



The World Bank  
in the Global Fight  
Against  
Money Laundering  
and  
Terrorist Financing

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## Acknowledgments

This brochure was prepared by the staff of the World Bank's Office of Financial Market Integrity, under the direction of Margery Waxman, Program Director, and Cesare Calari, Financial Sector Vice President. Comments or questions about this brochure should be sent to Margery Waxman, [mwaxman@worldbank.org](mailto:mwaxman@worldbank.org), or Tracy Tucker, [tucker@worldbank.org](mailto:tucker@worldbank.org), World Bank, 1818 H Street, NW, Washington, DC 20433, USA; or faxed to 202-522-2433.

**F**ighting money laundering and terrorist financing has become a global priority as the world has witnessed the devastating effects of these criminal activities on the integrity and functioning of financial systems, anti-corruption efforts, economic growth and development. Although money laundering and terrorist financing can occur in any country, they have particularly adverse economic and social consequences for developing countries whose markets are less diverse and tend to be smaller than those of developed countries.

Money laundering and terrorist financing are high priority issues for many of the World Bank's client countries. In response to this worldwide challenge, the Bank has significantly expanded its work in this area. The Bank has a focused and systematic program for helping countries to build capacity for anti-money laundering (AML) and combating the financing of

terrorism (CFT). The overall objective of this program is to help countries build and implement a sound legal and institutional framework that meets international AML/CFT standards.

The Bank works in collaboration with the international and multilateral organizations involved in the fight against money laundering and terrorist financing, especially the International Monetary Fund (IMF). The Bank's program includes raising political awareness of the dangers of money laundering and terrorist financing through regional and sub-regional learning dialogues, assessing compliance with international standards, helping developing countries to build legal and regulatory regimes and institutional capacity, and sharing knowledge of best practices by hosting technical workshops, developing resource materials and conducting research.

## Defining the terms

### What is money laundering and terrorist financing?

Money laundering and terrorist financing are global problems. They are difficult to detect because they employ sophisticated schemes involving complex and convoluted techniques for transferring funds to, through, and from different countries, and from one financial institution or intermediary to another, and for converting funds into different types of financial instruments and other value-storing assets. Despite their complexity, both concepts are relatively simple to explain.

Money laundering is the process by which the *proceeds* derived from a criminal activity (i.e., the predicate offense) are disguised in an effort to conceal their illicit origins and to legitimize their future use. The financing of terrorism is the financial support, in any form, of terrorism or those who encourage, plan or engage in terrorism. The two activities are linked because the techniques used to launder money are essentially the same as those employed to conceal the sources and uses of terrorist financing.

The predicate offense of money laundering is a specific crime that generates proceeds. Drug trafficking is the most common example of a predicate offense. As one example, drug traffickers convert cash into bank deposits, which are then transferred to other financial institutions, other countries or both. Predicate offenses include virtually any serious crime generating proceeds, including kidnapping, theft, selling stolen goods, illegal arms trafficking, prostitution, corruption and fraud.

Successful money laundering achieves two goals. First, it separates the perpetrator and the proceeds from the underlying crime. Second, it disguises the proceeds as legitimate funds or assets, which, in essence, rewards the criminal with apparently clean profits from the crime. No matter which underlying crime is involved, the *proceeds* need to be *laundered* in order to conceal the original crime and disguise the funds for future use. Such funds can then be re-invested into additional criminal activities or used to gain an interest in or control of legitimate businesses. Thus, when money is successfully laundered, criminals or terrorists are rewarded with funds that appear to be “clean”.

Money launderers and those who finance terrorism need access to and use of financial institutions. Management and staff of these institutions who are not attentive can inadvertently support these criminal activities by providing means to convert cash into different types of financial instruments; to convert the currency of one country into the currency of another; and to transfer funds to, and through, other financial institutions, both domestically and internationally. Worse still, management and staff of financial institutions can become criminally involved in these illegal schemes. Unless these activities are stopped, financial institutions can provide laundering mechanisms for criminals to profit from their criminal activities or finance terrorism behind the wall of financial secrecy. Banks,

insurance companies, securities firms, investment and trust companies, bureaux de change, money transmitters, casinos, real estate agents, lawyers and dealers of precious commodities are all targets for money launderers.

Money laundering and terrorist financing are *processes* that generally involve three stages: placement, layering and integration. Placement involves the initial placement of funds or assets into the financial system. Layering involves the transfer or conversion of the funds or assets to conceal their source and disguise their whereabouts. Integration involves the conversion of illicit funds into apparently legitimate assets through the purchase of real estate, securities, other financial assets or luxury items.

### Impact on on development

No country is safe from attack by money launderers and those who finance terrorism. These crimes can occur anywhere, including countries with complex financial systems. However, money launderers and terrorists often target countries with weak AML/CFT regimes where there is less risk that their criminal operations will be detected or that they will be prosecuted. These criminals are particularly aware of countries suffering from corruption and complacency about law enforcement.

### Detrimental Effects of Money Laundering and Terrorist Financing

Money laundering and terrorist financing can have particularly damaging economic and social consequences for developing countries because their economies and financial sectors tend to be less diverse and more susceptible to manipulation than those of more developed countries. Thus, sustainable economic growth and development can be imperiled in countries that are

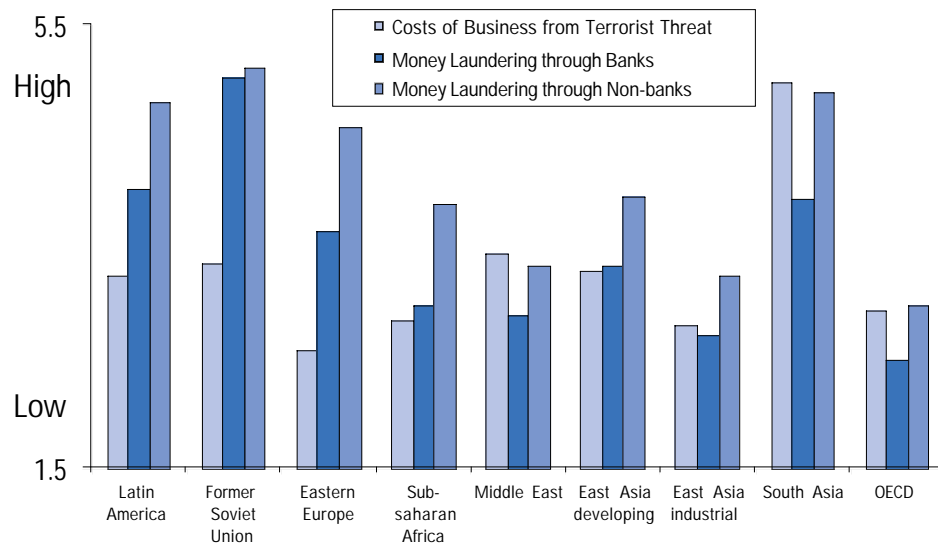
used as money laundering platforms (see Figure 1). Experts in the study of money laundering and terrorist financing have found that these activities can have the following impact:<sup>1</sup>

- Potential increase in crime and corruption
- Potential damage to reputation of financial institutions and markets
- Less foreign private investment
- Possible destabilization of financial markets and weaker financial institutions
- Weakened legitimate private sector
- Potential economic distortion

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1. See for example: Brent Barlett, *The Negative Effects of Money Laundering on Economic Development*, International Economics Group, Dewey Ballantine LLP for the Asian Development Bank, May 2002; Peter J. Quirk, *Macroeconomic Implications of Money Laundering*, IMF Working Paper WP/96/66, June 1996; Vito Tanzi, *Money Laundering and the International Financial System*, IMF Working Paper, WP/96/55, May 1996.

**Figure 1. Money Laundering and Terrorism – GCS2002 Regional Sample Averages Based on Firm Reports, 80 countries**



Source: Daniel Kaufmann: *Governance in the Financial Sector: The Broader Contest of Money Laundering and Terrorist Financing* (December 2002).

- Loss of tax revenue
- Weakened control over economic policy
- Possible risk to privatization
- Potential reduction of foreign government assistance
- Trigger for international sanctions by the FATF

### Benefits of an effective AML/CFT regime

A country with an effective AML/CFT regime substantially reduces the cost impact and other negative consequences of money laundering and terrorist financing. Moreover, an effective regime offers important benefits to a country both domestically and internationally as it decreases corruption and increases the potential for economic growth and sustainable development. These benefits include the following:

- Lower levels of crime and corruption
- Enhanced reputation in the international community
- Greater potential for foreign investment and economic assistance
- Enhanced stability of financial institutions
- Improved prospects for economic development

- Increased government revenue
- Enhanced long-term economic planning
- More successful privatization efforts
- Lower negative social costs
- Improved integrity of the overall economy

### The implementation of international standards

The solution is to make it as difficult as possible for criminals and those who finance terrorism to use national and international financial systems to launder their proceeds and finance their activities. This will be achieved by encouraging every country to have an effective AML/CFT regime that detects and prosecutes those involved in these activities. Such a regime includes having appropriate laws to criminalize money laundering and terrorist financing and require the reporting of suspicious or unusual transactions to the appropriate authorities.

Additionally, it means having appropriate systems in place that permit cooperation and information sharing among financial institutions, financial sector supervisors, and law enforcement authorities to ensure that evidence of suspicious financial transactions can be acted on to prevent and detect criminal activity. The absence of an AML/CFT regime, or the existence of a lax or corrupt one, in a particular country permits criminals and those who finance terrorism to operate freely and to use

their financial gains to expand their criminal pursuits and promote illegal activities.

Because money laundering and terrorist financing are global problems, it is impossible for a single country to handle them on its own. International cooperation is a necessary component. Accordingly, the effectiveness of a country's AML/CFT regime depends on its compliance with international standards to combat these activities.

The elements of an effective AML/CFT regime have been established by the Financial Action Task Force (FATF), which is an inter-governmental body that develops and promotes policies to fight money laundering and terrorist financing. The Bank and the IMF have recognized FATF as the international standard setter in these areas. To achieve its objectives, FATF issued *Forty Recommendations on Money Laundering* and eight *Special Recommendations on Terrorist Financing* (FATF 40 + 8),<sup>2</sup> which outline action to be taken by individual countries.

2. The references to the FATF 40 + 8 Recommendations in this document are based on the recommendations established by the FATF in 1996 and 2001 respectively. In June 2003, the FATF adopted a revised set of 40 Recommendations. The revised FATF 40 Recommendations are being reviewed for incorporation into the AML/CFT Methodology (see section on the **World Bank's AMC/CFT Program** for more information on the methodology).

The international standards, while containing some mandates for precise action, are mainly principles that permit each country to deliver the objectives by adopting laws, systems and procedures that are consistent with its own legal principles and institutional structure, provided they are fully effective in combating money laundering and terrorist financing.

Actions required to implement the FATF 40 + 8 Recommendations can be divided into five major categories:

1. *Legal system requirements.* It is necessary for a country to have laws or other legally enforceable measures that accomplish the following:

- Ratify and implement relevant UN International Conventions;
- Make money laundering and terrorist financing crimes;
- Provide for the freezing, seizure and confiscation of assets used in money laundering and terrorist financing;
- Make financial institutions subject to AML/CFT laws; and
- Establish standards of integrity for control and management of financial institutions.

2. *Financial institution requirements.* Because of the crucial role that financial institutions play in money laundering and terrorist financing, the following issues need to be addressed both by a country to establish its AML/CFT regime, and by a financial institution to protect itself from possible abuse by criminals and terrorists:

- Customer identification requirements, due diligence, and ongoing monitoring of accounts and transactions;
- Reporting of suspicious transactions; and
- Record keeping requirements.

3. *The establishment of a financial intelligence unit (FIU).* According to the definition established by the Egmont Group of Financial Intelligence Units,<sup>3</sup> the financial intelligence unit (FIU) is a central, national agency responsible for receiving, analyzing and disseminating to competent authorities information about suspected money laundering. International success in the fight against money laundering and terrorist financing

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3. The Egmont Group of Financial Intelligence Units is an informal organization of financial intelligence units (FIUs) worldwide that provides a forum for FIUs to improve support to their respective national anti-money laundering programs. Further information on the Egmont Group's work can be found in the section on **Partnerships** in this document.

requires that the FIU have extensive access to financial information and databases and the ability to cooperate with their counterparts worldwide.

4. ***International cooperation.*** Money laundering and terrorist financing operations increasingly use the international financial system to benefit from the free movement of capital throughout the world in order to hide the illicit origins of their crimes and further their criminal activities. The laws of a country need to allow rapid and efficient international cooperation for the gathering of financial intelligence, as well as for the investigation and prosecution of money laundering and terrorist financing.
5. ***Special considerations for terrorist financing.*** FATF's eight *Special Recommendations on Terrorist Financing* cover the following issues:
  - Ratification and implementation of the 1999 UN International Convention for

the Suppression of the Financing of Terrorism and the UN Security Council Resolution 1373;

- Criminalization of the financing of terrorism;
- Freezing, seizure and confiscation of assets related to the financing of terrorism;
- Reporting of suspicious financial transactions related to terrorism;
- International cooperation against terrorist financing;
- Special requirements for alternative money transfer systems;
- Originator information in wire transfers; and
- Examination of the financial activities of non-profit organizations.

## World Bank's AML/CFT Program

The AML/CFT program is a priority for the World Bank because of the significant economic and social consequences that money laundering and terrorist financing can have on its most vulnerable client countries. The Bank's AML/CFT program is a multi-pronged approach that complements the Bank's other work in the Financial Sector, Private Sector Development, Infrastructure, and Poverty Reduction and Economic Management Networks to stimulate sustainable growth and development in all countries.

### Country Assessments

The Financial Sector Assessment Program (FSAP) is a joint initiative of the Bank and the Fund that measures and analyzes the depth, development, diversity and durability of a financial system, and formulates ways to strengthen it. In October 2002, the Bank and the Fund launched a pilot program to assess a country's legal and institutional framework to fight money laundering and terrorist financing according to the FATF international standards. These assessments typically take place as part of the FSAP.

To ensure that all countries will be assessed using a single, comprehensive mechanism, the Bank and the IMF worked in collaboration with FATF and other international organizations, to produce a global AML/CFT methodology. The global methodology was endorsed by the Bank and the IMF and adopted by the FATF at its Plenary Session in October 2002. The global methodology consists of 120 criteria covering the FATF 40 + 8 Recommendations and the standards relevant to money laundering issued by the Basel Committee, IAIS and IOSCO. It covers the legal and institutional AML/CFT framework in a country, law enforcement measures, international cooperation and the establishment of financial intelligence units. As the international standards for AML/CFT were revised by the FATF in June 2003, the global methodology will be amended in the near future to reflect those revisions.

The AML/CFT assessments serve as a diagnostic tool for identifying vulnerabilities and deficiencies in the existing AML/CFT framework, and the areas most in need of assistance. The assessments help the authorities to sequence and prioritize their needs for technical assistance

and capacity building as well as gain a greater understanding of the importance of their country's role in the global fight against money laundering and terrorist financing.

## Technical Assistance and Capacity Building

More than 100 countries have requested technical assistance to help bring their AML/CFT frameworks into compliance with international standards. The Bank mobilizes resources to help countries build internal capacity in all relevant areas, including the development of AML/CFT legislation, regulatory systems, and institutional structures. In particular, technical assistance is given high priority in countries where weaknesses in the AML/CFT framework may pose significant risks for governance and development. Some countries have successfully used Bank projects to borrow funds from the Bank to build capacity to fight money laundering and terrorist financing.

The Bank is working with the IMF as well as other partners, such as the UN, the Financial Action Task Force (FATF), the FATF-style Regional Bodies (FSRBs), the Egmont Group, its member FIUs and donor countries to deliver assistance and expertise. By joining forces, we have been able to maximize the funds available for such assistance and provide expertise from a variety of knowledgeable organizations and countries. Lessons learned from other countries

in the same region have proven to be particularly helpful.

The Bank's technical assistance program for AML/CFT focuses on the following:

***Outreach and raising awareness.*** The Bank is using Global Dialogues to raise awareness about the risks and potential costs for countries of money laundering and terrorist financing. In this regard, the Bank has organized AML/CFT Global Dialogue Series with policy makers and various experts using distance learning through the Global Development Learning Network. These dialogues are conducted in partnership with the IMF (see Box 1).

***Legal and regulatory advice and support.*** Once policy makers are fully engaged in the discussion of how to achieve an effective AML/CFT regime, the next step is to establish or enhance the country's legal framework. This, of course, means ensuring that the laws properly address all aspects of an effective regime, including criminalization of money laundering and terrorist financing; customer identification and record keeping requirements; reporting of suspicious transactions; freezing, seizure and confiscation of assets; the establishment of a financial intelligence unit; and international cooperation and mutual legal assistance.

In response to country requests, the Bank assists authorities in drafting and amending the relevant laws and regulations to help them meet

## Box 1. Global Policy Dialogue

For the past year, the Bank and IMF have conducted a series of AML/CFT Global Policy Dialogues through live, inter-active video conferences with more than 500 policy makers from 42 countries. These discussions are conducted among small groups of countries from the same geographic region, and provide an opportunity for officials to discuss accomplishments and challenges regarding AML/CFT issues. These candid discussions help Bank, IMF and other experts to better understand the difficulties facing countries struggling to implement AML/CFT regimes as well as provide a clearer picture of what types of assistance are most useful to countries.

The following are some of the key issues addressed in the Global Policy Dialogue Series:

- How can the Bank and IMF help countries to strengthen their response to money laundering and terrorist financing?
- How does money laundering and terrorist financing fit into the broader context of corruption and poor governance?
- How have different governments responded? What are the current challenges for regulators? What is the appropriate institutional structure for each country in constructing an effective program to fight money laundering and terrorist financing?
- What challenges will participating countries face in the future?

The Dialogue Series has proven to be a valuable tool for senior policy makers to share their views on the costs of money laundering and terrorist financing, and on the practical means of sustaining economic development and financial market integrity in the face of such threats. The dialogue helps countries learn from each other by drawing on their particular experiences, as well as from the experience of international experts.

Summaries of these Dialogues are available by region on the Bank's AML/CFT website: ([www.amlcft.org](http://www.amlcft.org)).

international standards. The Bank has provided more than 25 countries with advice and assistance in drafting legislation, as well as in implementing the legal framework. The Bank has also organized several conferences and workshops

specifically addressing legal issues and challenges that can impede full implementation.

**Capacity building.** The Bank is responding to requests from countries to incorporate AML/

CFT capacity building in investment and adjustment lending projects. Recognition of efforts to improve AML/CFT regimes are included, where relevant, in Country Assistance Strategies (CAS), the Bank's medium-term, country-level business plan for each client country. This provides an opportunity for country authorities to consider possible AML/CFT risks and highlight what they are doing to address those concerns. A number of countries have used this avenue to seek assistance from the Bank in strengthening their legal and institutional AML/CFT framework.

The Bank initiates and participates in capacity building programs with the IMF and other international organizations and experts from various countries. For example, during 2002, the Bank and the IMF held regional conferences in Montevideo, Uruguay and Moscow, Russia (see Box 2). These large regional conferences, which involved government officials from many countries, focused on building AML/CFT frameworks, best practices exchange and focused attention on building operational FIUs. A smaller, more targeted AML/CFT workshop was organized in February, 2003 in Ljubljana (Slovenia) for countries of South East Europe. This conference was organized by the Slovenian FIU and the World Bank. The workshop helped this group of countries learn from first-hand experiences about the particular challenges in their region.

### *Coordination of technical assistance and capacity building.*

The Bank serves as the AML/CFT Global Technical Assistance Clearinghouse. In this effort, the Bank works in cooperation with the IMF, FATF, the FSRBs, the United Nations and other international organizations. To coordinate the identification of high priority technical assistance needs in AML/CFT, the Bank has created a technical assistance database, which allows participants to input data on the technical assistance requests of countries, and allows donors to input data as they address specific AML/CFT technical assistance requests.

Accordingly, the Bank has organized a network of contacts among participating organizations, to facilitate the coordination and the collection of information on projects and activities. Currently, technical assistance requests from 111 countries have been placed into the database. The database enhances the capacity of donors to provide targeted AML/CFT technical assistance, to avoid unnecessary duplication of efforts, and to use limited resources more effectively.

## **Research and Resource Development**

The World Bank is committed to increasing global awareness of the problems associated with money laundering and terrorist financing through the development of resources designed to assist individual countries in the fight against these criminal activities, and through extensive

## Box 2. Moscow Conference

The Bank and the IMF, with funding from FIRST (a multi-donor trust fund for implementation of international financial sector standards), organized an international conference on AML/CFT training for high level officials from 21 countries in Europe and Central Asia. The conference compiled a wealth of information and expertise to help participants learn how international standards are implemented in a variety of countries. The conference covered crucial issues, such as the creation of financial intelligence units, the development of legislation and enforcement structures, regulatory and supervisory practices, and cross-border cooperation.

Experts from Eastern European countries that have recently developed AML/CFT regimes presented the lessons learned and best practices. Participants made personal contacts with their counterparts in neighboring countries, which enabled them to support each other and share information as they developed their own AML/CFT regime. In addition, the conference enabled participants to identify the most urgent needs so that the Bank and others could provide future technical assistance more effectively and efficiently .

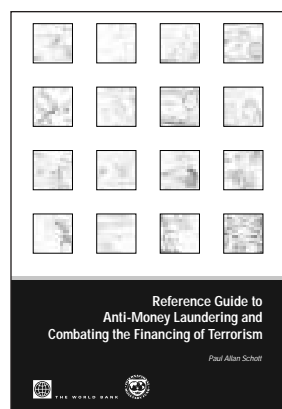
This conference was sponsored by numerous organizations, including the following:

- Council of Europe's MONEYVAL Committee
- The Egmont Group of Financial Intelligence Units
- European Bank for Reconstruction and Development (EBRD)
- Financial Action Task Force on Money Laundering (FATF)
- Russian Committee for Financial Monitoring (KFM)
- Ministry of Finance of the Russian Federation
- Central Bank of the Russian Federation
- State Duma Committee on Credit Organizations and Financial Markets
- UN Office on Drugs and Crime
- U.S. Justice Department
- U.S. Treasury Department

Based on the success of the Moscow conference, the Bank and the IMF have received requests to support additional conferences. Using Moscow as the model and other approaches, conferences are now being planned for the Asia-Pacific countries, Central and West Africa, Eastern and Southern Africa, and Latin America.

research aimed at identifying key areas that may be particularly vulnerable to financial abuse.

**Reference Guide to AML/CFT.** The Bank has produced a *Reference Guide to Anti-Money Laundering and Combating the Financing of Terrorism*. This manual presents the basic information about the components of an effective AML/CFT regime and provides a roadmap for countries at various stages of development to bring themselves up to the AML/CFT international standards. The reference guide has been published in hard copy and is also available in an electronic version on the Bank's website. The electronic version will be kept up to date, reflecting developments on money laundering trends and techniques, and the evolving response of the international community. The Reference Guide has been translated into Arabic, French, Russian and Spanish in an effort to expand its use worldwide.



#### **Informal Fund Transfer Systems (IFTs).**<sup>4</sup>

Informal fund transfer systems (IFTs) are payment systems that allow funds to be transferred through less regulated and, hence, less expensive methods than conventional formal financial institutions. IFTs are widely used in many regions around the globe and like other transfer systems, can be vehicles for money laundering and terrorist financing. These systems are currently being examined by several organizations to identify the risks of abuse, and to provide recommendations on how to contain these risks without hindering their legitimate use.

A recent joint IMF-World Bank study on IFTs reviewed the operational characteristics of these mechanisms, examined the historical and socioeconomic context of IFTs and analyzed their use for legitimate and criminal purposes. This study also examined the implications of IFTs for economic and regulatory policy.<sup>5</sup>

The Bank is working with the United Kingdom's Department for International Development (DFID) on an international conference on migrant labor remittances. The conference will bring together leading donors, government officials, banks, non-governmental organizations

4. The commonly used alternate terminology for Informal Fund Transfer Systems (IFTs) is Alternative Remittance Systems (ARSs). The two terms can be used interchangeably.

5. Samuel Munzele Maimbo: *The Money Exchange Dealers of Kabul: A Study of the Hawala System in Afghanistan*, World Bank Working Paper, No. 13, 2003.

and other agencies to understand the key issues and challenges relating to such remittances. The conference will also identify best practices from regional and country initiatives that have improved the regulatory and institutional framework for banks, and facilitated access for

recipients to complementary financial services. Finally, the conference is intended to define collaborative strategies between agencies to enhance transparency and accountability, and to strengthen the effectiveness and developmental impact of these remittances.

## World Bank partnerships in the international response

The World Bank is not alone in responding to the growing international concern about money laundering and terrorist financing. The Bank works in close cooperation with the IMF to ensure that the two global financial institutions focus on the most vulnerable countries, providing targeted technical assistance in response to assessments of AML/CFT regimes, and avoiding duplication of efforts. The close cooperation between the Bank and the Fund has significantly increased the effectiveness of both institutions.

In addition to the IMF, the Bank works in partnership with other international and regional organizations to provide a comprehensive response to the threat of money laundering and terrorist financing. The AML/CFT efforts of these organizations vary, depending on the organization, and can include: conducting mutual evaluations of AML/CFT regimes of their member states; providing technical and other assistance; and funding research on trends

and developments in money laundering and terrorist financing schemes. The Bank supports the work of these organizations and endeavors to complement their efforts.

- *The United Nations* (UN) has adopted international treaties and resolutions that deal with both money laundering and terrorist financing. These documents commit all participating countries to take specific actions. The UN's Global Programme Against Money Laundering conducts research and provides assistance to enhance the effectiveness of international action on these issues. The UN Security Council has formed the Counter Terrorism Committee (UNCTC) to monitor the performance of all member countries in implementing the UN Security Council Resolutions on terrorist financing and in building capacity to fight terrorism.
- *The Financial Action Task Force on Money Laundering* (FATF) is a multinational body dedicated to fighting money laundering and combating terrorist financ-

ing. As mentioned above, FATF has issued *Forty Recommendations on Money Laundering* and eight *Special Recommendations on Terrorist Financing* (FATF 40 + 8) which are recognized as *the* international standards for government action on AML and CFT.

- ***The Basel Committee on Banking Supervision*** (Basel Committee), ***International Association of Insurance Supervisors*** (IAIS), and ***International Organization of Securities Commissions*** (IOSCO) have each issued guidelines or standards on AML/CFT measures for their respective members.

- ***The Egmont Group*** is an informal association of financial intelligence units (FIUs). FIUs are established by governments to receive, analyze and disseminate to law enforcement agencies the reports of suspicious or unusual transactions. Currently, it has more than 80 member FIUs. Its purpose is to foster the development of FIUs and information exchange through FIU networks. The Egmont Group provides training and support to FIUs and works in

partnership with international organizations including the World Bank and the IMF. Egmont FIUs provide technical assistance to individual countries to help develop or strengthen FIUs.

- ***The FATF-style Regional Bodies*** (FSRBs) are five regional groups of countries that work with FATF to implement international standards on money laundering and terrorist financing and conduct mutual evaluations of member countries (see Box 3). The World Bank and the IMF work very closely with the FSRBs to support and enhance their regional capacity building programs.

In addition to these organizations, the Bank is working with the Wolfsberg Group, a voluntary organization of international private banks that has established a set of global AML principles designed to guide private and correspondent banking. The Wolfsberg Group has also issued a statement on “The Suppression of the Financing of Terrorism”. Its work demonstrates the importance of private sector efforts in the fight against money laundering and terrorist financing.

### **Box 3. FATF-STYLE REGIONAL BODIES: Partners in the Global Fight Against Money Laundering and Terrorist Financing**

- The Asia Pacific Group on Money Laundering (APG) consists of 26 member states from South Asia, Southeast Asia and the South Pacific. The APG has agreed to conduct mutual evaluations of its members using the global methodology adopted by the FATF, and endorsed by the World Bank and IMF for their own evaluations. In addition to expanding its technical assistance and training strategy, the APG now serves as the point of reference for the coordination of technical assistance programs in the region.
- The Caribbean Financial Action Task Force (CFATF) consists of 29 members and aims to achieve effective implementation of, and compliance with the FATF 40 + 8 Recommendations and an additional 19 recommendations that CFATF has adopted for its own membership. In addition to conducting ongoing self-assessments and mutual evaluations among member countries, CFATF publishes annual Country Reports and coordinates training and technical assistance programs.
- The Eastern and Southern African Anti-Money Laundering Group (ESAAMLG) has 14 member countries. In addition to helping its members receive technical assistance and capacity building support, ESAAMLG has recently launched a mutual evaluation program of its members' compliance with the FATF 40 + 8 Recommendations using the global methodology.
- The Council of Europe's MONEYVAL Committee (formerly PC-R-EV), consists of more than 25 member countries. MONEYVAL has conducted several rounds of mutual evaluations of the AML/CFT regimes of its member countries. Each Evaluation Report is presented and discussed in the full plenary sessions and countries present progress reports to subsequent plenaries. MONEYVAL will begin using the global methodology in its next round of evaluations.
- The South American Financial Action Task Force (GAFISUD) is the newest of the FSRBs and consists of 10 member countries. GAFISUD is in the process of conducting mutual evaluations of its members and will use the global methodology for its second round of evaluations. GAFISUD serves as a clearing house for AML/CFT training and capacity building activities in the region.

## The Challenges Ahead

Money launderers and terrorist financiers are sophisticated operators who try and keep one step ahead of law enforcement and regulatory measures to defeat them. As one vulnerability in the financial system is closed off, they develop other techniques. The challenge is to try and deal with such vulnerabilities before they emerge, or to combat them as soon as they appear. This requires the international community to:

- identify emerging vulnerabilities before they become a major problem;
- issue and enforce new standards to deal with them; and
- provide the resources to implement these standards.

The World Bank has participated with our international partners in all three strands of this work and will continue to do so by:

- developing our expertise in identifying emerging money laundering and terrorist

financing vulnerabilities (e.g. underground banking) and contributing to studies of money laundering/terrorist financing typologies;

- contributing to the exercise to revise international AML/CFT standards in the FATF and developing with the FATF and the IMF a new global methodology for assessing compliance by countries with these new standards; and
- designing and delivering technical assistance programs to help developing countries to come into compliance with these new standards.

The revised FATF 40 Recommendations go beyond the previous standards in an attempt to defeat new techniques for laundering money and will require countries to devote more resources than before to AML efforts. The eight *Special Recommendations on Terrorist Financing* set new standards which also require substantial investment to achieve compliance. Although the success of these standards depends on imple-

mentation by all countries, financing additional resources to implement these new standards will be a harder task for developing countries. As a result, there will be a substantial increase in the demands for technical assistance from all existing providers.

The World Bank will do its best to respond, within the resources it has available for this task, and will continue to develop its strategy for prioritizing such requests. But it is already obvious

that no single institution will be able to meet these requests. It will require an enhanced and coordinated effort from all international and regional organizations and donors if developing countries are to comply with these new standards in a reasonable timeframe. Organizing that enhanced and coordinated response, and then delivering it, is the next challenge for the entire international community. The World Bank is ready to play its full part in this task.

## Further information

For more information about the World Bank's AML/CFT program, please visit our website at [www.amlcft.org](http://www.amlcft.org) or write to [aml@worldbank.org](mailto:aml@worldbank.org). For information on the AML/CFT programs of other key organizations, please refer to the following websites:

Organization	Website
Basel Committee on Banking Supervision	<a href="http://www.bis.org">www.bis.org</a>
Commonwealth Secretariat	<a href="http://www.thecommonwealth.org">www.thecommonwealth.org</a>
Council of Europe	<a href="http://www.coe.int/DefaultEN.asp">www.coe.int/DefaultEN.asp</a>
Egmont Group of Financial Intelligence Units (FIUs)	<a href="http://www1.oecd.org/fatf/Ctry-orgpages/org-egmont_en.htm">www1.oecd.org/fatf/Ctry-orgpages/org-egmont_en.htm</a>
Financial Action Task Force on Money Laundering (FATF)	<a href="http://www.fatf-gafi.org">www.fatf-gafi.org</a>
FATF-Style Regional Bodies	
Asia / Pacific Group on Money Laundering (APG)	<a href="http://www.apgml.org">www.apgml.org</a>
Caribbean Financial Action Task Force (CFATF)	<a href="http://www.cfatf.org/eng/">www.cfatf.org/eng/</a>
Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL) (formerly PC-R-EV)	<a href="http://www.coe.int/T/E/Legal_affairs/Legal_co-operation/Combating_economic_crime/Money_Laundering/">www.coe.int/T/E/Legal_affairs/Legal_co-operation/Combating_economic_crime/Money_Laundering/</a>
Eastern and Southern Africa Anti-Money Laundering Group (ESSAMILG)	<a href="http://www.esaamlg.org">www.esaamlg.org</a>
Financial Action Task Force of South America (GAFISUD)	<a href="http://www.gafisud.org">www.gafisud.org</a>
Inter-American Drug Abuse Control Commission (CICAD)	<a href="http://www.cicad.oas.org">www.cicad.oas.org</a>
International Association of Insurance Supervisors (IAIS)	<a href="http://www.iaisweb.org">www.iaisweb.org</a>
International Monetary Fund (IMF)	<a href="http://www.imf.org">www.imf.org</a>
International Organization of Securities Commissions (IOSC)	<a href="http://www.iosco.org">www.iosco.org</a>
United Nations-International Money Laundering Information Network (Model Laws and Regulations)	<a href="http://www.imolin.org">www.imolin.org</a>
United Nations-Security Council Resolutions	<a href="http://www.un.org/documents/scres.htm">www.un.org/documents/scres.htm</a>
Wolfsberg Group of Banks	<a href="http://www.wolfsberg-principles.com">www.wolfsberg-principles.com</a>



