

The Ministry of Education of the Republic of Azerbaijan

**"Transforming global cooperation on Combating Money
Laundering: international standards and financial
technologies"**

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Abstract

Money Laundering is a criminal business which has spread all over the world. Money laundering influence adversely to the economy, society and politics. This is why it has been created global cooperation between countries in order to fighting money laundering. This research subject covers so many researchers' opinions, different literatures. . While reading dissertation reader will learn the money laundering cycle and which measures are taken for preventing it. Moreover, which global organizations identify and monitoring Anti-money laundering (AML) system. Also, reader can gain view about the advanced technologies which highly effect to the money laundering process and AML system. The aim of this research to determine preventive measures in order to combat money laundering.

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Chapter 1- Introduction.

There has been a significant increase in the last 30 years in organized crime such as illicit drug trafficking, arms smuggling, human smuggling and crimes committed at the international level. Parallel to this increase, the fight against such crimes has become very important. The struggles made with classical methods and only at the national level have not yielded satisfactory results in the prevention of these crimes. On the other hand, anti-laundering measures have been put in place to prevent the introduction of income from these crimes into the legal system in a legitimate income image for effective international fighting. The value of assets obtained through the processing of a crime is called "proceeds of crime" or "dirty money". It is called laundering that the crime proceeds are removed from the criminal, which is the source of the nurture and the so-called predicate offense. The word laundering states that it was first published in 1973 in newspapers reporting the Watergate scandal. Although the concept of money laundering entered the literature in the 20th century, it is alleged that similar activities stretched up to 4000 years ago in Milano.

Among the most illegal activities such as drug trafficking, weapons smuggling, human smuggling, cash prizes are the most preferred change tool. It is a necessary requirement for criminals to be removed from one side by the concealment of the origin of this money, and to be easily usable under a legal image, avoiding the confiscation of crime from the other side. Laundering is a necessity that is necessary for criminals.

The money laundering activity is a source of life for those who are involved in illegal activities, especially those that are engaged in income-generating activities. In fact, estimates made about the size of

what they are meant to suggest that it is impossible to know their true size can help to give an idea of the extent of the laundering activity. According to an estimate made by the United Nations, the amount of money laundered in a year is around \$ 1.5 trillion. The IMF estimates this figure to be 2 trillion dollars in recent years. The aim of the struggle with laundering is to exclude the processing of the predicate offenses from being tempting by depriving the offenders of their crime incomes. Along with globalization, crime and crime organizations have gained an international character. Developments in information technology have made it easier, quicker, and less costly to launder crime revenues, and have provided many new tools and facilities for laundering.

The most important issue that globalization and information technology reveals in terms of laundering is that the methods of laundering acquire an inalienable quality. All this shows that international co-operation is necessary, that crime such as drug trafficking, arms smuggling, human smuggling, and crime can not be carried out separately within their respective borders. On this basis international agreements and agreements for the harmonization of international co-operation and country legislation have come to the fore to combat crime and laundering.

1.1 Definition

Money laundering has been defined in a variety of ways by a variety of sources. People often see money laundering as an extraordinary process, an objective whose very name evokes some mysterious and nefarious financial crime. In reality, it is one of the most common and commonly misunderstood-financial activities connected to illicit financial schemes. It is important to understand the meaning, role, and

history of this kind of activity to see how it began and evolved to impact a wide range of business functions.

History of Money laundering

Although the history of black money goes far back, the money laundering has been on the agenda of countries for the past 15-20 years. In fact, money laundering does not only have a 15-20 year history, but it is new to international character. As a matter of fact, it took a certain period of time for the public to be informed about the fact that because of the money laundering activities were carried out secretly.

From the end of the 18th century onwards this sensitivity has begun to increase. The battle against cash washing has been initiated since the 1980s. The money was first extended as drug money from these dates, then expanded its scope. First, the German police and judicial the authorities will not only investigate the crimes by traditional means, it began to struggle with the crime by confiscation of property belonging to criminals. In the 1980s, starting from the end of the series international initiative has been realized.

In the 1920s when alcohol was banned in the United States, Al Capone who is the criminal leader of his time, opened the laundry rooms to earn the legitimacy of earning from the smuggling of liquor and obtained legal remedies in those laundry rooms. Untreated money as if it were obtained from legal means. That is why black money is likened to washing.

1.2 Money Laundering Cycle

Money laundering is a globally grown concern around the world. Money laundering is the criminal business relating to financial and other activities, including tax evasion, fraud, narcotics, human smuggling, government corruption, corporate fraud, and terror financing. Money laundering occurs in relatively every country on the planet, and a solitary plan ordinarily involves transferring cash through a few countries. In fact, crooks are endeavouring to mask the sources of cash got through illicit actions, so it looks like it was acquired from legitimate sources. Else, they can not utilize the cash since it would interface them to the criminal action, and law-enforcement authorities would seize it.

Where do illegal assets come from? Here's a rundown:

- Diversion of legitimate proceeds
- Embezzlement from employer
- Plans to swindle others
- Tax avoidance
- Personal asset protection
- Undocumented gains
- Illicit acts

Conventional stages of money laundering are (1) placement, (2) layering, and (3) integration. The most difficult part of the black money laundering is the entrance of proceeds into the financial system which are gained from drug trafficking or other criminal activity. The purpose of the shippers is to save the income from cash and make it transferable. Why is it necessary to get rid of the cash in the form of cash and to put this money into the financial system?

It is clear that credit card, check application, and other non-cash is mostly used by majority of people today and the money in cash form is

remarkable when it is used. For this reason, this stage can be more easily completed in countries where practices are not prevalent, the informal economy and where cash use is widespread, uncontrolled or underdeveloped. Such countries are considered ideal places by money launderers.

The risk detection, capture and seizure of cash by security force is too high. The placement stage is a difficult step for the launderers. In terms of units combating money laundering, it is the easiest way to detect, arrest and seize money. Because at this stage the link between money and the illegal source has not yet been cut off. It is therefore much easier to prove that the source of money, compared to other stages. But why placement is the hardest stage for money launderers? In the first case, where income usually enters the financial system in cash. Once in the financial system, everyday for a number of fund transfers, a financial established fund; with the assumption that it is questioned by the first financial institution, the second financial institution is not questioned unless there are very specific evidences.

Which methods are used by money launderers during the placement of cash?

- In the countries where there is little control by physically taking abroad, can be tilted.
- By dividing into small amounts (amounts below the reporting amounts) various banks, can be deposited into accounts opened for different people.
- Buying real estate, luxury cars, jewelery, antiques or artworks available, stocks, bonds, bills, checks, policies, etc.

- Casino income, tourism revenue and exports before being deposited into bank accounts it may be the subject of operations that can be shown as revenue and allow an explanation to be made.

- Cooperation with financial institutions or their employees may be introduced into the system, or the business may be freed from the cash form by means of this means by possessing financial institutions by criminal associations with more exaggeration.

The second step in money laundering, launderers try to hide the origins of the funds. At this stage, a large number of financial transactions are dealt with, and thus money it is physically and causally displaced from the source of the black money by the complicated operations of the handler, and making it difficult to trace. It is almost impossible to get to the source of these illegal incomes thanks to the uninterrupted, complex system of financial transactions that are made to make it harder to trace the incomes during the disintegration phase. Each account can be divided into a number of sub-accounts, a few keys at the computer by pressing the account or transfer from one bank to another account may be the subject.

The last step is the integration of funds by culprits. The money has taken a legal view because the previous two phases have been passed. Money is legal and normal funds can easily be used within the legal economy as an image of the legal economy, and no more questions will be asked or are likely to be answered as probable questions to be asked about the source of money for which the money has been earned. At this point, the money laundered is put on the market again in the form of income that is clean and taxable.

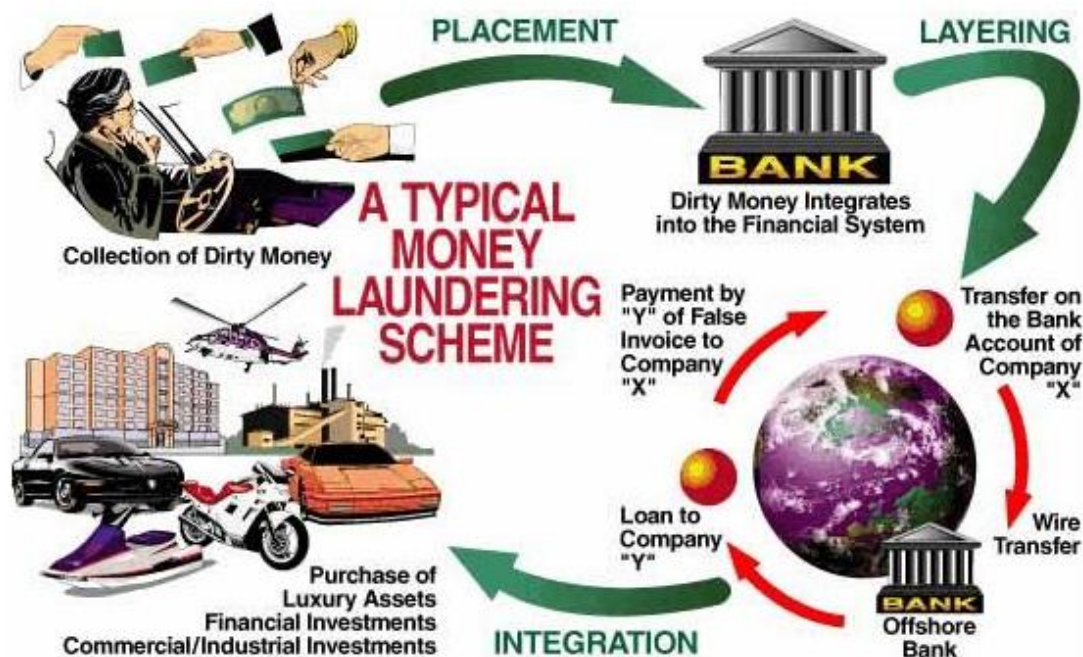


Figure 1. The Money laundering cycle (UNODC, Money Laundering Cycle)

1.3 Methods of Money Laundering

There are numerous ways for washing cash. Traditionally, money laundering was accomplished through 5 primary mechanisms:

- Deposits to monetary institutions, the deposit, transfer, and movement functionally to form a written record.
- Wire transfers, the moment accessibility to quickly move cash round the globe.
- Taking it offshore.
- Fictitious identities, fronts, members of the family, or fictional souls.
- Front businesses, wherever management of the records permits the creation of any supporting details.

Also, it can be the employment of net services, on-line banking and new electronic payment technologies; international firms and shell companies; and trade in and false invoicing for the availability of products or services, property, art, diamonds, and gold and different precious metals. These ways are pronto custom-made to new circumstances and evolve perpetually, taking advantage of recent technologies so as to avoid detection and thwart enforcement efforts. This is why international AML organisations interact often in ‘typology’ exercises to spot these ways and share that data with each other. Some ways pose special challenges for enforcement agencies in the assortment and use of proof to prosecute money laundering crimes.

Taking property values abroad

To bring the value of assets abroad, to limit the borders of an over to another country. In other words, it means that one country is transferred to another country from the sovereignty domain. The use of curtains is a frequent phenomenon when black money is subjected to cross-border action. It is also possible that the black money is transported by hiding in the secrets of the various vehicles passing by the border, on the persons or in various goods.

This transition can be either from the border gates reserved for the transition or from anywhere outside these gates. Cross-border action between neighboring countries or non-neighboring countries can also be carried out by sea or air.

It is not only the fact that black money is exported abroad, it should not be understood as passing on the territory of the country. Cross-border processing is also possible via wire transfer or transfer using electronic networks, computer systems, banking techniques.

The effectiveness of fighting with money changes from country to country. Black money laundering in places where there is an effective struggle against laundering, where the legislation of the country includes regulations to prevent money laundering, where punishments and practices are deterred, poses a high risk for launders.

Another important factor affecting the risk score of an individual in the face of money laundering is the technological and social development of the country. A country where the banking operations are fully under control, the informal economy is minimized, the law enforcement authorities are determined and disciplined, and the prosecution and judicial procedures are acted swiftly, will be disliked by money launderers. In addition, the high level of awareness in the society will make the work of money launderers difficult. For all these reasons, there will be a flow of money towards the countries where it is not effective, from the countries where the prevention of money laundering is effective.

Bankers, accountants and lawyers

Those who are involved in money laundering are immensely productive and well-informed accountants, bankers, lawyers or businessmen. They often have a solid history or a considerable work experience, and most of them are without criminal record. In the event of a commission they will receive in a certain way, counselors, lawyers, notaries and accountants can assist in making misconduct or it can be performed.

Beginning in May of 1994, the drug sale in Colombia an accounting firm was used for the clearing of the black money. Company the two drug dealers with customers are regularly brown to their accountants delivered cash in envelopes and shoe boxes. Cash money first was kept in the accountant's office. The accountant then established the

company with black money and invested in the name of the customer and opened personal deposit accounts on behalf of relatives. Apart from the combined in the said accounts, approximately \$ 114,000 was sent abroad. These surcharges are used to import truck spare parts. On the other hand, spare parts brought into the country were purchased with cash money obtained by selling with a certain profit margin. The accountant and his three colleagues were cleared of \$ 633,000 for 10% commission with this operation (FATF, 1999b).

Casinos

The cash in the hands of the traders is used to buy chips from the casinos, no gambling or very little playing with plugs received and plugs it is replaced by withdrawals from the casino. The checks are then deposited on a bank and transferred to another country.

"Cash-dense casinos are just well-organized gambling, it is not a center but a source of real income. All you have to do is to enter a casino, buy a \$ 1,000 chip, play a couple of hours, earn money, and tell the bank that you have won \$ 500,000 and you want to deposit it into the bank. Of course you can have to prove the truth of such an assertion. But this is no problem for someone who is a trusted friend in the upper echelons of the casino administration. Even better, if you have a casino, you do not have to struggle to turn the roulette wheel. Just pay your cash money to the bank, and when the accountant completes your tax returns, you will print it out to the winner "(Robinson, 2006: 50).

While Las Vegas is still a popular money-laundering center, today Macau is also a main money laundering center. Approximately 80% of Macau's incomes, which are only 45 miles from Hong Kong and are fast ferries every 15 minutes, are based on a casino tinkle. It is said that the amount of money laundered here sometimes amounts to two

billion dollars a month. However, it is not possible for large-scale black money to be laundered without the participation of the casino administrations.

Smurfing

This term comes from an inquiry conducted by the American authorities in Florida. Investigators have shown that the method of depositing funds to many banks and branches of the same bank by a large number of people is generally used by illegal networks. Floridan investors have put on a cute name for those who do it (smurf). Money-related completion of legal regulations capital transactions over a certain amount it is obligatory to notify the relevant units. By carrying out transactions under the legal limits imposed by countries on information and identification obligations, to the competent institutions within the scope of continuous information or to prevent identification.

For example; in the US that adopts and implements a system of continuous information cash transactions over US \$ 10,000 are subject to notification. When a large amount of money over US \$10,000 is invested in a bank or transfer etc, they are subject to these procedures, and the banks do, so to the competent authorities they have to report. For this reason, those want to clear the black money, US \$ 10,000. Attention to one side by performing many transactions under the dollar on the other hand, they do not. To this end, the money launders are called small persons under the obligation to notify their bank accounts and they escape the attention of the authorities.

Shell companies

In this method, the black money in hand, by the establishment of real or imaginary companies to be introduced into the financial system. To accomplish this aim, establish shops where the cash flow is more intense, such as restaurants, fast food, large shopping mall, gas station, car wash. It is very difficult to determine how much you earn in a day, a week, a month, or a year in such businesses, so that the black money is easy to cleanse (MASAK, 2007).

In Monaco, a very luxurious Italian restaurant was opened with big advertisements. When it is said that there is no empty table if you want to reserve a place. When passing the front of the restaurant, the building is always illuminated, the tables are installed but the doors are always locked and no one is seen. However, if you look at their books, restaurant owners are making huge profits and paying their taxes (Bresler, 1993).

In the US, in 1984, using this method, it was determined that the income from drugs was increased through a network of drug-smuggling pizza shops. Even today in Italy many pizza shops are known to be a popular outlet for local mafia.

Sport events

Establishment and operation of sports clubs or seizure of management the black money laundering is found in almost all countries. Organized criminal organizations establish clubs that operate in areas such as golf, basketball, football, and receive high membership fees for their clubs, and they are legitimate to the black money in proportion to the number of members.

Insurance companies

In some countries, if the life insurance policy owner has died and has sold the policy claiming all rights of the purchaser from the insurance company rights. With the increase of AIDS disease, patients have a secondary market of policies has been formed. Because the patients know they will die to sell the remaining days of their policies well, and to buy the they get as much profit as the difference they receive. This is also the reason cash surplus from policies and surplus of second-hand market prices by giving them less than their actual cost.

Here you can see that the traders can not make any discounts, they can even give a price on it. Until the patient dies if the time value of the last penny is above the nominal value difference constitutes the laundering commission of the launderer. Naturally payment to the patient is made in cash. But the patient is already selling because the daily expenditures will continue with income, the cash obtained, laundering he will spend it without need. Here are the advantages of the streamers in two places.

The first advantage is that, although not the main objective, earned due to. (in the case of receipt from the nominal value, techniques will be as profitable as the average laundering commission) Second advantage, money on policy against sick patient, check from insurance company cash usage will not be the case, and this process will not it can be done without anybody's attention.

Taking precious stones and art works

After the money is made, it is in cash, and sometimes the money is small in the form of banknotes. In this case, the money launderers are at a high, small precious metals, stones or works of art. The property can be used as a means of exchange due to the value they have and can be transported very easily. In this business, wholesale purchases do not

raise any suspicion in large amounts of cash. Sales are mostly done through brokers, and in spite of the many transactions that have been made, the goods are not physically exchanged, so people can use brokers in surprise, and brokers are shown as owners of money. So it is very difficult to determine the real owner of the goods. Again, these goods can be laundered by taking the ones themselves.

Offshore banking and tax havens

Offshore banking is a sort of banking operational in centers established in territories and supplied with enticing operating conditions for the disbursement of funds provided from outside the country, or conditions inside the country, that aren't subject to the legal laws subject to the industry within the country. Signage banking, referred to as communicating banking, banking operations in coastal banking aren't really administrated, only the monetary and economic benefits provided by the centers are utilized and it's aimed to scale back the prices of the transactions administrated abroad. International banks operational in an exceedingly restricted variety of branches give vital tax benefits by accounting for legal proceedings in alternative centers and extralegal operations within the type of money laundering in centers established on paper.

Since the surveillance in countries known as tax havens is weak, since no identification is applied in the transactions, all cash over a certain amount transactions and suspicious transactions are not usually reported, it is easier to transfer, deposit and transfer the black money, and therefore legalize it. This is the most important reason why coastal banks are preferred by launderers.

A tax haven is a land or region where charges are low or even non-existent, managing an account mystery enables cash to be buried and

totally covered up and where the supervision of banks is regularly poor. This permits people and enterprises from everywhere throughout the world to misuse the likelihood of tax avoidance, money laundering or unlawful dealings. Tax havens, especially by coastal banking and front-line companies is easy to conceive and where they are used. Tax havens are discovered everywhere throughout the world.

The surface areas of tax havens are generally small, international bank and company. For example, Luxembourg (143 banks with 378,000 inhabitants), Arcean islands (140,910 inhabitants, 120 banks), Bahamas (175,922 inhabitants, 382 international financial institutions) the islands (3,629 companies corresponding to 3,000 poor indigenous population).

Tourism and the service sector are the most important sources of income. Zero tax Applications also charge fees for local businesses. The taxation of the fees of local employees and outsiders and their consumption is a potentially important source of income.

In tax haven countries, especially during periods of development, it is stated that there are no higher education institutions, as a result, for example, there is no intellectual section to criticize the situation in these countries, democracy is not sufficiently developed, for example, in some countries no elections are held.

Not knowing the names of the managing directors and their partners, (OECD, 2000), ease of travel from high-income neighboring countries and availability of cash flow due to the vital nature of the tourism industry, as well as the establishment of corporate forms such as trust very easily, the development of electronic communication networks including electronic payment systems (OECD, 2000) tax havens for money laundering is a suitable ground. Moreover, the high financial

commitment of these countries' economies leads them to be reluctant to ask for the source of the money that comes to the countries of the public administrations.

The financing available in tax havens to get rid of the cash form of black money institutions can be used as an intermediary. As an example of this, people are financing available in coastal zone finance centers using loan-back transactions carried out during the execution of money laundering activity through their institutions can be listed as follows:

- The money laundering person goes to the coastal region finance center and deposits the money to the bank (A) operating here. (It can then transfer this money to another (B) bank.
- May apply for credit by assuring (A) his bank account by applying to his (C) bank. (C) The bank also gives this credit to itself.
- The person does what he wants with the credit he gets.
- Credit (C) is not paid to the bank. (C) also seizes the money in (A) bank that this person shows as collateral.
- So that the money of the person comes out in the form of an investment made.

According to the OECD, the currency centres of black money are: Aruba, Bahamas, Bahrain, Belize, Bermuda, Nauru, Nieu, West Samoa, Barbados, Cayman Islands, Gibraltar, Cook Islands, Seychelles, St. Lucia, St. Christopher and Nevis, St. Virgin Islands, Virgin Islands, Malta, Malacca, Monaco, Marshall Islands, Mauritius, Maldive Islands, Montserrat, Panama, Caribbean, Guernsey, Grenadines, Grenada, Guernsey, Grenadines, Island of Man, Liberia,

Dominican Republic, Netherlands Antilles, Liberia, Liechtenstein , San Marino, Tonga, Turks and Caicos Islands, Vanuatu.

1.4 Economic effects of money laundering to the economy

It is obvious that money laundering influence adversely to the economy, security and society. From economic side, money laundering contorts business decisions, expands the danger of bank disappointments, takes control of financial approach of the state, damages a community's notoriety, and tend its people to smuggling, fraud and other criminal movement.

The major macroeconomic problems caused by black money are as follows:

We can summarize:

a) The existence of black money is distorting economic indicators. Basic without any change in the indicators (growth, inflation, unemployment, etc.) incoming foreign funds cause overvaluation of the domestic currency; this also to increase the prices of domestic commodities in the international market and to reduce competition power causes. Also, domestic funds, which came in as an increase in production only increases the amount of domestic money in the country and in parallel with this increase inflation is increasing.

b) The formation of black money leads to the growth of the informal economy. The growth of the unregistered economy is due to the lack of collection of taxes to cover public expenditures and therefore to the budgetary budget, rates increase inflation.

c) For the prevention of black money acquisition and the measures implemented are negative on the legally the effects bring to the stage. Many institutions and organizations, such as bureaucracy, new obligations are brought to real and legal persons. Offense from the other side organizations bought banks, finance and construction companies and invested in certain economic assets without looking at it, it pollutes all investment the market is hit hard.

d) The formation of free market conditions in the economy in which money is directed instability in the value of movable and immovable assets such as is caused.

e) Large amounts of money entering the country by the volume of countries and economies non-audit money funds, production areas and foreign trade, finance, money and budget increasing the likelihood of falling into the wrong hands when making decisions about policies.

f) Money launders do not act as rational investors. For him it is important that the money is cleared in a reliable manner rather than a process. It actively operating on the legitimate units receive more or less unregistered economy share by turning to the unregistered economy to increase their competitiveness. As a result, the economy is growing.

g) The financial institutions used in the money laundering process are active and sudden changes in their liabilities cause the bankruptcy of these institutions.

h) The sudden introduction of black money in today's countries where globalization has increased and their exits cause the bankruptcy of the resulting institutions and the resulting economic crises chained to other countries.

i) Money is causing the income distribution to deteriorate. Illegal honest, respectful to the law when the personal welfare of the individuals who are constantly being harmed, the moral and moral values of the society are deteriorating cause.

The connection between money laundering and terrorism

Some international wrongful acts such as financing terrorism, corruption, fraud are the result of money laundering. And the scope of these types of acts increase in most of countries than previous years. Money laundering provides the fuel for drug dealers, illegal arms dealers, organized criminals, terrorists and others to work and enlarge their criminal endeavours.

Money laundering and terror financing are directly connecting with each other. Crime has turned out to be progressively global in scope, and the financial aspects of crime have becoming more perplexing because of fast advances in innovation and the globalization of the financial services industry.

Most criminal acts are submitted for monetary benefit. The essential inspiration for terrorist groups, mostly, is not budgetary; rather, they typically look for objectives, for example, reputation for their motivation and political impact. Customarily, criminal action produces reserves and different continues that conventional cash launderers must camouflage by taking substantial money stores and entering them into the financial framework without identification. Assets that help terrorist action may originate from unlawful movement but at the same time are produced through means, for example, raising support through legitimate non-benefit elements. Actually, a critical segment of

terrorists financing originates from persons, some who know the expected motivation behind their commitments and some who do not.

According to the IMF and World Bank, the connection between money laundering and financing of terrorism is like following below scheme:

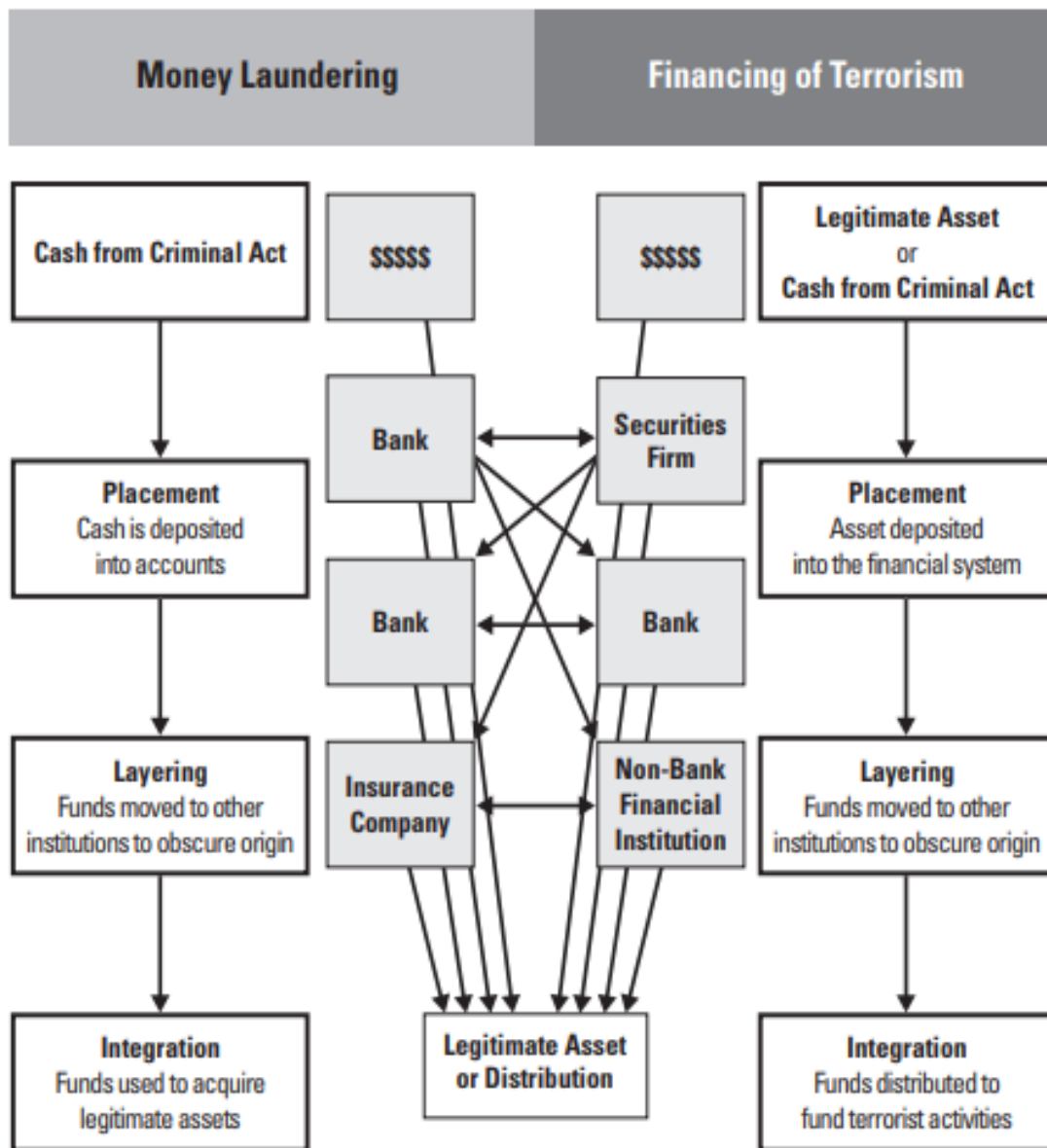


Figure 2. The system of money laundering and financing terrorism (Source: Reference Guide to Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT)).

Chapter 2- Money Laundering Counter-Measures.

2.1 Global organizations and international standards

Undoubtedly, the main reason of attention to money laundering is profit- even it is gained significant profit with little business risks. However, today almost every country in the developing world has now been adopting a policy in order to prevent money laundering.

Global initiatives to prevent black money laundering, they show two different characteristics in terms of the area they are oriented to. Some of them are taking into account the financial system against the money laundering through the financial system measures, the other part is international initiatives, more foreseeing criminal sanctions and strengthening international criminal cooperation, aimed at preventing money laundering.

And there are some groups of international organizations that implement the major part of this challenging. These include Financial Action Task Force (FATF), the Eastern and Southern African Anti-Money Laundering Group, the Asia- Pacific Group on Money Laundering, the Caribbean, Financial Action Task Force, the World Bank, the International Monetary Fund, The European Union, the

Egmont Group, the Asian Development Bank, United Nations Office on Drugs and Crime and others. International cooperation among countries could be solution in order for fighting money laundering. Especially the changes that took place in the world economy in 1980 and afterwards has brought a different dimension to the events of money laundering. Money in some countries laundering becomes a more difficult subject, while in other countries money laundering has more been simplified. There are many elements in this evolution of the world economy. The collapse of closed and socialist economies has helped to open new laundering centres for many criminal organizations. Financial organizations of countries where has newly passed to the free economy are still in the process of crawling, it means that it is impossible to determine the source of money in these countries.

Council of Europe

The first international initiative on money laundering, 27 In June 1980, the Committee of Ministers of the Council of Europe adopted the "Measures to be Taken for the Safeguards and Transfers of Crime-Recommendation No. R (80) No. 10 on Relevant Laws ". In the black, the member states it has been suggested that the necessary measures should be taken by the banking systems and that the necessary arrangements be made to forestall the banks from being used for money laundering and that the banking system may play a preventive role in money laundering.

On December 12, 1988, Banking Regulations and Surveillance Applications (BASEL) Committee has been published. The purpose of the report is banking transactions in the money laundering actions of

the public to ensure the continuity of the confidence that the bank heard. The declaration stipulates that identification of money laundering and concealment of illegal acts should be made in order to prevent money laundering through financial organizations, deterrence measures should be taken and a number of regulations should be implemented in terms of cooperation.

One of the most important steps in the fight against money laundering “The Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime” signed on November 1990, (Strasbourg Convention).

The Convention, open to non-member states of the Council of Europe, is the most comprehensive international initiative to prevent misappropriation. The Contracting Parties are invited to take precautionary measures in their national legislation and to take measures to facilitate the investigation of the money laundering offense. The greatest characteristic of the Convention is that it does not limit the scope of the predominant offense. (Strasbourg Convention, 1990).

The majority of the contract is devoted to the establishment of international cooperation. According to this the parties will only be able to refuse co-operation if:

- The requested action is contrary to the unchanging principles of the legal system of that country if you can;
- The fulfillment of the requirement shall be based on the sovereignty, security, public order, if it harms other vital interests;
- The party to which the claim was made must, in its sole discretion, if the expected action is useless;

- If the offense does not constitute an offense under the legislation of the other party. In the event of a conflict between the parties, peaceful settlement such as negotiation as the case may be, the problem is that the European Committee for Criminal it will be brought before the International Court of Justice.

Basel principles

The Group of 10 (G-10) countries gathered in Basel on 12 December 1988 (Benelux countries are Belgium-Netherlands-Luxembourg, Canada, France, Germany, Italy, Japan, Sweden, Switzerland, the United Kingdom and the United States). The Basel Committee formed by the supervisory authorities and representatives of central banks (Banking Regulations and the Committee of Supervisory Members) which is known as the Basel Principles, aimed at preventing money laundering through the financial system, suggestions were made. The main objective in the Principles, in particular the drug substance money from other illegal acts, including smuggling banking for the non-use of banks to adopt common principles in the sector.

The initial “Statement of Principles” was updated first in 1997 - “Core principles for effective banking supervision” that prohibited internal controls followed by the 1999 –“Core principles methodology”, that completed the previous with alternative criteria and so in 2001 guidance was issued for client identification, the KYC (know your customer) standards.

Thus the principles see the requirement for financial institutions to spot the risks of money laundering, to know them, assess them and to

require the required measures in order to scale back them to an appropriate threshold.

Although the Basel Committee's principles state that the main function of the supervisory and supervisory authorities of the banks is to protect the financial stability of the banks rather than to monitor the legality of customer transactions, it is stated that these authorities can not remain indifferent to the use of banks for criminal purposes. In the event of such indifference, the banks may be in danger of being brought into custody due to co-operation or misappropriation. Participation of banks in criminal activities will undermine public confidence and the stability of the banking system.

The United Nations

The development of cash laundering is one in every of the foremost necessary criminal activities to be fought against as a result of it's not restricted to states however includes a cross-border dimension. Therefore, for combating concealing collaboration worldwide is important and one in every of the forerunners during this field is that the United Nations, accountable since the 1980's primarily for the trafficking and drug abuse, one in every of the most sources of non-legal cash. The revenues obtained through marketing drug area unit given an apparently legal supply and introduced on the market and this is however, the cash washing activity is administrated. It is acknowledged that this supply of cash laundering solely harming the health and welfare of humans or the community.

United Nations, Vienna Convention - Against Illicit Traffic in Narcotic drugs and Psychotropic Substances

This agreement, which was signed in Vienna on 20th December 1988, related to the smuggling of narcotics, which includes illegal acts a series of arrangements on money laundering was introduced. In the Convention, the production, manufacture, distribution, sale of narcotic substances, organization, management and financing of drug trafficking are defined in detail at the international level. And the acquittal of money earned on drugs it has been pointed out that a crime is required. In the Vienna Convention, the smuggling of narcotics foreseeing the confiscation of the gains, which are considered criminal, the necessary legislative arrangements and international co-operation it should be provided. Your obligation to keep secrets in banking taking into account the fact that it is an obstacle to the provision of information requested from the banks due to the investigations, the contracting state courts or other authorities should be authorized to receive financial and commercial reports from banks was requested.

In the Vienna Convention, certain drug-related offenses Provisions were made for the implementation of sanctions, the prosecution of criminals, the confiscation of criminal property, the prosecution of criminals, mutual information exchange, legal assistance and all other co-operation. One of the international initiatives to prevent money laundering when compared to the Vienna treaty, the Basle principles and the decision of the European Council of 27 June 1980. Although the Basle Principles and the European Council decision aimed at preventing the direct use of banks for money laundering, the Vienna Convention provided for broader policies to prevent the smuggling of narcotics.

Following this Convention, the United Nations extended the fight against money laundering in 2003 and 2005. The United Nations

Convention against multinational Organized Crime including specific measures to combat concealing, and severally the United Nations Convention against Corruption. It had been determined that cash washing will not resume to narcotraffic, however conjointly has serious implications in different criminal offences such as corruption. However, these Conventions urged states to make a regime not just for banks but conjointly for non-financial establishments, together with natural or legal persons exposed to cash laundering activities.

The United Nations workplace on Drugs and Crime (UNODC) is liable for the anti-money laundering precaution of the United Nations through a worldwide Programme. This programme encourages states to develop policies to fight money laundering and financing terrorism, it is responsible for the observation and analysis of any issues associated with these criminal activities that can emerge, will increase public awareness against these offences and acts as a “coordinator of initiatives” to the United Nations and different international organizations. Moreover, it established the International Money-Laundering Information Network (IMOLIN), for a “research resource” for these criminal activities.

Financial Action Task Force (FATF)

The most important thing in the international struggle with money laundering has been the establishment of the Financial Action Task Force (FATF) in 1989 within the OECD by the G-7 countries (USA, Japan, France, UK, Germany, Italy, Canada). There are now 27 countries and 2 international organization members. Membership in the FATF is not required to be a member of the OECD. The organization also has observer status. The aim of this organization is to fight money laundering to harmonize the legislation of member countries and to

exchange information. Financial Action Task Force is not just a policy-making organ, and the application of policies to member states.

FATF published 40 Recommendations in 1990, about 1 year after its establishment. The purpose of the document is to guide the member states in combatting money laundering. FATF member countries will be able to take legal and administrative measures in accordance with their conditions while adapting to the principles. In other words, while the principles are purpose-binding, it allowed. The reasons for the changes in the techniques of money laundering were reissued after being reviewed in 1996.

According to the Recommendations 40, each member state will recognize money laundering as a crime and identify the predicate offenses of money laundering offense. In addition, member state legislation shall include temporary measures and confiscation provisions for laid-off values. Each member will make necessary arrangements for identification, identification of suspicious transactions, and keeping records. Recommendations also encourage the signing of the Vienna Convention. Member States shall establish an appropriate system for the supervision of property. In addition, these recommendations will apply not only to banks but also to financial institutions outside the bank.

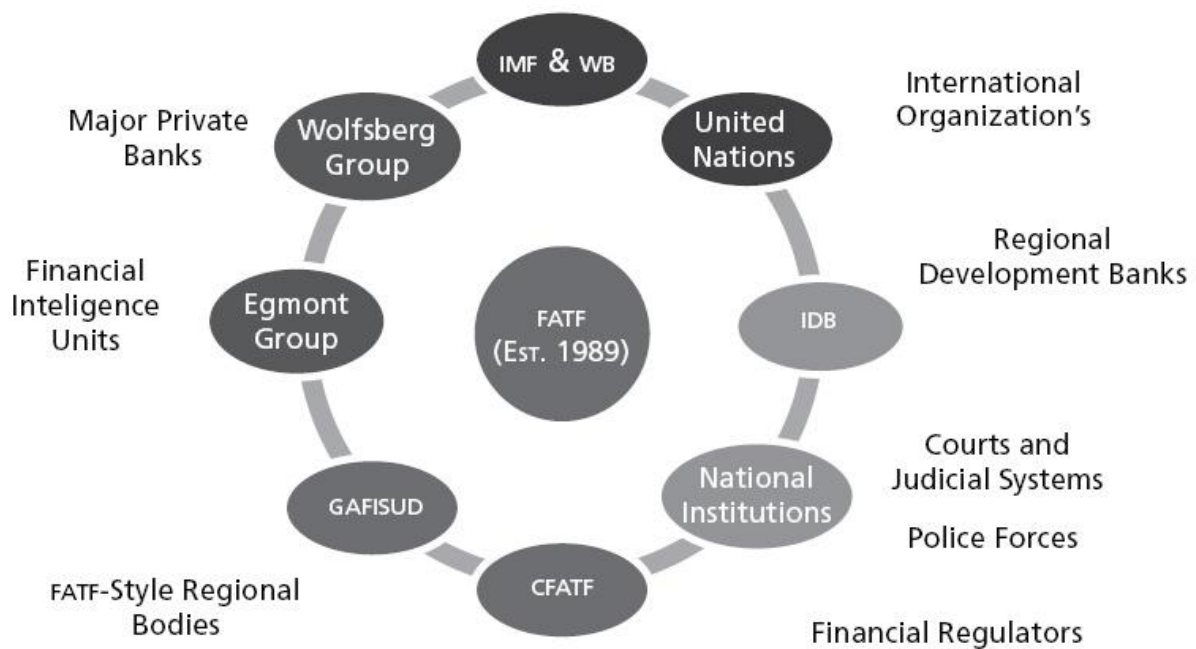


Figure 3.

International Monetary Fund (IMF)

In 2000, the International Monetary Fund competent calls from the international society to enlarge its add the field of anti-money laundering (AML). When the terrorism act of 11th September, 2001, the IMF strengthened its AML activities and extended them to incorporate Combating the Finance of Terrorist act (CFT). In March 2014, the IMF's Executive Board reviewed the Fund's AML/CFT strategy and gave strategic intructions for move forward. In might 2014, the IMF started the second 5-year part of a donor-supported fund that enhances existing accounts financing AML/CFT capability development activities in its member countries.

However, each country can not implement successful anti-money laundering system. Effective money laundering helps make criminal exercises productive; it rewards hoodlums. In this manner, to the degree that a nation is seen as a sanctuary for money laundering, it is

probably going to pull in hoodlums and advance corruption. Safe places for money laundering and financing terrorism have:

- A powerless AML/CFT administration;
- Some or numerous kinds of money related organizations that are not secured by an AML/CFT system;
- Little, frail or specific implementation of AML/CFT arrangements;
- Ineffective punishments, including troublesome appropriation arrangements; and
- A predetermined number of predicate wrongdoings for money laundering.

Egmont Group

The main objective of the Egmont Group, which was convened in Brussels on June 9, 1995 with the participation of 24 countries and 8 international organizations and whose name was convened, is to assist countries in their development of national level laundering systems and to remove barriers to international laundering information exchange .

Information exchanges between Egmont Group member countries are made through Financial Intelligence Units (FIUs) of the countries. The Financial intelligence unit is described by Egmont as:

It is the central national unit responsible for collecting, analysing and referencing to relevant authorities reports of financial information required by national laws and regulations in order to combat incoherent incomes and potential terrorist financing or money laundering and financing terrorism.

There are four working groups within the Egmont Group:

Legislation Working Group; financial intelligence units are legally interested in how they can exchange information. Technology Working Group; identify the necessary computer systems. Training Working Group; teaches us how to use these opportunities. The Outreach Working Group explores new countries that may be members of the Egmont Group.

The benefits of Egmont Group as below following:

Collected intelligence can be given to all members; Members can benefit from all of this intelligence. The collected information is sent in a secure web environment, further provided training to other financial intelligence units. For example, when it is difficult to solve a specific problem, members of four or five different financial intelligence units are gathered and the problem is tried to be solved together.

The unit to which financial intelligence units are linked differs according to the countries. In some countries these units may be attached to the Ministry of Finance, and in some countries they may be attached to the Ministry of Justice or the Public Prosecutor. It may be within the framework of the Ministry of the Interior as it used to be in England, or within the framework of the Central Bank, such as in Italy and Spain. Personnel in a financial intelligence unit consist of law enforcement units or administrative duties. But this does not pose a problem, intelligence exchange is done in the same way.

As for the size of the Egmont Group; In 1995 the number of members was 14, now 48. In addition, 17 countries are evaluated as members.

The Financial Intelligence Unit is next counter-measure utilized as a part of AML. It plays progressively essential part these days. As per

IMF, the FIU is a focal national organization dependable for getting, investigating, and transmitting divulgements on suspicious exchanges to the killed experts. At the end of the day FIU works with data and therefore draw a conclusion. Cash launderers cover the inception, source, area and different realities of unlawful reserves, and the fundamental capacity of FIU is to find all secured data and anticipate expectation of them.

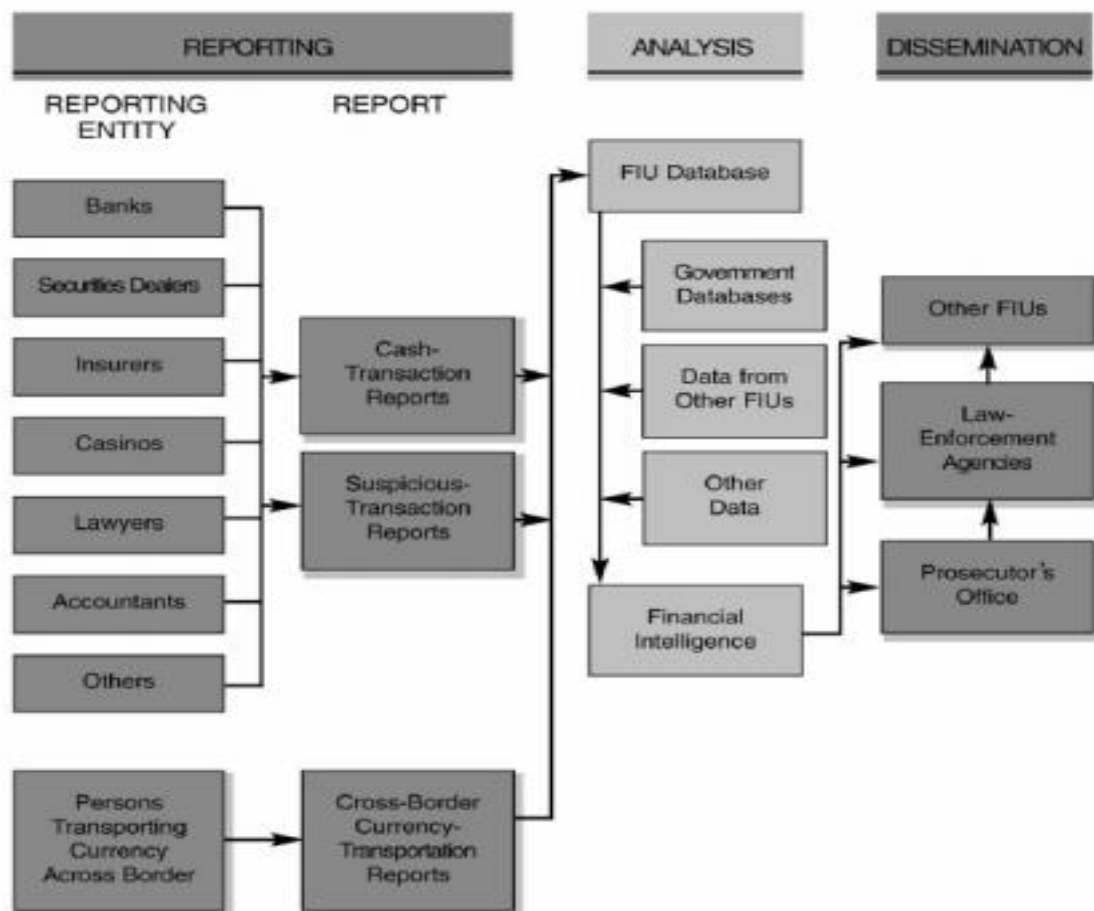


Figure 4. Typical FIU Information Flow (Source: Financial Intelligence Units: An Overview, 2004)

Additionally, FIU has such capacities as observing consistence with AML necessities, blocking exchanges, preparing, leading examination and improving open familiarity with AML issues.

It is critical to specify distinctive kinds of FIU:

- FIU could work as managerial model, which is either joined to an administrative specialist, for example, the national bank or the ministry of finance, or as a free authoritative organization.
- It could be the law authorization display, when the organization is appended to a police office.
- The legal or prosecutorial demonstrate, where the office is associated with a legal expert or the prosecutor's office.
- The hybrid model, which is some blend of the over three

2.2 AML (Anti-Money Laundering) measures

In order to achieve importance within the world dimension of the struggle with washing, a comprehensive approach to the topic has been needed. During this context, a general system for combating washing has been envisaged. This technique includes the subsequent main elements:

- Arranging all of the criminal minds altogether countries and establishing effective mechanisms for the harmonization of the laws regarding the crime of washing, arrogation of land and arrogation,
- Focusing on preventive measures, as well as participation within the fight against washing within the non-public sector,
- Establishment of the required institutional infrastructure for combating washing,

- Ensure tight and effective cooperation at national and international level.

When we compare the system of combating wash to a structure, this structure is formed on 2 basic pillars. These columns square measure preventive and repressing measures. National and international cooperation forms the system's beams. It is potential to precise this within the following manner.

Suppressive measures embrace the seizure, investigation, prosecution and penalty of these who commit wash offense, that seeks to stop ancient crime and penalise the suspect, seizure and seizure of the worth of the troubled property. Restrictive measures square measure formed for the effective identification, prosecution and penalty of these who launder crime.

Preventive measures build it troublesome to commit crime. Preventative measures in terms of wash offense aim to deter or build it more durable to use these financial gains of these who receive the crime income by mistreatment the economic system or different persons and organizations. If actions square measure began to commit wash offense, it is tried to be ensured that preventive measures square measure taken this point before the actions of the launderers square measure completed. Preventative measures conjointly offer vital contributions to the method of prosecuting for the penalty of real criminals throughout trial. Preventive measures include as below following items:

- Client Identification and Due Diligence Record Keeping Requirements.
- Suspicious Transactions Reporting.
- Money Transaction Reporting.

- Adjusting Security Laws with Notifying and Exposure Requirements.
- Inner Controls, Compliance, and Audit
- Control and Supervision—Integrity Standards
- Lawful Entities and Arrangements

National and international co-operation is at the core of the struggle. Actual fact that wash crime incorporates a vital international significance emphasizes the dimension of negotiation and cooperation.

Furthermore, world countries are expected to possess adequate AML/CFT legislative frames, adequate institutional systems for accomplishing AML/CFT necessities, and methods in place for supporting global cooperation. Especially, they are needed to:

- Know money laundering and terrorism's funding as criminal offenses. Countries are needed to criminalize the lavation of return of criminal activities and activities concerning funding of act of terrorism.
- Apply the cash lavation offense to a large vary of predicate offenses. This includes corruption-related offenses like obstruction of justice, felony of public officers and within the non-public sector, defalcation or misappropriation of property, and abuse of functions.
- Establish a detailed regulative and superordinate regime for banks and nonbank monetary establishments. Such a regime ought to have necessities for customer due diligence, record keeping and coverage of suspicious transactions, and adequate regulative and superordinate capabilities for guaranteeing compliance with the necessities.

- Assure that nationwide authorities tasked with AML/CFT obligations will collaborate and exchange data at the national and international levels. This could embrace institution of a nationwide financial intelligence unit for the gathering, examination, and spreading of AML/CFT-related data.
- Enable the chilling, seizing, and seizure of return and instrumentalities of crime and terrorism-related assets. This includes chilling immediately funds and alternative monetary assets of persons and entities selected as persons or entities related to act of terrorism.
- Require the detection and watching of cross-border movements of money and negotiable instruments.
- Assure that countries afford each other the widest kinds of cooperation in mutual legal help and surrender.

2.3 The Role of Banks

It is the obligation for fighting money laundering has to been delegated to the private sector, especially banks. It is obvious that banks play a major role for money launderers in order to pass illicit funds. During the history, banks were not disturbed with their customers' source of fund. However, after modern bank adjustments, some activities have been banned to implement. Still, it is not completely possible to prevent money laundering at bank environment, because some individuals and companies are using overseas bank accounts in order to protect and access funds easily everywhere. Unfortunately, it makes also easier the process for persons and entities who implement corruption and illegal activities and they implement placement of their illicit activities.

“Know your Customer” principle for banks

- Recognize the customer's operations (type of business) and examine them;
- Recognize the useful owners of the client, i.e. natural persons in whose interests or for whose profit transactions area unit administrated (in the case of a legal entity the useful owner shall even be known to the extent of the natural person(s), no matter the amount of dominant undertakings);
- Perform the continued observation of the customer's business relationships, as well as the investigation of the transactions terminated throughout such relationships, seeking to make sure that the performed transactions correspond to the data possessed by the credit establishment concerning the client, his business (business sorts, business companions, business area, etc.) and therefore the style of risk;
- Understand the supply (origin) of financial funds of the client.

Chapter 3 - The Role of Technology.

If we follow the innovation of current day, technology affects respectively to all financial procedures. There is an increasing number of web networks such as online banking that it can be used to move money internationally without limitations. Online banking is widely used by everyone and it is an entry to usual banks. Therefore, money launderers can use this system in order to camouflage their illegal funds without disclosure. So, the utilization of technology increase the

measures of money laundering, because money launderers implement this process just by clicking the button and reach the funds anywhere they want. For instance, Hawala's, based in Asia, and the Black Market Peso Exchange, based in Columbia, have moved to text messages, chat innovation, and email correspondences that make deterring and following of communications harder. It means that the positive changes on innovation that adversely influence to AML controls.

Electron money

One of such technologies is electronic money; it is a new approach of payments, chiefly supported using the Internet. Taking into thought its quick development inside the last 10 years, as well as its widespread use, electronic cash has been chosen as a joint analysis object by EAG and MONEYVAL to research the risks of its use for money laundering and terrorist finance. The expanded entrance of electron money has enhanced the hit rate of finding guileless people for skimming, phishing assaults and fraud around the world.

As a service proposed by banks and other financial organizations many transactions can be performed with internet payment systems. In the simplest sense you can check your account via the internet and you can perform your actions. Internet Payment Systems are divided into 3 divisions (FATF, 2010: 16-17):

- Online banking: Banks provide customers with traditional banking products that are available online.
- Pre-paid internet payment service: Within the scope of this service companies, like virtual prepaid accounts they can shop online.

- Digital cash values: Customers, cash value in the digital environment exchange with another cash value as in the same hand or change it to a true cash value.

Internet banking has put financial institutions face new risks, fraud and money laundering. Because there have been some cases that could not be regulated as a result, of the increased using of internet.

Global payment through modern methods through the Internet networks can be used. Therefore, the new payment, such as electronic fund transfer as a global consequence of its tools. It is like that new payment instruments, in contrast to conventional transactions, have incorporated new methods in the negative. So technology and the internet such systems as money laundering and financing of terrorism that launderers can use it and can quickly adjust the amount of money they want.

In the report of FATF's 2000-2001 report, most experts in online banking, each of which have national expert delegates, have said they have serious concerns about the vulnerability of the Internet in terms of intelligence. Because of the lack of concrete indicators on cleverness over the Internet, most practical solutions have not been developed yet. For this reason, FATF has considered the growth of web-based intelligence, including the topic of online banking in the 12th edition, and gambling on the internet (FATF, 2001: 2).

With the help of electronic transfers, individuals and institutions can monitor and manage their accounts by using electronic banking or generally by fax or by different methods (previously). Those who commit money laundering are charged with laundering and transfer of funds from these accounts and this continues at all stages of the laundering process. However, these transfers are often used in the

decomposition phase. Resources can be transferred to different banks by different orders to make the source of the fund even more complicated. Or distribution of a large amount to a large number of people is distributed to different accounts through the realization of transactions. This method is usually applied in offshore centres. Because in 1979 offshore centre was only around 75, this figure was more than 3000 in 2005 (Fabre, 2005: 1), indicating that the amount of dirty money is increasing day by day.

At the beginning of the 2000s, the number of financial institutions that offered online banking services and other internet services continued to increase. Nearly all FATF members are scraped through the internet to access financial services; the number of services is increasing day by day with the adoption and use of electronic payment systems by the public. However, this situation may vary from one country to another. For example, in China and Hong Kong, although banks propose online banking services, the public continues to be a standard in the cash payment system, establishing direct contact with financial institutions, or performing transactions with Automatic Teller Machines (ATMs). On the other hand, in Finland, almost half of the population uses the internet and payment orders are sent electronically (85%) to the bank (FATF, 2001: 2).

In the cutting edge times, new and imaginative strategies for reserves exchange through electronic techniques over the fringes have expanded. These have opened up new open doors for money laundering and the financing of terrorism. Following this point, the FATF (Financial Action Task Force) Typologies Report of 2006 on New Payment Methods (October 13, 2006) perceived the development of the new installment strategies as being far unique in relation to the

conventional techniques for money transfer. With the development of the new and creative strategies for cross fringe cash exchanges, AML (Anti-Money laundering) vulnerabilities expanded. Hence, FATF distributed their report "Money Laundering Using New Payment Methods" (2010), which uncovered the potential dangers of money laundering and the financing of terrorism utilizing the New Payments Methods. Moreover, the report uncovered the genuine dangers through an investigation of new contextual investigations alongside the specific typologies. In the light of this point, the reason for this report is to help the administrative Authority office to remember the issues encompassing NPMs.

In association with this point, a case of a NPM typology will be given clarifying its method of task and its weakness to money laundering through a financial firm and its items. In like manner, the report will distinguish and thusly decide extraordinary contemplations that NPM suppliers need to incorporate into their AML frameworks with a specific end goal to battle the manhandle of NPMs through cash launderings. In addition, the report will uncover the measures, if considered and executed would enhance direction and control to NPMs meaning better security of the firm and its clients.

Some banks in the United States, which are around 15-20 in number and are called "money centre" and "world-class bank", are managed globally. Most international network transfers are either in the USA. Transfers of these internationally operated banks are made by way of transfer orders arriving at CHIPS in New York (International payment clearing system, managed from the New York headquarters, which is a monetary union in the United States). Citibank, Chase Manhattan Bank, Chemical Bank, Bank of New York, Marine Midland, Bankers

Trust, Chemical Bank, Morgan Guaranty Trust, US. The Trust Company is a member bank of the CHIPs. When we look at the volumes of these banks, only 80 thousand transactions (about 500 billion dollars) are made over the network on an average business day in Citibank. Chase Manhattan's network transfer operations are also about 65 thousand transactions and about \$ 400 billion. Most of the senders that make the transfers are other banks or non-financial institutions. Few of the senders are real persons (U.S. Congress, Office of Technology Assessment, 1995: 23).

Therefore, at least four basic elements must be technologically analysed in network transfers. These are (U.S. Congress, Office of Technology Assessment, 1995: 51-52):

- Network transfers must be carefully monitored and scanned so that they can be taken one step further,
- In order to identify new laundering profiles, it is necessary to scan and research information about these network transfers during the follow-ups and scans,
- Sharing information between financial institutions and other institutions in order to spread the types of laundering activity quickly and firmly,
- Data to be analysed should be updated by creating data that can be analysed and observed.

Again, in parallel with these measures, FATF, cyber-laundering he must take several measures together to combat crime. These (Schepp, 2001):

- Make sure Internet service providers they need to hold.

- Connection files and phone numbers must be accessible.
- The information provided must be internationally valid.

In addition to all these applications, the financial institution for internet banking should also carry out certain procedures to confirm the customer's information and to identify it. It is necessary to have sufficient information to confirm the identity and address of the customer. The accuracy of this information should be confirmed by the same supporting documents for internet customers as well as for real customers. Again, financial institutions should regularly monitor accounts opened from the internet. These transactions should be investigated if general transactions are not legal (non-legal) and if they are suspected (ONDCP, 2002: 15).

The fact that bank accounts are often the subject of this conclusion through the Internet makes criminals instrumental in bank offenses, in some cases banks seem to be linked to these crimes. In the eyes of the people, this is the way the banks do not intend to break their relationships with such customers and do not have to deal with obstacles. Another view is that banks' legislation is actually rigid, but in such case banks are using initiative and loosening their strict rules (Bauer and Peter, 2003: 69).

Nowadays, digital currencies such as Bitcoins, Litecoins, Zen, and Namecoins are the last tendency of money launderers in order to transfer ill-gotten gains. Some digital currencies are totally unknown, not at all like Visa exchanges or individual checks, which can be fixing to a particular individual or element. Digital currencies are most certainly not like dollars, yen or euros on the grounds that there is no government or focal administrative organization that directs their

esteem or utilize. They are traded unreservedly and namelessly on shared systems around the world.

Block chain

It is offered block chain as other modern solution in order to implement effectively AML monitoring. Financial organizations and law execution can implement this innovation for controlling of money laundering. However, they should know some aspects before using this technology.

- It should be understood exactly working techniques
- Connect with outside specialists to frame a balanced and all around educated group
- Form the appropriate environment like test centre and begin block chain system in order to detect some cases
- Making experiment and once the prototype(s) are produced, then victors that can be received and guided on a venture wide level.

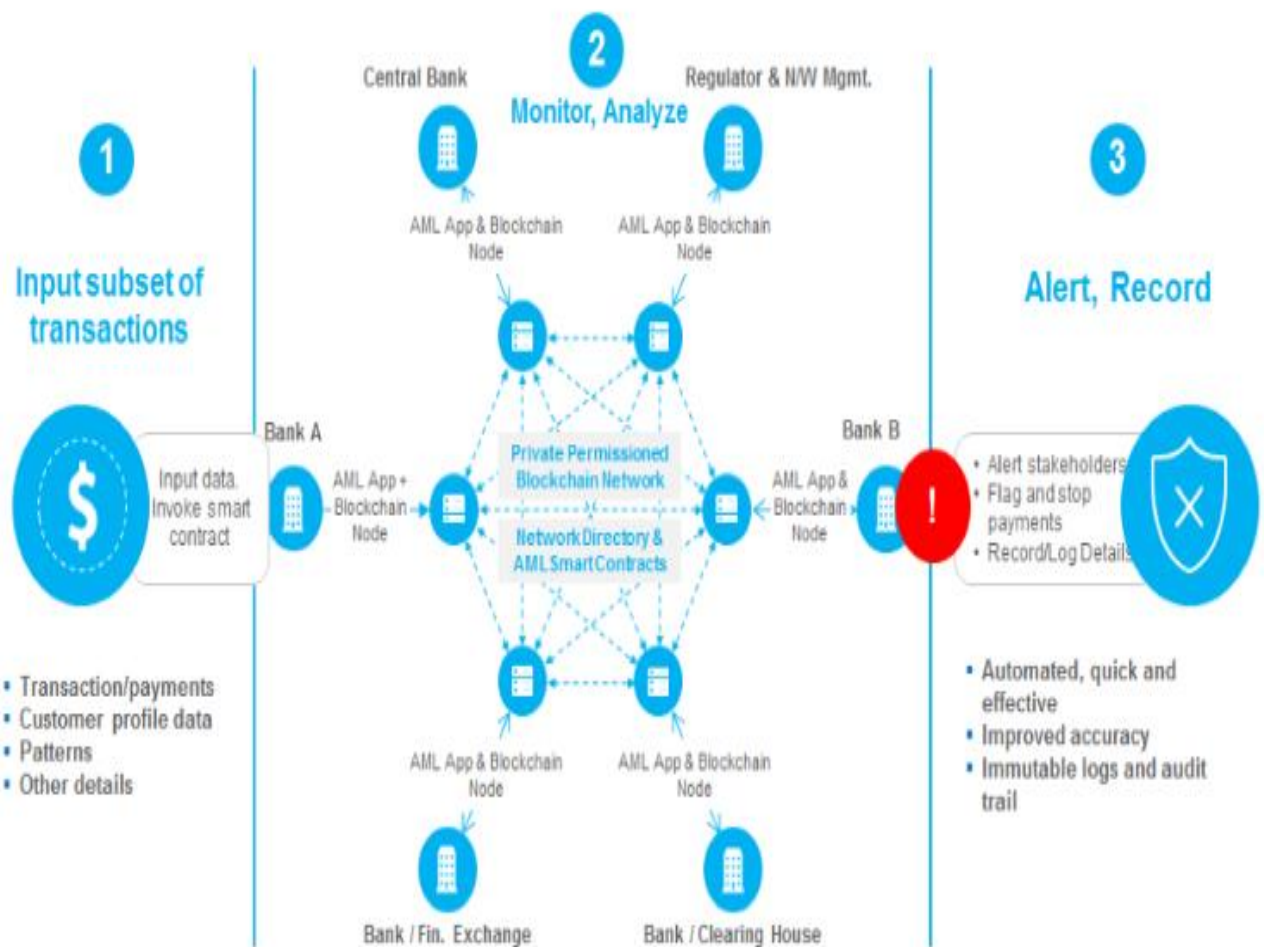


Figure 5. (Source: internationalbanker.com)

However, using of block chain network is still limited in the AML field. In order to understand the capacity of block chain system, it should be implemented in every financial institution.

Conclusion.

Considering all mentioned above we can conclude that international public opinion is extremely sensitive to the fact that criminals and criminal organizations are deprived of their income sources. It is an important indication of this sensitivity that international contracts involving illegal drug and arms trade, human trafficking and organizing, which have international character, and international

contracts with provisions on preventing money laundering have been signed by many countries in a very short time. For this, international cooperation is getting more and more important every day.

It is also undeniable fact advanced technology is allowing financial institutions to improve controlling and measures for preventing money laundering process. One of these technologies is block chain, however, the using of it is still limited in financial institutions. Block chain can be possible solution in the future.

However, today, banks and financial institutions can confront increasing difficulties of AML controls:

- Check AML risk assessment, with explicit target however, present legitimate organizations are being.
- Check machine-driven transaction-controlling methods and rules to create positive the results of their watching efforts get thought of once reassessing or processing client
- Ensure that CDD rule necessities are enforced seamlessly across the complete international operation.
- Develop and sporadically enhance existing policies and procedures to satisfy the technical necessities of the CDD rule and to align the technical rule necessities with the money institution's risk craving.

The CDD system presents a key progress within the continued advancement of AML conformity, and controllers nowadays might place even bigger target the character of client relationships and transactional activity. It is important that lined establishments confirm way ahead of the point whether or not further resources are going to be needed.

To achieve success, associate AML conformity program ought to have clear support from the management team. The board of administrators and senior management executives ought to set the tone for his or her organization by making a culture of conformity. If conformity administrator got to beg, borrow, and steal to get adequate assistance and aids, then it's seemingly that the company's headship itself isn't strictly participated in AML conformity.

Teams of administrators ought to detain mind that they need an obligation to confirm that the corporate reaches not solely its monetary goals however additionally its regulative compliance goals. In lightweight of recent social control actions, within which bound AML compliance officers were in person sanctioned, we tend to expect management groups and boards of administrators to extend their participation in anti-AML efforts instead of just ticking the box.

Another vital step that monetary establishments ought to take this year is to enlarge the range of their risk estimations. Many restrictive parties have mandated risk estimations that ought to be tailored not solely to a company's operations however conjointly to its third-party relationships which means an establishment ought to estimate its possible venture exposure across the complete organization, across its counterparties, across its branches, and with respect to the product its affiliates use.

For instance, latest social control actions means that some monetary establishments square measure still treating their branches as a part of a similar organization, and they're not giving abundant thought to possible AML ventures as they carry business with branches in sure jurisdictions. Therefore, it is going to be necessary for an establishment to revise policies and procedures supported the regions

wherever it conducts business. In other example, money establishments would possibly need to contemplate regulating their transaction-controlling efforts once conducting business in jurisdictions that impose currency restrictions. Further, monetary establishments ought to value each inherent and perceived risks related to sure business actions and connections. This point of view would be much more prudent than ignoring issues or exiting sure relationships wholesale and line of work it “de-risking,” as we have got seen in recent times.

Robust info technology systems have invariably been important components of AML conformity. However, as the latest social control actions have shown, police work and coverage suspicious activity seem to be current struggles for monetary institutions—and the trend can seemingly continue.

Many monetary establishments area unit saddled with gift IT compliance systems that were designed piecemeal and may not meet current wants and regulative expectations. That state of affairs leads to several cases of manual workarounds, that sometimes lack accuracy and potency and may cause head count to spike unnecessarily. In lightweight of FinCen, CDD rule, refined IT systems that area unit well integrated into a company’s day-after-day operations are important for maintaining with regulative necessities in 2018 and on the far side.

Financial establishments ought to assess whether or not their current systems will handle the extra info and field necessities, Those some gift systems might not be able to do. Given the types and volumes of client info needed beneath the current CDD system, narrowly designed systems would possibly forestall financial institutions from having the ability to obey. Closing those gaps effectively would require doubtless

vital investments and shut partnerships between conformity, IT, and head management.

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