

## Factsheet: Money-laundering\*

Money laundering and related illicit financial activities have devastating economic and social consequences. They continue to pose serious challenges to economies and governments. In addition to funding corrupt individuals and their networks, the illicit proceeds of money laundering have also been used to finance organized crime, conflicts and terrorist activities. The process of money laundering is critical to the effective operation of virtually every form of transnational and organized crime, including the production and trafficking in illicit drugs.

To successfully combat money laundering, it is imperative that comprehensive and globally harmonized regulations be adopted and enforced. It has been shown that legal and operational obstacles inherent in many national frameworks further stretch the ability of some Member States to effectively implement anti money laundering legislation. In many cases, the proceeds of crime are raised in, or routed through countries which have weak or non-implemented legislation. The law enforcement abilities of Member States must be enhanced, and they must be able to effectively **share information, improve the coordination** within their national systems, and **expand their cooperation** on the regional and international stage.

### **Achievements**

A majority of Member States already have some form of legislation criminalizing money laundering, and a significant portion of this legislation is reported as taking into consideration international requirements and standards, such as those established by the Financial Action Task Force.

A significant portion of Members States has also carried out the following actions:

- Established legislation allowing the freezing, seizure and confiscation of the proceeds of illicit drug trafficking and other serious crimes;
- Incorporated measures into their financial systems to counter money-laundering;
- Established Financial Intelligence Units (FIU).

### **Challenges**

- While reporting from Member States indicates that efforts to combat money laundering are recognized as important to undermining organized crime linked to the trafficking in narcotic drugs, further efforts need to be made.
- Many Member States still need to implement practical measures to enhance their capacity to analyze financial information, to properly identify, trace and investigate illicit financial flows, and to confiscate the proceeds of crime. Member States must also continue to improve their ability to effectively coordinate at the national level and cooperate with their neighbors, as well as regional and international partners, to

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effectively share information, conduct joint operations, extradite money launderers, and provide mutual legal assistance on anti-money laundering matters.

- Despite several recent high-profile anti-money laundering cases, the majority of laundered money goes undetected and those cases which are discovered often do not result in prosecutions. Along with the needed enhancements to legal frameworks and operational capacity, the political will of Member States to investigate and prosecute money laundering cases also requires reinforcing.
- Newly emerging and more complex money laundering techniques, involving the use of the international trade system, cash couriers, alternative remittance systems, new payment methods, and complex corporate structures, are increasingly used by criminals to exploit vulnerabilities in national anti-money laundering capabilities.
- Additionally, the use of the Internet for money laundering and the illicit transport of cash and value commodities across borders are growing practices. The relatively easy use of modern technology and the apparent lack of borders in criminal operations are often in direct contrast to the capabilities of Member States, many of which lack human and I.T. resources and continue to struggle with cross-border operations and information sharing.
- Current statistics indicate that money laundering is worth trillions of dollars annually and less than one percent of global illicit financial flows are seized and frozen. As such, money laundering remains an incentive for criminal activities, as well as a global threat to the integrity, reliability and stability of financial and trade systems.