

Committee: GA2 (Economic and Financial Committee)

Issue: Encouraging international cooperation to combat illicit financial flows

Student Officer: Maro Tsoka

Position: Co-Chair

PERSONAL INTRODUCTION

Dear delegates,

My name is Maro Tsoka and I will have the honor of serving as one of the Co-Chairs of the Economic and Financial Committee of the ACG Model United Nations 2022. I am 16 years old attending the 11th Grade at Erasmios Greek-German School.

Moreover, I really enjoy taking part in MUN conferences because every conference is a unique experience for me. With each participation, I acquire knowledge regarding events currently taking place around the world. Additionally, I believe that MUN provides great opportunities for young people, as during conferences they create unforgettable memories, whilst cultivating their interest in politics! I am personally interested in Economic and Financial matters and that was one of the reasons why I applied for a position in this committee. My excitement and enthusiasm for this conference are indescribable; as I am sure it will be a remarkable experience.

Through this Study Guide, I am to assist you towards gaining a better understanding of the matter at hand, while giving you important information about it. However, the Study Guide should be just the basis of your preparation as you will need to conduct further research of your own, regarding your countries' policies. Do not hesitate to contact me at maro.n.tsoka@gmail.com, should you have any questions.

Looking forward to meeting you all!

Best regards,

Maro Tsoka

TOPIC INTRODUCTION

It is commonly known that illicit financial flows, also known as money laundering, is a timeless dispute that societies have had to deal with. The global economy is currently confronted with numerous challenges and issues, which have impacted each nation differently. Money laundering is one of those ever-increasing major issues that has captured the attention of the international community in recent years due to its prevalence.

Emerging money-laundering techniques have facilitated crime in all of its forms. Terrorists and drug lords, for instance, have been able to transfer any illegally obtained sums of money across international borders, concealing the origin of those sums and, consequently, their identities, while avoiding any suspicion among law enforcement officials in their operating country.

Nonetheless, the definition of money laundering is not limited to traditional criminal offenders. Yet major financial institutions, government officials, and individual citizens are prone to money laundering, particularly in countries where governments are financially corrupt, such institutions are not regularly monitored, and citizens are subjected to excessive taxation, prompting them to resort to tax evasion. The harm done to national economies by money laundering is imperceptible, if not inconceivable.

Numerous LEDCs (Less Economically Developed Countries) have considered "acceptance" of incoming money to be laundered as a means of stimulating economic growth. Even so, the process of money laundering has distinct stages, and lawbreakers frequently transfer their funds across multiple countries. As a result, LEDCs receive only short-term economic boosts. These short-term gains eventually lead to rising inflation rates and economic insecurity. Furthermore, many MEDCs (More Economically Developed Countries) have been accused of having insufficient anti-money laundering laws, as well as secrecy jurisdictions and low taxation. Such elements form the foundation of a so-called tax haven. In both cases, there is also a lack of transparency in financial capital movement.

It is worth mentioning that individuals as well as entire countries will be held accountable for money laundering. Transparency in the financial world is critical in order to effectively combat money laundering. However, in an era of economic globalization, while countries continue to pursue their own policies in order to pursue their own interests, the beginning of international cooperation is critical.

DEFINITION OF KEY TERMS

Bank Secrecy

Bank secrecy refers to the jurisdiction of many financial institutions, under which any information concerning clients' financial activity is deemed confidential and thus not to be disclosed to the government or any other stakeholder. As previously stated, secrecy jurisdictions are closely related to tax havens and impede financial transparency.

Drug Lords

Drug lords are criminals who are in charge of the distribution and sale of big amounts of illegal narcotics.

Economic Security

Economic security is defined as an individual's, household's, or community's ability to meet their basic needs in a sustainable and dignified manner. This might vary depending on an individual's physical demands, surroundings, and cultural norms. Food, basic shelter, clothes, and cleanliness qualify as essential necessities, as do the accompanying expenditures; vital assets required to make a living, as well as health care and education fees, also qualify.

Financial Capital Movement Transparency

Transparency in financial capital movement refers to the non-exclusive provision of accurate information about sums of money transferred between individual accounts in financial institutions, either nationally or internationally. Due to a variety of factors, the exchange of such information in order to achieve transparency has not occurred in recent years. Bank secrecy is, of course, one of them.

Free Trade Zones

A free-trade zone, also known as a foreign-trade zone or a free port, is a zone in which commodities can be landed, handled, manufactured or reconfigured, and re-exported without the interference of customs authorities. Only when the items are transported to consumers within the country where the zone is located are they subject to the applicable customs duties. Free-trade zones are built around major seaports, international airports, and national borders—areas with numerous geographical advantages for trade.

Inflation

Inflation is the gradual loss of purchasing power of a particular currency. A quantitative measure of the rate at which purchasing power declines can be reflected in the growth in an economy's average price level of a basket of selected

goods and services over time. A rise in the general level of prices, commonly stated as a percentage, signifies that a unit of money buys less than it did previously.

Jurisdiction

Jurisdiction is the formal authority to make legal decisions and issue judgments.

Money Laundering

Money laundering is the criminal act of passing money obtained through illegal activities, also known as "dirty" money, through a process that conceals its origin and owner, making it appear to have come from legitimate sources. The main three purposes of money laundering are to avoid attracting the attention of law enforcement officials, so that the "dirty" money can be reintegrated into the economy in the future.

Offshore Bank

An offshore bank is a financial institution formed and located in jurisdictions with low or no taxation and a supportive legal framework for customer data protection. As a result, offshore banks are frequently used to disguise money and thus facilitate money laundering. It is also worth noting that traditional banks may have offshore banking units based somewhere other than the original bank's headquarters.

Offshore Company

An offshore company is a corporation or entity whose administration is located in a country other than the one in which it was formed. Offshore firms are often founded in jurisdictions with the goal of conducting business outside of them. Because of lower levels of taxation and secrecy legislation, such jurisdictions tend to benefit offshore companies.

Shell Companies

A shell company is a corporation that has no official record of any employees or offices but has reported financial activity, specifically financial accounts or assets. Shell companies are mostly located in tax havens and are frequently used by companies based elsewhere to transfer capital or assets to shell companies in order to avoid the financial responsibilities of the original four companies, which brings us back to tax evasion. Money laundering could also be facilitated, especially because they can be used to either hide criminal money from law enforcement or simply launder money that hasn't been accounted for.

Tax Evasion

Tax evasion is defined as a deliberate and especially criminal attempt to avoid the imposition or payment of a tax. As a result, every nation experiencing such revenue

losses will be missing funds normally used for the start of development in infrastructure and services such as education and health, lowering living standards.

Tax Havens

Tax havens are areas (mostly countries) with extremely low taxation rates and a very customer-protective legal framework governing the origin of capital flows. As a result, individuals and businesses prefer to transfer their assets to such countries in order to avoid taxation in their home country. However, secrecy jurisdictions apply to tax havens as well, so criminals can use tax havens to launder illegally obtained money.

BACKGROUND INFORMATION

The Three Stages of Money Laundering

For illicit financial flows to be executed, it is vital to take into consideration the three stages of money laundering.

Placement

The "Placement" of the money is the first stage of the process. The cash enters the financial system, possibly through a bank account at a financial institution in the country or abroad. After the money has been officially placed in the financial institution, the criminal is no longer the owner of the money and cannot be charged with possession of unaccounted money. To limit suspicion, placement may entail converting the money to different currencies or even dividing the cash into smaller sums of money and depositing it in different financial institutions. Furthermore, the criminal benefits from the liquidity of the deposit money because it is easily transferred, allowing for layering.

Layering

Money is transferred many times in a row through multiple bank accounts, offshore banks, and shell companies during "Layering." Its shape shifts as well; criminals tend to acquire high-value assets, such as jewels or works of art, while the amount of money fluctuates. The main goal of all these high-complexity transactions is to keep law enforcement from tracing "dirty" money and its owner, whose identity is nearly anonymous after the layering process. Furthermore, the money can be divided and invested in smaller

amounts again, while multiple transnational transactions occur at a rapid pace. Given the massive volume of wire transfers that occur every day, it would be impossible for law enforcement to track down suspicious transactions involving small sums of money. As a result, the integration of money is unavoidable after layering.

Integration

The final stage of the money laundering process is "integration." After the money has been layered, its original illegal source is hidden, and the criminal is able to retrieve the money from an allegedly trustworthy source. The disguised money is reintegrated into the economy in such a way that no suspicion is raised. Most of the time, this is accomplished by purchasing proven businesses such as hotels, restaurants, parking lots, and so on.

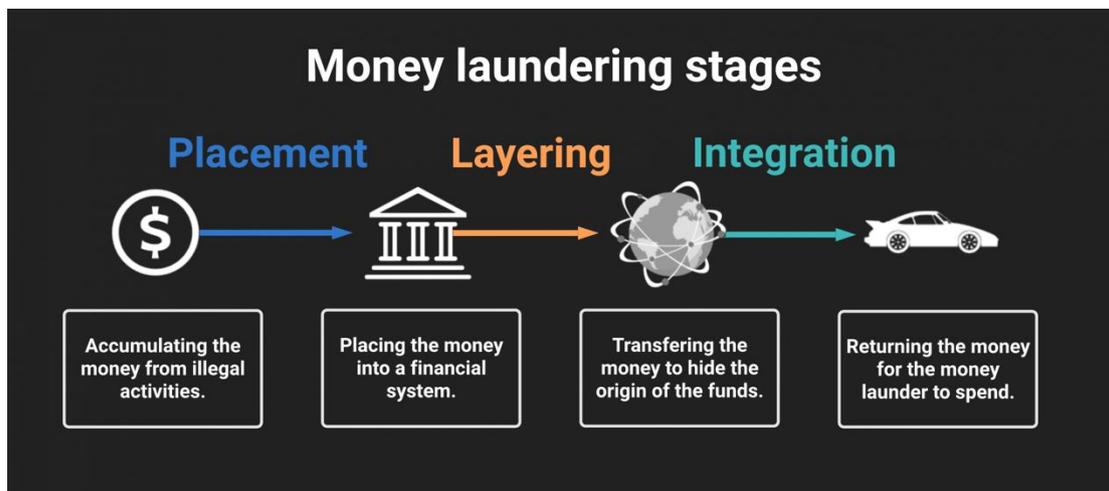


Figure 1: Money Laundering Stages¹

Transparency when Dealing with Illicit Financial Flows

Transparency, it has been stated, is the best weapon that the banking sector has in order to overcome the issue of tax evasion and money laundering. Some countries have attempted to implement transparency; some have made significant progress toward success, while others have not. In particular, in 2014, the Bank of England unveiled proposals that would result in the public disclosure of minutes of resetting deliberations, as well as transcripts and audio recordings of policymakers' decisions.

¹ WHAT ARE THE THREE STAGES OF MONEY LAUNDERING?, Britton Time, 9 Apr. 2021, www.brittontime.com/2021/04/09/what-are-the-three-stages-of-money-laundering/

The aforementioned strategy has already been adopted in the United States, where the Federal Reserve publishes policy meeting minutes within three weeks, whereas the Bank of Japan publishes minutes after a month. As it is perceived, the public is the worst enemy of potential tax evaders, so these prime examples demonstrate that transparency is already in place and has a significant impact. One of the most common examples is the United States and its taxation system, which is discussed further in the following section of this paper. In this particular instance, after implementing the aforementioned policy, they achieved one of the largest decreases in their losses due to tax evasion, whereas prior to implementing the aforementioned, they lost an estimated 337 billion dollars, according to a World Bank report.²

Cryptocurrencies and Illicit Financial Flows

In recent years, digital money, primarily in the form of cryptocurrencies, has grown in popularity. Cryptocurrencies are digital assets that are used in online transactions. They are built on the blockchain, a new technology that uses cryptography to ensure the security of transactions. In the context of money laundering, cryptocurrencies actually facilitate it by providing their users with a high degree of anonymity. Some cryptocurrencies, such as Bitcoin, are pseudonymous, whereas others, such as Monero and zCash, are anonymous.

All pseudonymous cryptocurrencies, also known as semi-anonymous cryptocurrencies, are linked to a specific address or key rather than real people or email addresses. Anonymous cryptocurrencies are based on ring signatures, which are digital signatures of groups of people that can be used by any individual belonging to that group without revealing his identity. The use of such cryptocurrencies allows criminals to conceal their identities, conduct secure transactions, purchase valuable goods, and convert virtual money to another currency.

If the percentage of anonymity of cryptocurrencies is not immediately regulated, the combination of all of these possibilities could lead to a potential money laundering scheme. Criminals will also convert their money into virtual currencies in online gaming in order to engage in money laundering.

² "Our Impact." *Transparency.org*, www.transparency.org/en/our-impact

Impact of Illicit Financial Flows on a Global Scale

Illicit financial flows have a negative impact on many countries, the majority of which are in the Less Economically Developed Countries. When emerging economies are integrated into the international financial market, they face threats. The impact of money laundering on such economies is multifaceted.

To begin with, the private sector must contend with excessive competitiveness and economic disparities. Criminals often invest in front-end businesses to reintegrate the disguised money into the economy. When such businesses are given subsidized illegal funds, they proceed to produce goods and services at a lower cost and sell them at a lower price. As a result, they can easily outperform the productivity and profitability of legitimately funded businesses, and criminal organizations can dominate the private sector.

Furthermore, money laundering and other related criminal activities jeopardize the normal operation of banks and other financial institutions. Throughout the money laundering process, and especially during the layering stage, perpetrators place and transfer large sums of money in various financial institutions in a short period of time. Such actions endanger a bank's liquidity, and criminal activity in general has been linked to the failure of numerous financial institutions over the years.

Moreover, money launderers typically seek to make short-term investments in order to protect their proceeds rather than to promote economic growth in a developing country. Construction and hotel investments, for example, do eventually fall apart after the short-term interest is lost. This causes economic insecurity and, as a result, stifles development.

Massive money laundering frauds

Over the last few years, there have been numerous reports of despicable money laundering scandals. One of the most notable recent money laundering incidents involved the renowned bank HSBC. HSBC was accused of facilitating money laundering, allowing cash flows for drug cartels and terrorism. HSBC's insufficient anti-money laundering policy was to blame for the bank's failure to prevent money laundering. HSBC was eventually fined \$1.92 billion, one of the largest amounts ever charged for money laundering. Nonetheless, money laundering has occurred on a large scale in the past. One of the most notable cases is that of Pablo Escobar, a

world-famous and successful drug lord. Pablo Escobar rose to the seventh richest man in the world in 1989, due to drug cartel and money laundering.³

Furthermore, the Financial Conduct Authority issued Standard Chartered Bank its second-largest fine, in April 2019 for a wide range of failings, including opening a bank account with 3 million UAE Dirham (£500,000) deposited from cash in a suitcase.⁴

Besides that, four people were sentenced in September 2019 at Southwark Crown Court for their roles in the UK's largest ever visa and immigration fraud case. The perpetrators pretended to be 'immigration advisors,' charging exorbitant fees for compiling (false) immigration applications that would have cost the British taxpayer millions of pounds if the scam had worked. To avoid being defrauded, it is critical that those seeking to migrate to the United Kingdom only go through the proper, official channels.

The Pandora Papers concerns 12 million documents and files that were leaked, revealing the secret wealth and dealings of international leaders, politicians, and billionaires. The data was gathered by the International Consortium of Investigative Journalists in Washington DC, and it has resulted in one of the most extensive global investigations ever conducted. More than 600 journalists from 117 countries investigated the secret fortunes of some of the world's most influential people.⁵

³ Ross, Marc L. "HSBC's Money Laundering Scandal." *Investopedia*, Investopedia, 21 Sept. 2021, <https://www.investopedia.com/stock-analysis/2013/investing-news-for-jan-29-hsbcs-money-laundering-scandal-hbc-scbff-ing-cs-rbs0129.aspx>

⁴ "FCA Fines Standard Chartered Bank £102.2 Million for Poor AML Controls." FCA, 9 Apr. 2019, www.fca.org.uk/news/press-releases/fca-fines-standard-chartered-bank-102-2-million-poor-aml-controls

⁵ team, Pandora Papers reporting. "Pandora Papers: A Simple Guide to the Pandora Papers Leak." *BBC News*, BBC, 5 Oct. 2021, <https://www.bbc.com/news/world-58780561#:~:text=parliamentary%20time%20allows.-,The%20Pandora%20Papers%20is%20a%20leak%20of%20almost%2012%20million,the%20biggest%20ever%20global%20investigations>

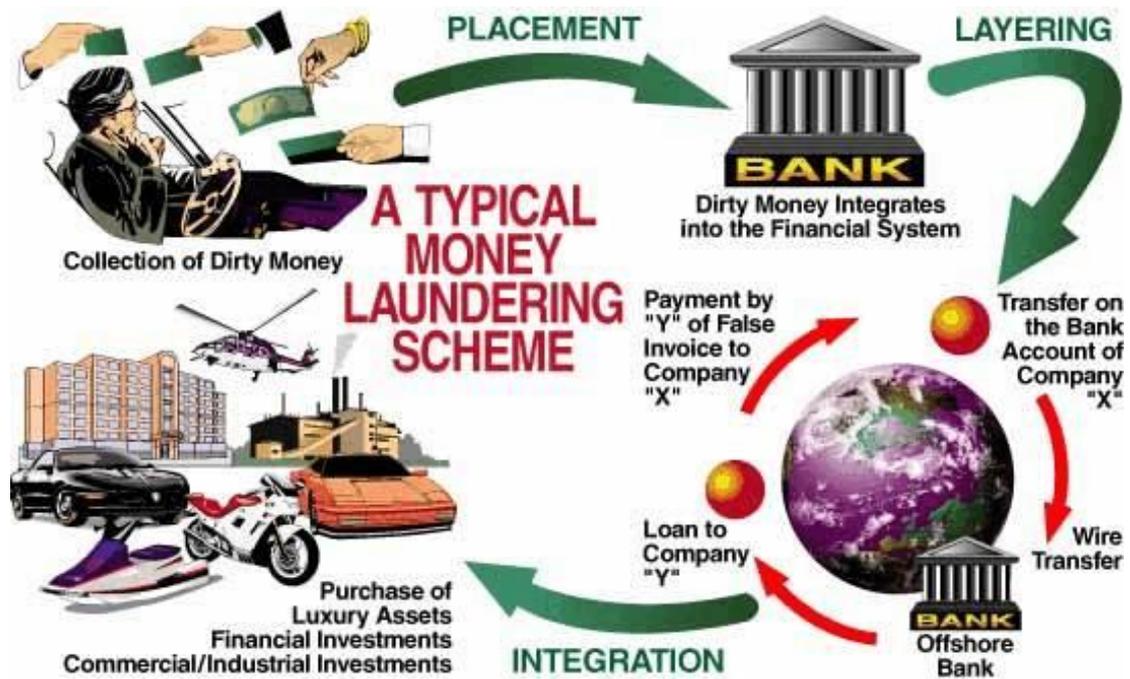


Figure 2: A Typical Money Laundering Scheme⁶

MAJOR COUNTRIES AND ORGANISATIONS INVOLVED

United Arab Emirates

The United Arab Emirates are regarded as a major money-laundering hotspot. This belief can be attributed to the area's high vulnerability to money laundering due to the presence of major financial centers such as Dubai. There are significant deficiencies as a result of inadequate supervision of financial institutions, exchange houses, and general trading companies. Aside from that, the UAE has a vast offshore financial network with only 57 free-trade zones, further complicating the current situation.

European Union (EU)

Aside from its efforts to eliminate tax havens, the European Union (EU) has developed an anti-money laundering directive (AML) aimed at the prevention and confrontation of money laundering. Due to the different policies in place, the first versions of the AMLD failed to allow financial institutions operating both within and

⁶ "A Typical Money Laundering Scheme." Youth Ki Awaaz Understanding The Hawala Trading System- An Old Yet A Wild Horse | Youth Ki Awaaz, Youth Ki Awaaz , 2011, www.google.com/url?sa=i&url=https%3A%2F%2F

outside of the EU, particularly in the United States, to improve their financial transparency programs. Nonetheless, after the fourth version (AMLD IV) is implemented, such financial institutions will be able to improve their operations in both regions, where identical policies will apply.

Switzerland

Switzerland is considered a tax haven due to its 85-year strict policy regarding the secrecy of money-related trades in its banking sector, but less than four months after refusing to sign the Constitutional Treaty for Europe, which was a crucial treaty aimed at combating tax evasion in 2014, the country found itself embroiled in the largest banking scandal in history. The alleged systematic involvement of the bank's Swiss subsidiary increased international pressure on the country's strict 85-year financial secrecy laws and sent shockwaves through the banking world, highlighting the need for greater transparency.

South Africa

South Africa has a strong legal framework in place to combat money laundering and terrorist financing, but there are severe inadequacies in putting the system in place, including a failure to pursue serious instances. South Africa is a member of the G20 and a regional financial center for Sub-Saharan Africa. Its banks provide a varied range of products and serve as the primary entrance point into the financial system. South Africa is vulnerable to the laundering of local and foreign crime revenues from the region. It is also vulnerable to terrorism funding threats linked with overseas terrorism, FTFs, and potential domestic terrorism. The International Monetary Fund staff-led assessment thoroughly examines the efficiency of South Africa's anti-money laundering and counter-terrorist financing procedures, as well as their level of compliance with the FATF Recommendations as of the time of the on-site inspection in November 2019. This report was adopted by the FATF during its Plenary meeting in June 2021. This was a collaborative evaluation with the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), which also approved the report in September 2021.⁷

⁷ "South Africa's Measures to Combat Money Laundering and Terrorist Financing." *Documents - Financial Action Task Force (FATF)*, <https://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-south-africa-2021.html>.

Pakistan

According to the FATF's evaluation report published in 2009, Pakistan failed to comply with all of the Financial Action Task Force's recommendations, including the six core recommendations.⁸ The key to Pakistan's money laundering problem is the government's failure to devise and implement adequate legislation to combat money laundering and corruption effectively. The problem is exacerbated by the Federal Investigation Agency's (FIA) inability to launch financial investigations due to a lack of transaction information provided by the Pakistani Financial Intelligence Unit (FIU).

United Nations Office on Drugs and Crime (UNODC)

The United Nations Office on Drugs and Crime (UNODC) is a United Nations organization dedicated to combating drugs and crime, as well as other sub-categories of those two. It was formed in 1997 as a result of a merger of the United Nations Drug Control Programme and the Centre for International Crime Prevention. The UNODC has an Anti-Money Laundering (AML) Unit that is in charge of running the Global Programme Against Money Laundering, Proceeds of Crime, and Terrorist Financing. The UNODC is an important player in international cooperation, providing technical assistance and knowledge to countries in order to achieve a common goal.

Financial Action Task Force

The Financial Action Task Force was established in 1989 as an intergovernmental organization. Its primary goals are to develop and implement effective methods for combating money laundering, terrorism financing, and other issues that threaten the global economy's sovereignty. The FATF has published specific recommendations (40 recommendations on money laundering and 9 special recommendations on terrorist financing), and any countries that refuse to comply with the aforementioned are listed in special reports and face economic sanctions.

Transparency International

Transparency International is a non-profit anti-corruption organization that was founded in 1993. Since its inception, its primary goal has been to eradicate corruption in all of its forms. Because money laundering is a form of corruption, Transparency International focuses its efforts on it as well. Transparency

⁸ "Pakistan AML Report." *Knowyourcountry*, Knowyourcountry, www.knowyourcountry.com/pakistan1111.

International has successfully approached professionals in the private sector to ensure the effective implementation of anti-money laundering standards in order to specifically combat money laundering. Its primary goals are accountancy and real estate, two industries where increasing transparency about laundered money is critical to reducing the incidence of money laundering.

BLOCKS EXPECTED

Bloc A

The first bloc regarding this topic will include countries that have low rates of taxation, also known as tax havens. The most characteristic countries of this particular category are Luxemburg, the Netherlands, Panama, Switzerland, the Cayman Islands, Bermuda, the British Virgin Islands. Except for those, we also need to take into consideration their allies, which will also be a part of this bloc, as well as those countries that have lenient policies towards tax havens, even though they're not havens themselves.

Bloc B

The second bloc regarding this topic will include countries that have high rates of taxation, also known as tax hells. The most characteristic countries of this particular category are France, Finland, Denmark, Austria, Germany, Sweden. Except for those, we also need to take into consideration their allies, which will also be a part of this bloc, as well as those countries that have lenient policies towards tax hells, even though they're not hells themselves.

TIMELINE OF EVENTS

Date	Description of event
2000 BC	First attempt of money laundering, executed in China, by merchants who tried to hide and protect their money.
December 19 th , 1988	UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.
1989	The formation of the Financial Action Task Force (FATF).

December 9 th 1999	International Convention for the Suppression of the Financing of Terrorism
September 11 th 2001	Following the terrorist attack on the World Trade Center Twin Towers by Al-Qaeda, the international community began to recognize the close relationship between money laundering and terrorist financing.
November 15 th 2001	UN Convention against Transactional Organized Crime was established
December 14 th 2005	UN Convention against Corruption
December 2012	HSBC was charged with 1.92 billion dollars and was accused of facilitating money laundering and terrorism financing.
June 2014	BNP Paribas was fined for violating US sanctions against Cuba, Iran, and Sudan, as well as for providing false business records.
October 30 th 2014	Transparency Global Forum in Berlin
April 2015	The first leak of the "Panama papers" occurred, which was the largest data leak in history, containing 11.5 million documents and 2.6 terabytes of data.
April 2019	the Financial Conduct Authority issued Standard Chartered Bank its second-largest fine
September 2019	the UK's largest ever visa and immigration fraud case
October 3 rd 2021	Pandora Papers leak

RELEVANT RESOLUTIONS, TREATIES AND EVENTS

UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (December 19, 1988)⁹

This convention is targeted at combating money laundering in the drug trafficking scenario. The Convention was available for signature at the United Nations Office in Vienna from 20 December 1988 to 28 February 1989, and then at the United Nations Headquarters in New York until 20 December 1989. The Conference also adopted the Final Act and several resolutions that are appended to the Final Act, in addition to the Convention. The text of the Final Act is available in the document E/CONF.82/14.

Palermo Convention: UN Convention Against Transnational Organized Crime, November 15, 2001¹⁰

The Palermo Convention enhanced financial industry regulation and oversight in order to detect suspicious transactions. Despite massive expenditure, the vast majority of anti-trafficking programs launched following the Palermo Protocol have mostly failed to achieve their basic purpose and sustain long-term, beneficial impact, as indicated by the growing number of victims worldwide.

UN General Assembly Resolution 60/288 (20 Sept 2006)¹¹

This resolution urges member states to implement the FATF's international standards, which include the forty recommendations on money laundering and the nine special recommendations on terrorist financing. The Strategy attempts to promote and preserve the rights and dignity of terrorist victims. Particularly, it aims to address the dehumanization of terrorist victims in order to create international solidarity in support of them and emphasizes the need to promote and preserve their rights.

⁹ *United Nations Convention against Illicit ... - Unodc.org.*
www.unodc.org/pdf/convention_1988_en.pdf.

¹⁰ *United Nations Convention against Transnational Organized ...*
www.unodc.org/documents/middleeastandnorthafrica/organised-crime/UNITED_NATIONS_CONVENTION_AGAINST_TRANSNATIONAL_ORGANIZED_CRIME_AND_THE_PROTOCOLS_THEREO.pdf.

¹¹ *PDF - A/RES/60/288 - Undocs.org.* undocs.org/pdf?symbol=en/A/RES/60/288.

PREVIOUS ATTEMPTS TO SOLVE THE ISSUE

United Nations Office on Drugs and Crime (UNODC)

The UNODC (United Nations Office on Drugs and Crime) is in charge of overseeing the Global Programme Against Money-Laundering, Proceeds of Crime, and Terrorism Financing (GPML). In collaboration with the International Monetary Fund, the GPML aims to promote international cooperation to combat money laundering by developing online databases containing relevant information and sharing model anti-money laundering legislation (IMF). The FATF, established by the G7 (an intergovernmental organization consisted of the world's largest developed economies: France, Germany, Italy, Japan, the United States, the United Kingdom, and Canada), has also made significant efforts to eradicate money laundering. It is critical to an appropriate international response to money laundering to set international tax standards, promote efficient measures, and evaluate the progress countries have made in implementing them. Nevertheless, the aforementioned international community actions have only benefited a few countries. Many other jurisdictions and countries, whether facing economic sanctions or stringent regulations, are uncooperative and refuse to cooperate in the international anti-money laundering investigation.

European Union (EU)

The European Union has made a significant contribution to the fight against money laundering. The European Commission for Migration and Home Affairs has succeeded in launching an anti-money laundering directive, the third complete version of which is already in effect. Furthermore, the commission has facilitated communication and teamwork among Financial Intelligence Units (FIUs) across Europe and oversaw the equivalent criminalization of money laundering in various European countries.

Transparency international

Transparency International was also instrumental in combating money laundering. Transparency International established the Corruption Perceptions Index in 1995 to show which countries have the highest and lowest levels of corruption. Its international cooperation campaign to combat corruption resulted in the renowned UN Convention against Corruption in 2003, which brought about significant changes in the fight against corruption.

Addis Ababa Action Agenda (AAAA)

The Third International Conference on Financing for Development's Addis Ababa Action Agenda has been identified as crucial for achieving the Sustainable Development Goals (SDG) and targets (United Nations, 2015b, Transforming our World: the 2030 Agenda for Sustainable Development, A/RES/70/1)¹². The AAAA is a global framework for financing sustainable development that consists of several hundred commitments and policy actions that United Nations member states have pledged to implement individually and collectively (United Nations, 2015a, Addis Ababa Action Agenda of the Third International Conference on Financing for Development, A/RES/69/313)¹³.

POSSIBLE SOLUTIONS

The promotion of international cooperation on such an important issue as money laundering is critical, especially given the fact that it occurs all over the world. The delegates should focus on promoting international cooperation while also providing actual solutions to eliminate illicit financial flows and increase transparency in the financial sector.

Focus on Tax Havens

To begin with, the international community could take a more subtle approach to tax havens in order to ensure their cooperation. As previously stated, tax havens are major contributors to the problem. Tighter regulations are unlikely to be effective because they would discourage certain jurisdictions from cooperating with other countries and organizations.

As Common as Possible Regulations

Furthermore, countries must commit to existing standards and conventions, and awareness must be raised among them so that they are aware of the existing resources provided by the international community. Money launderers

¹² *General Assembly 21 October 2015 - United Nations.*

www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/A_RES_70_1_E.pdf.

¹³ *A General Assembly - Un.*

www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/A_RES_73_195.pdf.

frequently exploit loopholes and flaws in countries' anti-money laundering policies. Most countries, for example, take a different approach to bank secrecy.

Assistance by Financial Institutions and Legal Frameworks

Moreover, financial institutions must play their part by, for example, providing accurate information about financial activity and business records and enforcing strict Customer Due Diligence (CDD). Customer Due Diligence refers to the information gathered by financial institutions in order to identify any risks posed by the customer's background and purposes to the institutions themselves. Money laundering or terrorist financing are examples of such threats. The improvement of legislation and law enforcement, in conjunction with the implementation of Financial Intelligence Units (FIUs), could lead to an increase in financial transparency on a national level.

International cooperation should also include assistance from individual countries, particularly neighboring ones where suspicious activities may be linked to money laundering in a broader context.

Global country reports

Something that goes hand in hand with information sharing but is far more efficient is the mandatory introduction of global country reports on profits, costs, and taxes. Everyone would be able to check their country's financial whereabouts in this manner, making it nearly impossible for corruption to appear within each nation's government. This measure could be voted on by the United Nations' General Assembly or it could be a form of agreement between countries with common interests, though a law or agreement voted on a global scale via the United Nations' G.A, while not legally binding, would be far more efficient.

Promoting Crypto-currencies

What is more, the international community must address the emerging complex problem of cryptocurrencies and their anonymity by developing standard guidelines for limiting the use of cryptocurrencies for money laundering and by informing each and every country about the growing threat cryptocurrencies pose to the global economy. Countries should also take action, because any relevant policies must apply to the case of money laundering via any virtual currency in each and every country, while keeping in mind that cryptocurrency units are virtual assets rather than physical or digital money. As a result, existing

anti-money laundering legislation must apply to both physical and digital money, as well as digital assets like cryptocurrency units.

BIBLIOGRAPHY

- (www.dw.com), Deutsche Welle. "The EU Declares War on Money Laundering: DW: 22.07.2021." *DW.COM*, Deutsche Welle, www.dw.com/en/the-eu-declares-war-on-money-laundering/a-58583614.
- , Mariya Paliwala, et al. "All You Need to Know about a Concept of the Shell Companies." *IPleaders*, IPleaders, 27 Jan. 2020, blog.ipleaders.in/shell-company/.
- Abhishek.tookitaki. "Layering in Money Laundering: Everything You Need to Know." *Tookitaki*, Tookitaki, 12 Oct. 2021, www.tookitaki.ai/compliance_hub/layering-in-money-laundering/#:~:text=What%20is%20layering%3F,legitimate%20look%20of%20criminal%20money.
- "Banking Secrecy Definition." *Law Insider*, www.lawinsider.com/dictionary/banking-secrecy.
- Brian Martucci Brian Martucci writes about credit cards, et al. "What Is Money Laundering (Explained) – Examples, Schemes & Regulations." *Money Crashers*, www.moneycrashers.com/money-laundering-examples-schemes-regulations/.
- Britton, Paul. "What Are the Three Stages of Money Laundering?" *Britton & Time Solicitors*, Britton & Time Solicitors, 23 Apr. 2021, brittontime.com/2021/04/09/what-are-the-three-stages-of-money-laundering/.
- Chambers, St Paul's. "The Process and Stages of Money Laundering Explained." *St Pauls Chambers*, St Pauls Chambers, 15 Oct. 2021, www.stpaulschambers.com/stages-of-money-laundering-explained/#:~:text=What%20are%20the%20Three%20Stages,to%20the%20criminal%20activity%20involved.
- Chen, James. "Money Laundering." *Investopedia*, Investopedia, 30 Dec. 2021, www.investopedia.com/terms/m/moneylaundering.asp.
- Chen, James. "What Does Transparency Mean?" *Investopedia*, Investopedia, 30 Dec. 2021, www.investopedia.com/terms/t/transparency.asp.
- "Drug Lord Definition & Meaning." *Dictionary.com*, Dictionary.com, <https://www.dictionary.com/browse/drug-lord>.

“FCA Fines Standard Chartered Bank £102.2 Million for Poor AML Controls.” *FCA*, 9 Apr. 2019, <https://www.fca.org.uk/news/press-releases/fca-fines-standard-chartered-bank-102-2-million-poor-aml-controls>.

Fernando, Jason. “What Is Inflation?” *Investopedia*, Investopedia, 14 Feb. 2022, <https://www.investopedia.com/terms/i/inflation.asp>.

“Free-Trade Zone.” *Encyclopædia Britannica*, Encyclopædia Britannica, Inc., <https://www.britannica.com/topic/free-trade-zone>.

Forum, IBA Anti-Money Laundering. “Europe.” *IBA Anti-Money Laundering Forum - Europe*, IBA Anti-Money Laundering Forum - Europe, www.anti-moneylaundering.org/Europe.aspx.

“HOME.” *Money Laundering - Financial Action Task Force (FATF)*, FATF, www.fatf-gafi.org/faq/moneylaundering/.

ICO Services. “Offshore Company Definition and How It Works.” *ICO Services*, ICO Services, 6 Dec. 2019, www.icoservices.com/news/offshore-company-definition-how-it-works.html.

IMF. “IMF, Anti Money Laundering and Economic Stability – IMF Finance & Development Magazine: December 2018.” *IMF, Anti Money Laundering and Economic Stability – IMF Finance & Development Magazine | December 2018*, 2018, www.imf.org/external/pubs/ft/fandd/2018/12/imf-anti-money-laundering-and-economic-stability-straight.htm.

International Committee of the Red Cross. “What Is Economic Security?” *International Committee of the Red Cross*, 7 May 2021, <https://www.icrc.org/en/document/introduction-economic-security>.

“Jurisdiction.” *Legal Information Institute*, Legal Information Institute, <https://www.law.cornell.edu/wex/jurisdiction>.

Kenton, Will. “Bank Secrecy Act (BSA).” *Investopedia*, Investopedia, 22 Aug. 2021, www.investopedia.com/terms/b/bank_secrecy_act.asp.

Lucian , Rădulescu Dragoș. “IJTEF.” *International Journal of Trade, Economics and Finance, Vol.1, No.4, December, 2010 2010-023X* , Rădulescu Dragoș Lucian , Dec. 2010, www.ijtef.org/papers/63-F20026.pdf.

“Money Laundering.” *HCMC*, HCMC, www.hcmc.gr/en_US/web/portal/mlaundering1.

“Offshore Banking Definition, Benefits & Offshore Account Types.” *Offshore Banking: What Is It, Benefits, Accounts*, www.offshore-protection.com/what-is-offshore-banking-benefits.

“Pakistan AML Report.” *Knowyourcountry*, Knowyourcountry, www.knowyourcountry.com/pakistan1111.

Patsatzi, Faidra. “Committee: Economic and Financial Committee (GA2 ... - CGSMUN.” *Cgs Mun*, Cgs Mun, 2018, cgsmun.gr/wp-content/uploads/Study%20Guides/13th/GA2_3_FP.pdf.

Ross, Marc L. “HSBC's Money Laundering Scandal.” *Investopedia*, Investopedia, 21 Sept. 2021, <https://www.investopedia.com/stock-analysis/2013/investing-news-for-jan-29-hsbc-money-laundering-scandal-hbc-scbff-ing-cs-rbs0129.aspx>.

Sadon, Tom, et al. “Money Laundering: The Key to Cryptocurrency Crime.” *Cognyte*, 30 Nov. 2021, www.cognyte.com/blog/anti-money-laundering-cryptocurrency/#:~:text=Money%20laundering%20is%20a%20common%20the%20me%20among%20many%20crypto%20crimes.&text=Cryptocurrency%20is%20used%20by%20criminals,of%20cryptocurrencies%20from%20online%20exchanges.

SmartSearch. “The Biggest Fraud and Money Laundering Cases in Recent Times.” *SmartSearch*, SmartSearch, 20 Oct. 2021, www.smartsearch.com/resources/blog/biggest-fraud-and-money-laundering-cases.

“South Africa's Measures to Combat Money Laundering and Terrorist Financing.” *Documents - Financial Action Task Force (FATF)*, <https://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-south-africa-2021.html>.

“Switzerland AML Report.” *Knowyourcountry*, www.knowyourcountry.com/switerland1111.

“Tax Evasion.” *Legal Information Institute*, Legal Information Institute, www.law.cornell.edu/wex/tax_evasion#:~:text=Tax%20evasion%20is%20using%20illegal,to%20the%20Internal%20Revenue%20Service.&text=In%20the%20United%20States%2C%20tax,penalties%2C%20imprisonment%2C%20or%20both.

Team, The Investopedia. “What Is a Tax Haven?” *Investopedia*, Investopedia, 30 Dec. 2021, www.investopedia.com/terms/t/taxhaven.asp.

team, Pandora Papers reporting. “Pandora Papers: A Simple Guide to the Pandora Papers Leak.” *BBC News*, BBC, 5 Oct. 2021, <https://www.bbc.com/news/world-58780561#:~:text=parliamentary%20time%20allows.-,The%20Pandora%20Papers%20is%20a%20leak%20of%20almost%2012%20million,the%20biggest%20ever%20global%20investigations>.

Tsitsiridakis, Evangelos. "Costeas-Geitonas School Model United Nations - CGSMUN." *CGS MUN*, CGS MUN, 2017, cgsmun.gr/wp-content/uploads/Study%20Guides/12th/GA2_3_ET.pdf.

"UAE AML Report." *Knowyourcountry*, Knowyourcountry, www.knowyourcountry.com/uae1111.

UNESCAP - Macroeconomic Policy and Financing for Development Division & Statistics Division. "Addis Ababa Action Agenda." *Home*, 6 May 2020, <https://data.unescap.org/dataviz/AAAA/>.

United Nations, (UN). "Overview." *United Nations : Office on Drugs and Crime*, United Nations, www.unodc.org/unodc/en/money-laundering/overview.html.

Written by Deya Innab, Chief Strategy and Product Officer. "How Trade-Based Money Laundering Works and Its Impact on World Finances." *World Economic Forum*, World Economic Forum, www.weforum.org/agenda/2021/06/trade-based-money-laundering/.

Pictures, Graphs, Statistics:

Figure 1:

Britton , Paul. "Stages of Money Laundering." *WHAT ARE THE THREE STAGES OF MONEY LAUNDERING?*, Britton Time, 9 Apr. 2021, brittontime.com/2021/04/09/what-are-the-three-stages-of-money-laundering/.

Figure 2:

"A Typical Money Laundering Scheme." *Youth Ki Awaaz Understanding The Hawala Trading System- An Old Yet A Wild Horse | Youth Ki Awaaz*, Youth Ki Awaaz , 2011, www.google.com/url?sa=i&url=https%3A%2F%2Fwww.youthkiawaaz.com%2F2011%2F02%2Fhawala-trading-system%2F&psig=AOvVaw2KLk7O73YSqF7a1rve_umN&ust=1641407746763000&source=images&cd=vfe&ved=0CAwQjhxqFwoTCNDBktjimPUCFQAAAAAdAA AAABAD.