

Background and Introduction

1.1 A Global Problem and Global Solutions

It is now over a decade since the first formal and concerted international action to combat money laundering was taken. Without effective international and regional co-ordination, it was recognised that there was little prospect of successful action to deprive criminals of the proceeds of their crimes. National economies also need to be protected from the harmful effects of crime and its financial rewards. Global, regional and national initiatives and strategies all have their part to play in this concerted effort to combat serious crime.

1.2 Development of Commonwealth Anti-Money Laundering Strategies and Policies

The development of Commonwealth anti-money laundering strategies dates back to 1993 when the Commonwealth Model Law was drafted. However, at a meeting of senior finance officials in June 1995, it was recognised that legislation alone was not enough to combat money laundering. Criminals need to launder the proceeds of their crimes through the financial sector, so its co-operation in combating money laundering is essential.

Commonwealth Finance Ministers, at their meeting in Kingston, Jamaica in October 1995, endorsed the Report on Money Laundering Issues and Actions produced by senior finance officials at their Colombo Meeting. Consequently, it was agreed to take action to follow up recommendations for the financial sector. Principal amongst these was the development of generic guidance notes setting out best practice in all areas covered by the legisla-

tion and offering examples of money laundering cases and potentially suspicious transactions.

As a result, Commonwealth Guidance Notes for the Financial Sector were first produced in 1996 and adopted at the Meeting of Commonwealth Finance Ministers held in October of that year.

It is recognised that for good practice guidance notes to be effective, they need to be reviewed on a regular basis to reflect changing circumstances and experience. Many changes in global anti-money laundering standards have taken place since 1996 and while it is recognised that Commonwealth countries have progressed with the application of their legislation and financial sector guidance at different speeds, it is important that the Commonwealth Guidance Notes reflect current international standards. The Commonwealth Secretariat has therefore produced these revised Guidance Notes to reflect the changes that have taken place.

1.3 Purpose, Objectives and Status of the Guidance Notes

Detailed Guidance Notes for the Financial Sector can only be produced within the context of local and national legislation and regulation, and economic circumstances.

The approach to such legislation and regulation, which will reflect the local economic position, has a major impact upon the financial sector's ability to play the role required of it. It is essential for the policy maker to include the financial sector, together with all other parties involved, in the development of legislation and regulation, and for the financial sector to make

a full commitment to the success of the national anti-money laundering strategy.

This document has, therefore, two discrete but complementary purposes:

- ❖ At a macro level, it is intended as a tool for policy makers. It contains points of discussion for, and offers advice to, senior finance officials who, together with others such as senior law officials, are tasked with drafting and monitoring a strategy which effectively involves the financial sector. In this respect, the document draws on the developing strategies and issues that have been considered by senior finance officials and Finance Ministers over the past five years.

- ❖ It also seeks to provide guidance to individual financial institutions on how they can effectively protect themselves from the damaging impact of handling laundered money and fulfil their obligations in respect of money laundering legislation. This part of the document is necessarily of a generic nature, and each country must adapt it to

reflect local legislation and regulation. However, the Financial Action Task Force Recommendations provide the world standard against which all countries will be measured and therefore these have been used as a base.

1.4 How to Use the Guidance Notes

As indicated above, this document is intended to serve two purposes and has been structured so that both purposes can be easily met.

Section I (Chapters 1–4) sets out the general global issues and strategies to prevent money laundering. It also provides introductory definitions and background information which will be of interest and relevance both to national policy makers and to individual financial institutions.

Section II (Chapters 5–8) assists policy makers who are preparing legislation and regulations, and setting a national policy.

Section III (Chapters 9–13) sets out the basis for financial sector policies and procedures, and provides options for adaptation by individual countries to reflect local legislation and strategies.