



Background Paper

Committee: UNODC

Topic B: Money laundering and its role in financing terrorism

Chairs: Jesus Fuentes and Jacqueline Gonzalez

Money laundering involves an underlying, key, profit-making crime such as terrorism, drug trafficking, market manipulation, fraud or tax evasion, with the objective of concealing the crime's profits and furthering criminal activity. Criminals are laundering an estimated two to nearly four trillion dollars each year, according to the IMF and World Bank. This issue is of vital importance, and it has to be strategically addressed. When terrorist groups are unable to launder money, maintaining their illicit activities outside the territory in which they operate becomes impossible for them. To support terrorists and acts of terrorism, many individuals use the financial system. Terrorist financiers and other criminals use the conventional financial system, new payment methods such as Bitcoin and Ripple, conventional value exchange methods such as hawala, trade-based money laundering, and cash couriers, especially in countries with non-existent or inadequate national anti-money laundering (AML / CFT) systems.

Over the past decades, there have been a variety of changes in the global financial system which have made it even more difficult to obtain, detain or forfeit the fraudulent assets and income. Those changes are: the Euromarket progress, as well as the proliferation of financial secrecy havens, the black-market "dollarization" and the general trend towards financial deregulation. Financial infrastructure, driven by advances in technology and communications, has developed into a constantly running global system where "megabyte currency" (money in the form of symbols on computer screens) can transfer rapidly anywhere in the world.

In response to the mandate given to UNODC by the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988, the UNODC Law Enforcement, Organized Crime and Anti-Money Laundering Unit was established in 1997, which is responsible for the execution of the Global Money Laundering, Proceeds of Crime and Terrorism Financing Programme. The specific purpose of the Global Program is to reinforce Member States' ability to develop legislation against money laundering and terrorist financing and to support them in locating, intercepting and confiscating illegitimate proceeds. Notwithstanding the above, an MLTF study has shown that criminal activity appears to migrate to other techniques when governments take measures

against certain methods of money laundering. This demonstrates in part the fact that more aggressive policy interventions and legislative policies increase the risk of detection and therefore increase the cost of using tools in order to intercept criminals.

The financial sector is subjected to innovative and radical changes, leading to new fields which will continue to be abused by criminals, and subsequently, an increase in their power. Interception techniques will become more expensive, therefore basically counterproductive; furthermore, intelligence groups are attempting to intercept criminals and will consequently learn from the weaknesses of that laundering method and eventually migrate to a new one. It is imperative that this situation is tackled with a structured strategy; indeed, a coalition between multiple entities may be necessary so that the terrorist groups can be weakened and eventually be completely dismantled, maintaining the safety of human lives.

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