures. Launderers are using increasingly sophisticated and complex ways of managing their financial affairs to legitimise assets, obscure profits and hide the identity of transferred funds. Increasingly they are using securities, derivatives and insurance products, as well as the services of intermediaries, to launder money. The internet and electronic money pose new and difficult challenges, as they enable funds to be moved around the world with relative ease and little trace.

I hope that this manual will be helpful for policy makers, regulators and individual financial institutions. At a macro level, it is intended as a tool for policy makers; at a micro level, it seeks to provide guidance to individual financial institutions on combating money laundering. It is divided into three main sections: the first deals with global issues, strategies and standards; the second with national issues and strategies; and the third with financial sector procedures.

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