

## Foreword

Money laundering is a pervasive problem affecting countries large and small, rich and poor, as well as international financial centres. It poses a serious threat, not just to sound economic and financial development but to the political integrity and stability of nations. The Commonwealth has been in the forefront of international efforts to combat money laundering. Commonwealth Heads of Government have commended the recommendations of the Financial Action Task Force on Money Laundering (which was established by the G-7 Economic Summit in 1989) and urged steps for their early implementation. The Commonwealth Secretariat has taken a series of actions to meet this request in which it has followed a two-pronged approach. On the one hand it has developed a model law for the prohibition of money laundering. On the other, recognising that legislation alone is not enough, it has taken a number of steps to develop anti-money laundering strategies for the financial sector. These include regional workshops on the financial aspects of money laundering, the convening of meetings of Senior Finance Officials, initiating a process of self-evaluation of progress in the financial sector and developing a comprehensive and practical set of “guidance notes” for strengthening the capacity of financial sectors to track money laundering.

Commonwealth Finance Ministers, at their annual meeting in September 1996, agreed to level up minimum international standards across the Commonwealth for combating money laundering, endorsed the “guidance notes” and agreed to disseminate them widely among their financial institutions. They also agreed to set up multi-disciplinary national steering groups in order to design and implement effective national strategies to combat money laundering, and to support regional initiatives to enable Commonwealth countries to review progress in implementing anti-money laundering measures. They asked the Secretariat to initiate work on the parallel economy and its role in money laundering. This is a significant sector in several developing countries with implications for efforts to combat money laundering, which has not been addressed in the recommendations of the Financial Action Task Force and therefore requires to be brought within the ambit of effective anti-money laundering strategies for much of the developing world.

In an attempt to draw attention to the key issues in combating money laundering and possible action that could be taken on a co-ordinated basis, this paper was prepared by the Economic Affairs Division of the Secretariat and constituted the key document which was considered by a meeting of Commonwealth Senior Finance Officials in Colombo in 1995. The paper suggests measures to strengthen the financial sector, considers practical issues involved in combating money laundering in international financial centres and the problems of economic crime and tackling money laundering in the parallel economy. It concludes with a series of action steps which were subsequently presented to and adopted by Commonwealth Finance Ministers and Heads of Government as the basis for concrete action by Commonwealth countries. The Secretariat is also in the process of publishing the *Guidance Notes for the Financial Sector: Combating Money Laundering* for widespread dissemination among national financial institutions in Commonwealth countries.



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