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INCB ANNUAL REPORT 1995

Background Note No.7

Special Focus for 1995:

Money Laundering

Among the problems highlighted in the 1995 Report of the International Control Board (INCB) are weaknesses in recently enacted anti-money-laundering measures.

The Report contains numerous examples of how global economic integration, opening borders and deregulation of trade are facilitating international drug trafficking and money laundering.

The Board, which regularly reviews the world drug scene and international compliance with three international drug control conventions, in its current report evaluates the progress made by Governments in carrying out their commitments, under the most recent international drug control treaty, to curtail money laundering activities as a way to deter drug trafficking.

Conclusions

The Board concludes that although financial operations are the points where criminals are the most vulnerable, and money trails are often the only way to trace the organizers of an illicit drug operation, many countries are still in need of

appropriate laws and procedures to prevent the laundering of criminal proceeds. The Report acknowledges that strong countermeasures recently enacted by Switzerland, Luxembourg, Monaco and the Cayman Islands have made those traditional "safe havens" begin to lose their attractiveness for launderers. At the same time, it expresses regret that there is no world-wide concerted action against money laundering nor any reporting system on the seizure and confiscation of drug trafficking proceeds.

Recommendations

On the question of money laundering, the Report states the Board's view that "No Governments and no society should accept, from a moral and ethical point of view, that income could be derived from criminal activities such as drug trafficking and related activities." It recommends that besides their legal obligations under the 1988 treaty, all countries should accept the obligation to provide and enforce laws which enable them to confiscate **all** proceeds derived from drug trafficking and punish money launderers as well as drug traffickers.

The Report recognizes that the prevention of money laundering poses a particular challenge for the vulnerable economies of developing countries, where the vast capital controlled by criminal groups has a strong potential for exacerbating corruption in the Government and private sectors.

Noting that the international nature of laundering makes it essential to mobilize a global response to the problem, the Board voices the view that the effectiveness of world anti-laundering machinery will be dependent on the presence or absence of important gaps, such as unregulated or lax countries, unregulated offshore services or commercial laws facilitating laundering.

The Report acknowledges that the introduction of countermeasures inevitably takes time, since many countries face pressures in attempting to do away with past policies such as bank secrecy or the use of casinos to hide large cash transactions.

To tighten controls, the Board recommends that countries become party to the 1988 Convention and amend their laws and **constitutions** accordingly, introduce effective laws to combat laundering and confiscate the property of drug traffickers, and introduce procedures whereby financial institutions would report suspicious transactions to a specialized body.

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