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### Commission on Crime Prevention and Criminal Justice

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**World crime trends and emerging issues and responses in  
the field of crime prevention and criminal justice**

### **Strengthening international cooperation in combating the harmful effects of illicit financial flows resulting from criminal activities**

#### **Report of the Executive Director**

#### *Summary*

The present report outlines the activities of the United Nations Office on Drugs and Crime (UNODC) conducted during 2012 in the framework of its regional and thematic programmes. Pursuant to General Assembly resolution 66/177, this report provides a summary of the work undertaken by the UNODC to support global efforts to prevent and suppress illicit financial flows, including money-laundering and the financing of terrorism. It also contains a set of recommendations for consideration by the Commission on Crime Prevention and Criminal Justice.

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\* E/CN.15/2013/1.



## **I. Introduction**

1. In its resolution 66/177, the General Assembly provided a series of measures to strengthen international cooperation to counter illicit financial flows resulting from criminal activities. The Assembly, among other things, called upon the United Nations Office on Drugs and Crime (UNODC) to enhance the collection and reporting of data on illicit financial flows resulting from transnational organized crime, including by providing Member States with technical assistance in that regard, and requested UNODC to strengthen its cooperation with other appropriate international and regional organizations engaged in combating the harmful effects of such illicit financial flows.
2. In its resolution, the Assembly also urged UNODC to continue providing technical assistance to Member States to combat money-laundering and the financing of terrorism, in particular through its Global Programme against Money-Laundering, Proceeds of Crime and the Financing of Terrorism, and to strengthen the Global Programme in line with the recommendations made by the Independent Evaluation Unit.
3. Finally, in its resolution, the Assembly requested the Executive Director of UNODC to report to the Commission on Crime Prevention and Criminal Justice at its twenty-second session on measures taken and progress achieved in the implementation of that resolution.
4. The UNODC Global Programme against Money-Laundering, Proceeds of Crime and the Financing of Terrorism continues to provide capacity-building and technical support to Member States working to prevent and suppress illicit financial flows from drugs and crime. The Programme aims to provide sustainable, in-depth assistance to national practitioners and private sector actors in order to develop and implement legal and regulatory frameworks for countering money-laundering and the financing of terrorism, as well as operational measures and practices to combat illicit financial flows, money-laundering and the financing of terrorism. The Global Programme promotes national coordination and regional and international cooperation on issues concerning money-laundering and the financing of terrorism.
5. UNODC also assists Member States with issues relating to illicit financial flows through its regional and country offices, its Corruption and Economic Crime Branch and its Terrorism Prevention Branch.
6. UNODC, in collaboration with other relevant agencies involved in countering illicit financial flows, is required to provide further assistance to Member States to address gaps in capacities to implement and enforce legislation and prosecute crimes committed with or connected to illicit financial flows from drugs and crime.

## **II. Countering illicit financial flows from transnational organized crime, including drug trafficking and related offences provided for in the United Nations Convention against Transnational Organized Crime**

7. Illicit financial flows, including money-laundering and terrorism financing, have wide-reaching economic, security and social consequences and pose serious challenges to governments and economies. In addition to funding corrupt individuals and their networks, illicit funds and the proceeds of money-laundering are regularly used to finance organized crime, drug trafficking, armed conflicts, piracy and terrorist activities.

8. Illicit financial flows contribute to increased corruption, hinder development and favour criminal control of economies. The financing of terrorism enables terrorist organizations to recruit and support members, maintain logistic hubs and conduct terrorist attacks. Money-laundering is critical to the effective operation of virtually every form of transnational organized crime.

9. Newly emerging and increasingly complex money-laundering techniques involving the use of the international trade system, cash couriers, money and value transfer services (such as hawala, alternative remittance systems and transfer services using telecommunications), complex corporate structures and new payment systems such as the Bitcoin and PayPal services have been used by criminals and financiers of terrorism to exploit vulnerabilities in national capabilities to counter money-laundering and the financing of terrorism.

10. Organized criminal groups move vast amounts of illicit funds across borders via cash smuggling. A common tactic is for individual cash couriers to transport money, concealed on their person or in luggage, across land borders or by air travel, although transportable quantities are limited and seizure rates, particularly at airports, are improving. Large amounts of cash are also moved across land borders by hiding it in cars, buses and even goods trucks operating under bilateral or international trade facilitation regimes. Cash is also commonly smuggled using commercial rolling containers, sea shipping containers and commercial air cargo, which has the advantages of fast movement and limited detection risk because of the sheer volume of global cargo.

11. If unchecked, illicit financial flows can erode the integrity of a country's financial institutions and undermine national economies, trade markets and currencies. Because of the high integration of capital markets, illicit financial flows enter global financial systems, where they can undercut legitimate international trade, affect emerging markets and damage the global economy.

12. Legal and operational obstacles inherent in many national frameworks can stretch the ability of Member States to effectively implement legislation to counter money-laundering and the financing of terrorism. In many cases, the proceeds of crime are obtained in or routed through countries that have weak legislation in the area of anti-money-laundering and countering the financing of terrorism or that have not implemented such legislation. The situation is exacerbated when countries do not avail themselves of opportunities to cooperate with regional and international partners.

13. The process of effectively combating illicit financial flows, including money-laundering and terrorism financing, is multilayered. It requires that legislation in the area of anti-money-laundering and countering the financing of terrorism that meets international standards be in place and that regulatory and law enforcement institutions are mandated and have the resources to implement the provisions in the laws.

14. In accordance with article 7, paragraph 1, of the United Nations Convention against Transnational Organized Crime, countering illicit financial flows also requires that police investigators, customs officials, financial intelligence unit analysts, financial supervisors and regulators, prosecutors and judges — key practitioners in the fight against financial crimes — be trained in a range of operational skills and practical methods. National practitioners must be able to identify suspicious financial transactions, analyse financial information, track and investigate financial leads, halt the flow of illicit funds across borders<sup>1</sup> and through formal and informal banking systems, freeze illicit funds and other criminal assets and prosecute financial crime cases.

15. To successfully prevent and suppress illicit financial flows, it is also imperative that Member States be able to effectively share information, improve the coordination within their national systems and expand their cooperation at the regional and international levels as delineated in article 7 of the Organized Crime Convention. As criminal organizations and their enterprises are not bound by national borders, Member States are encouraged to continue to pursue opportunities, as allowed under their national legislation, to open channels of communication between criminal justice practitioners involved in anti-money-laundering and countering the financing of terrorism and to work collaboratively on legal and operational matters to the greatest extent possible.

### **III. Measures taken and progress made by the United Nations Office on Drugs and Crime in implementing its mandate**

#### **A. Provision of technical assistance to Member States to prevent, detect and deter money-laundering and illicit financial flows from transnational organized crime and criminal activities**

16. Combating illicit financial flows and money-laundering are key components of the mandates of UNODC under the United Nations Conventions against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988, the Organized Crime Convention, the United Nations Convention against Corruption and the International Convention for the Suppression of the Financing of Terrorism, as well as numerous United Nations resolutions. The Forty Recommendations on Money-Laundering of the Financial Action Task Force (FATF) reinforce the relevant provisions of those conventions. UNODC works through its thematic and regional programmes to support Member States in their efforts to implement those conventions.

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<sup>1</sup> As stipulated in article 7, paragraph 2, of the United Nations Convention against Transnational Organized Crime.

17. UNODC was tasked by the General Assembly, most recently in resolutions 66/177 and 66/181, in addition to prior resolutions, to continue providing technical assistance to Member States to combat money-laundering and the financing of terrorism through the Global Programme against Money-Laundering, Proceeds of Crime and the Financing of Terrorism, in accordance with United Nations instruments and internationally accepted standards, including, where applicable, recommendations of relevant intergovernmental bodies, inter alia, FATF, and relevant initiatives of regional, interregional and multilateral organizations to counter money-laundering.

18. The Global Programme operates worldwide to provide support from its expert headquarters staff and field-based mentors to assist Member States in combating illicit financial flows. The Programme provides sustainable, in-depth assistance to national practitioners and private sector actors in the development and implementation of legal and regulatory frameworks to counter money-laundering and the financing of terrorism, as well as operational measures and practices to combat illicit financial flows, money-laundering and the financing of terrorism. The Global Programme also helps States build sustainable national training programmes for countering money-laundering and the financing of terrorism, and develops and shares related databases and good practices. The Global Programme is committed to promoting national coordination and regional and international cooperation on issues concerning money-laundering and terrorism financing.

19. The Global Programme adopts a three-pronged approach in assisting Member States: (a) awareness-raising; (b) legal, regulatory and institutional capacity-building; and (c) the provision of tailored technical assistance for regulators, financial intelligence units, law enforcement and judiciary authorities and private sector actors on operational matters relating to countering money-laundering and the financing of terrorism. In each of the three areas, the Programme stresses national-level coordination and regional and international cooperation.

20. For the period 1 January 2012 through 31 March 2013, the Global Programme has been preparing and delivering tailored technical assistance and capacity-building to the staff of financial intelligence units, law enforcement authorities, customs and border control officers, judicial staff and reporting entities on various practical and operational aspects of countering illicit financial flows. Field-based mentors posted with the Regional Office for Eastern Africa, the Regional Office for West and Central Africa, the Country Office in Viet Nam and with the Secretariat of the Asset Recovery Inter-Agency Network of Southern Africa (based in South Africa), as well as one mentor co-shared with the World Bank and assigned to the Central Asia subregion until July 2012, provided hands-on, tailored mentoring and guidance to authorities in the countries under their areas of responsibility.

21. In the period under review, the Global Programme provided assistance in the development of viable regimes for anti-money-laundering and countering the financing of terrorism to 43 countries in nine subregions through the delivery of 43 training events, 2 international conferences and 2 substantive legal reviews, thereby delivering training and capacity-building to over 1,400 staff of public and private sector authorities.

22. UNODC also delivers comprehensive technical assistance and capacity-building to increase international cooperation and combat illicit financial flows through its regional offices and country offices. The regional and country programmes have drafted strategies designed to increase national-level coordination and regional and international cooperation, and many have specific outcomes and outputs related to enhancing the legal, regulatory and operational capacity to counter money-laundering, terrorism financing and related financial crimes.

#### **1. Increasing national coordination and enhancing regional and international cooperation**

23. The capacity-building events conducted by UNODC to raise awareness of issues relating to anti-money-laundering and countering the financing of terrorism and to develop the skills of practitioners and reporting entities underscored the importance of national-level coordination and regional and international cooperation.

24. For example, specialized training on national cross-agency operational cooperation was provided to law enforcement institutions in Togo and the Niger. In July 2012, the Global Programme against Money-Laundering, Proceeds of Crime and the Financing of Terrorism facilitated a United States-led bilateral workshop for Nigeria and Senegal to enhance regional cooperation and identify solutions to vulnerabilities in the area of anti-money-laundering and countering the financing of terrorism and challenges with respect to illicit financial flows in the two countries and the larger West Africa region.

25. The UNODC Regional Office for Central Asia has sponsored two regional workshops to strengthen national inter-agency coordination and international cooperation to prevent, detect and investigate money-laundering, for States members of the GUAM Organization for Democracy and Economic Development (Georgia, Ukraine, Azerbaijan and the Republic of Moldova). On a similar theme, the UNODC regional programme for Afghanistan and neighbouring countries hosted a regional workshop in May 2012 to enhance international cooperation in criminal matters, in which practitioners discussed common challenges such as extradition, measures in the area of anti-money-laundering and countering the financing of terrorism, and mutual legal assistance, and collectively sought solutions for them.

26. It will continue to be a priority of UNODC to promote increased coordination between national agencies and cooperation between Member States in regional and international contexts in order to facilitate the fight against illicit financial flows.

#### **2. Strengthening financial intelligence units**

27. In its work to strengthen the capacity of financial intelligence institutions to receive, analyse and disseminate financial information to detect and disrupt illicit financial flows, UNODC provided specific training and capacity-building for the development and functioning of effective financial intelligence units. The Global Programme against Money-Laundering, Proceeds of Crime and the Financing of Terrorism provided training in financial intelligence analysis to the financial intelligence units of Algeria, Cambodia, Ethiopia, Jordan, Kenya, the Lao People's Democratic Republic, the Philippines and Viet Nam. The training focused on the identification and analysis of suspicious transactions potentially related to

money-laundering and terrorism financing, the enhancement of practitioners' skills in financial analysis and the development of financial intelligence. The result of those activities conducted by UNODC was increased and improved reporting of suspicious transactions and improved interaction with national agencies conducting financial investigations. Similar training was delivered to staff of the financial intelligence units of Burkina Faso, Cape Verde, Mali, Mauritania, the Niger and Pakistan at an event held in February 2013. Financial intelligence unit staff from a number of Member States participated in other training courses on enhancing national-level coordination to counter money-laundering. The Regional Office for Eastern Africa organized a study mission to build capacity for the staff of the Tanzanian financial intelligence unit.

28. The UNODC regional programme for Afghanistan and neighbouring countries launched a programme to enhance regional cooperation among the financial intelligence units of eight countries of West and Central Asia (the "CASH initiative") in December 2011. The programme is aimed at building trust, facilitating information exchange, improving national capacity to deal with illicit financial flows and enhancing regional cooperation through the development of bilateral and regional memorandums of understanding. Since the programme's inception, five meetings between financial intelligence units have been held. The regional programme also conducted two assessment meetings with Afghanistan's financial intelligence unit to begin cooperation with UNODC in the area of anti-money-laundering and countering terrorism financing, provided computer-based training to the financial intelligence units of Afghanistan and Iran (Islamic Republic of) and arranged two meetings between the financial intelligence units of Iran (the Islamic Republic of) and Tajikistan.

### **3. Building capacity to conduct financial investigations**

29. To further assist States in identifying, tracing, and investigating illicit financial flows, in 2012, the Global Programme against Money-Laundering, Proceeds of Crime and the Financing of Terrorism delivered training courses on national financial investigations in Cambodia, the Lao People's Democratic Republic and Viet Nam. The courses focused on developing investigation skills and fostering close working relationships between police and prosecutors. Further training was provided to prosecutors and junior investigators in Cambodia on basic investigative techniques in anti-money-laundering and countering the financing of terrorism. Authorities from Cambodia and the Lao People's Democratic Republic also received training in advanced financial investigations during a regional workshop for South-East Asia. The Global Programme conducted a series of "train-the-trainer" workshops in Tunisia and Viet Nam to develop national trainers and facilitate the creation of sustainable curricula for anti-money-laundering and countering the financing of terrorism focused on financial investigations to be taught in national law enforcement training institutions. Those activities emphasized the importance of national coordination, as well as regional and international cooperation, for investigating cases of illicit financial flows.

### **4. Enhancing capacity to prosecute illicit financial flows cases**

30. In the fight against illicit financial flows, Member States must be able to conduct fair and effective trials for cases of money-laundering, terrorism financing

and related financial crimes. It is necessary to have cooperation between financial analysts, financial investigators and judicial officers to ensure that financial evidence is collected and processed in such a manner as to support trials and the sentencing of criminals. As such, judges, magistrates and prosecutors also need to be included in technical training and awareness-raising activities. In 2012, the Global Programme against Money-Laundering, Proceeds of Crime and the Financing of Terrorism provided focused training to judges, prosecutors and law enforcement authorities to enhance capacity to prosecute illicit financial flow cases in Cameroon, Cape Verde and Togo.

31. The UNODC Country Office in Colombia delivered a mock trial in Costa Rica for the benefit of 130 participants, including financial investigators, judicial officers and other practitioners in the field of countering money-laundering. The participants engaged in exercises on case management, courtroom skills and international cooperation. Further mock trials are scheduled for delivery in Colombia and Senegal in 2013.

## **5. Asset forfeiture**

32. The identification, confiscation and eventual recovery of criminal assets is an effective tool in the fight against drugs and crime. Depriving criminals of illicit proceeds is a strong disincentive to criminal activity and future criminal recruitment. Where Member States have asset recovery systems in place, capturing the proceeds of crime returns illicit funds to the State for future use.

33. UNODC is working with Member States to enhance their capacities to identify and confiscate illicit assets, through the development of asset forfeiture legislation and the enhancement of practitioners' skills and networking. The Global Programme against Money-Laundering, Proceeds of Crime and the Financing of Terrorism has posted a mentor to the secretariat of the Asset Recovery Inter-Agency Network of Southern Africa to assist Member States in Southern Africa in enhancing their capabilities to confiscate and manage seized criminal assets. In addition to mentoring the 10 member countries of the Network in matters related to asset forfeiture, the Global Programme's mentor has conducted technical needs assessments and provided in Zambia and Mauritius specific training to financial investigators and prosecutors dealing with asset forfeiture on topics relating to non-conviction-based confiscation and the implementation of national legislation on asset forfeiture. In addition, the mentor assisted in the organization of a steering group meeting and the second annual meeting of the Asset Recovery Inter-Agency Network of Southern Africa, held in South Africa, at which tailored training on asset confiscation and management was delivered to the members of the Network.

34. The Global Programme is also managing the prosecutor placement programme, a programme for sustainable capacity-building designed to give confiscation prosecutors and practitioners with limited experience a practical understanding of asset confiscation methodologies and practices by placing them in the office of a more experienced asset confiscation legal team for a period of two to three months. The programme currently operates in Southern Africa in conjunction with the South African National Prosecuting Authority's Asset Forfeiture Unit, with funding from the United States of America. The Global Programme is conducting fundraising to launch a similar programme for financial investigators. In addition to building the capacity of new prosecutors who deal with asset confiscation, the



programme enhances multilateral cooperation and showcases Member State involvement in regional development.

35. In October 2012, the UNODC regional programme for Afghanistan and neighbouring countries organized a regional workshop on international cooperation in asset recovery for the countries of West and Central Asia in order to strengthen regional and international cooperation on asset recovery issues.

36. In November 2012, the Global Programme against Money-Laundering, Proceeds of Crime and the Financing of Terrorism organized a workshop for the benefit of States members and observers of the Asset Recovery Inter-Agency Network of Southern Africa on the theme of “Taking the profit from crime”. The workshop helped raise awareness of the various components of work in the area of anti-money-laundering and countering the financing of terrorism, ranging from regulation and reporting to prosecutions, and demonstrated the connections between Network members and other practitioners working to combat illicit financial flows in order to deprive criminals of the profits of crime. The workshop also addressed the need to obtain open source intelligence and share information.

## **6. Cash smuggling**

37. The prevention of the illicit cross-border movement of cash and the interdiction of cash couriers are essential for halting illicit financial flows. Appropriate legal and institutional mechanisms, namely, cash declaration and sanctioning regimes, coupled with proper law enforcement knowledge and operations, can support Member States in their efforts to interdict cash smuggling and identify the criminal organizations responsible. Successful strategies to combat illicit cross-border movement of cash and value commodities and ensure effective investigation and forfeiture actions require adequately trained practitioners and national, regional and international cooperation. That requires, in particular, sound relationships and the timely exchange of information between customs and border control agencies and financial intelligence units.

38. To facilitate Member States' capacity to combat cash smuggling, in 2012, UNODC engaged in a series of technical assistance and capacity-building events. The Global Programme delivered its course to counter cash couriers, for customs and border control officials, in Cambodia, Ethiopia, Kenya, the Lao People's Democratic Republic and Viet Nam. The training course provided an opportunity for national practitioners engaged in border control, police and staff of financial intelligence units to develop knowledge and skills related to mechanisms for monitoring cross-border transportation of cash and bearer negotiable instruments, as well as the identification and interdiction of cash couriers. This training also assists countries to implement FATF recommendation 32, on cash couriers. In addition to the classroom training, the Global Programme assisted the national border control agencies in the above-mentioned countries in developing an operations manual for border control officers as a resource guide covering all elements of monitoring and interdiction of cash and bearer negotiable instruments at the border. The Global Programme also developed a course on combating the use of cash couriers, for managers and supervisors of front-line customs officers, which was delivered in Indonesia and the Philippines.

39. In January 2012, the UNODC regional programme for Afghanistan and neighbouring countries, in conjunction with the Global Programme, held a regional workshop focused on improving national capacity in the identification and investigation of the smuggling across borders of cash and negotiable instruments. The workshop stressed building trust between relevant agencies dealing with illicit financial flows, sharing knowledge and good practice, building capacity for criminal justice systems, and improving regional and international cooperation. Authorities from Afghanistan, Iran (Islamic Republic of), Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkmenistan and Uzbekistan participated.

40. In addition, the UNODC regional programme for Afghanistan and neighbouring countries organized two expert meetings on anti-money-laundering for officials from police and customs authorities and financial intelligence units from Afghanistan, Iran (Islamic Republic of) and Pakistan to discuss improving border controls and initiatives to tackle illicit financial flows derived from drug trafficking between the three countries.

## **7. Data collection, analysis and reporting**

41. UNODC has provided technical assistance to requesting Member States to enhance their capacity to collect, analyse and report data on illicit financial flows resulting from transnational organized crime, including drug trafficking and related offences set out in the Organized Crime Convention.

42. The Global Programme supported the development of an information technology system for the financial intelligence unit of the Lao People's Democratic Republic in order to facilitate data collection and analysis, and provided mentoring to the financial intelligence unit of Cambodia on how to perform electronic reporting. The Global Programme's mentor to the Asset Recovery Inter-Agency Network of Southern Africa assisted in the design and development of a website for the Network, launched in December 2012, that includes a secure web platform for the exchange of information for the benefit of the Network's members. The Global Programme plans to undertake a project under the Paris Pact initiative to help Member States improve databases containing information related to the illicit financial flows derived from trafficking in Afghan opiates.

43. UNODC is also working with Member States to urge them to require financial institutions and other professions subject to obligations with regard to countering illicit financial flows to promptly report suspicious financial transactions.

44. Raising awareness in the public and private sectors and conducting specific training to increase private sector compliance with financial regulations are essential activities for increasing data collection and reporting. To that end, the Global Programme delivered training for domestic authorities, compliance officers and designated non-financial businesses and professions to raise awareness of vulnerabilities in the area of anti-money-laundering and countering the financing of terrorism, as well as reporting and compliance obligations, in Burkina Faso, Cambodia, Cape Verde, Guinea-Bissau, Kenya, the Lao People's Democratic Republic, Mali, Mauritania, the Niger, Senegal, Togo and Viet Nam. The UNODC Country Office in Colombia trained national institutions in South America on red flags and warning signs, based on the UNODC publication *Risk of Money-Laundering through Financial Instruments*, and contributed to specialized

training in Argentina to prevent money-laundering and terrorism financing through the gambling sector.

45. These various training activities encouraged operational cooperation between the public and private sectors and provided the first opportunity for many stakeholders to understand their role in detecting possible money-laundering and terrorism financing, as well as their duty to report such information to the financial intelligence units.

46. In another example of such bridge-building, the UNODC Country Office in Colombia is jointly leading a public-private sector alliance against money-laundering, known as “Responsible and secure commerce”, with the Colombian Ministry of Justice. This alliance, which includes approximately 53 relevant partners from the public and private sectors, is setting new standards in the area of anti-money-laundering for the non-financial sector. Concrete results of this alliance include a nationwide public awareness-raising campaign, a model to help private companies incorporate measures to counter money-laundering in their business management, specialized cross-training between public and private-sector authorities, the establishment of a public website on countering money-laundering and a study on typologies for the real estate sector to raise awareness of money-laundering risks. In addition, UNODC developed jointly with the Colombian financial intelligence unit a continuous learning platform and an e-learning course, including general training on legislation on countering money-laundering in Colombia and specific courses for 12 economic sectors and professions obliged to report suspicious transactions. The e-learning course will be used by the financial intelligence unit with the purpose of raising awareness of anti-money-laundering activities and providing continuous learning to enterprises and individuals with reporting requirements.

47. UNODC has also developed and continues to maintain the International Money Laundering Information Network (IMoLIN) ([www.imolin.org](http://www.imolin.org)) on behalf of a partnership of 11 international organizations. IMoLIN provides a wide range of tools and key information on anti-money-laundering and countering the financing of terrorism for professionals. Those tools include the Anti-Money-Laundering International Database, a compendium and analysis of legislation and regulations on anti-money-laundering and countering the financing of terrorism. In 2012, the IMoLIN website received more than approximately 350,000 unique visits. Fourteen new Anti-Money-Laundering International Database questionnaires reflecting legal analysis of Member States’ regimes on anti-money-laundering and countering the financing of terrorism were completed and the corresponding information entered into the database. Additionally, more than 110 new and amended laws and regulations on anti-money-laundering and countering the financing of terrorism were added to the legal library of the Anti-Money-Laundering International Database. The Central Asia newsletter, published in English and Russian, was available on the website of the database. Court case rulings and other case law examples were also collected for a new electronic case law database for use by Member States.

## **8. Countering illicit financial flows from maritime piracy**

48. UNODC believes that increasing capacities in the Horn of Africa and East Africa to combat illicit financial flows is a necessary component of the fight against

piracy off the coast of Somalia. UNODC continues to raise awareness of the issue and highlight practical measures that Member States in the region can adopt to combat illicit financial flows.

49. In 2011, the Global Programme against Money-Laundering, Proceeds of Crime and the Financing of Terrorism organized two international conferences on illicit financial flows derived from piracy. As an outcome of those conferences, the Global Programme is engaging with providers of money and value transfer services, including hawala and telecom payment remitters, to promote information-sharing and improve the regulation of the informal banking sector, and will host an expert group meeting on this matter in March 2013. Further information on work by UNODC to counter illicit financial flows from piracy can be found in the report of the Executive Director on combating the problem of transnational organized crime committed at sea (E/CN.15/2013/17), which includes information on countering maritime piracy, especially off the coast of Somalia and in the Gulf of Guinea.

## **9. Countering illicit financial flows from drug trafficking**

50. The Paris Pact initiative aims to reduce the supply, trafficking and consumption of opiates in Afghanistan and neighbouring countries. UNODC will continue to work in close cooperation with the partner countries and relevant international and regional organizations to identify, trace and halt illicit financial flows derived from the trafficking of illicit drugs originating in Afghanistan.

51. In January 2008, the Global Programme took the lead on the issue of financial flows to and from Afghanistan that were linked to illicit drug production and trafficking and participates closely in the Paris Pact Consultative Group Meetings. The Global Programme produced the “orange paper”, an in-depth study, action plan and recommendations, in 2008, and organized two technical working groups on financial flows: the first in Tashkent in 2009, and the second in Abu Dhabi in 2011. A technical conference addressing illicit financial flows derived from Afghan opiates under the third phase of the Paris Pact initiative took place in February 2013.

52. UNODC will remain actively involved in preventing and suppressing illicit financial flows linked to Afghan opiates production and trafficking via the Paris Pact process and the work of the UNODC regional programme on Afghanistan and neighbouring countries. A particular focus is the implementation of the recommendations resulting from the meeting of the technical working group on illicit financial flows of the Paris Pact initiative, held in Abu Dhabi in November 2011. Another is to assist Member States in enhancing law enforcement capacities to identify and halt money-laundering and the abuse of the informal financial sector, including hawala and providers of money and value transfer services, to move criminal proceeds. UNODC will continue to work with Member States in the region to conduct needs assessments, deliver tailored technical assistance and implement a strategy to combat illicit financial flows within the Paris Pact partner States.

53. UNODC works in other regions to combat illicit financial flows from drug trafficking, particularly in Latin America and West Africa. The UNODC Country Office in Colombia collaborated with the Embassy of the United States in Colombia to develop and implement a specialized programme to strengthen the institutional

capacities of Colombia in the fight against drug trafficking, with a special focus on money-laundering and the financing of terrorism. That programme is aimed at strengthening institutional capacities to fight drug trafficking, money-laundering and terrorism financing in Colombia. The UNODC Country Office in Colombia also delivered five mock criminal investigations on countering drug trafficking and the related illicit financial flows.

54. Prior to the current period under review, the UNODC Regional Office for West and Central Africa had implemented a large-scale law enforcement capacity-building project to combat illicit drug trafficking in Guinea-Bissau, Mali, Senegal and Sierra Leone, focusing on the financial crime components of drug trafficking, namely money-laundering and cash smuggling. A main conclusion resulting from the project was that Member States should, as a priority in setting policy, make use of anti-money-laundering legislation and powers to conduct anti-money-laundering investigations in parallel with investigations for predicate offences involving organized crime and illicit trafficking.

## **B. Assessing the impact of technical assistance provided to Member States to prevent, detect and deter illicit financial flows and money-laundering from transnational organized crime and criminal activities**

55. Through those activities, UNODC has been able to promote the adoption of national legislation on anti-money-laundering and the establishment of law enforcement institutions and procedures through its mentoring, training and information support systems. Model legislation developed by UNODC has been used in new and enhanced national legislation. Financial intelligence units have been established in a large number of Member States, some of which have received significant input from UNODC. Some countries in receipt of UNODC assistance have progressed to the point where they are providing training services to neighbouring countries. For example, the financial intelligence units of both Côte d'Ivoire and Senegal, recipients of capacity-building through the Global Programme, are now providing training to financial intelligence units of neighbouring countries. There are also examples of UNODC activities leading to developments

involving the private sector efforts to enhance monitoring and compliance with anti-money-laundering measures.

56. The Global Programme's anti-money-laundering mentoring programme has had a direct, positive impact on the countries and regions where mentors are assigned. For example, an increase in the number and the quality of reports on suspicious transactions processed has been noted in countries receiving mentoring, including Burkina Faso, Cambodia, Ethiopia, the Niger, Senegal and Viet Nam. As a result of that mentoring, one country established a technical, inter-agency working group to review and redraft its existing legislation in the area of anti-money-laundering and countering the financing of terrorism. The number of cash seizures and recorded breaches of currency control regulations at airports in the Philippines and Viet Nam has risen since the Global Programme provided training on countering cash smuggling to their customs authorities. The number of prosecutions

for money-laundering has increased as a result of training and mentoring received in several countries, including Burkina Faso, Mali and Viet Nam.

57. Efforts by UNODC to encourage regional and international cooperation have also proven successful. The financial intelligence units of Cambodia, the Lao People's Democratic Republic and Viet Nam have drafted and signed new memorandums of understanding for cross-agency (national) and cross-border (regional and international) cooperation and information-sharing. The financial intelligence units of Iran (Islamic Republic of) and Tajikistan signed a memorandum of understanding, and UNODC has also shared a regional model memorandum of understanding for purposes of anti-money-laundering and countering the financing of terrorism with other countries in West and Central Asia. Law enforcement agencies in several countries in Africa and Latin America are now independently coordinating to share information and good practices, and the countries of GUAM are now cooperating to combat money-laundering.

58. There is evidence that these results will be sustainable in many of the countries where UNODC has provided services. This is especially the case where Member States have adopted legislation on countering money-laundering and the financing of terrorism compliant with international standards, created functioning financial intelligence units and demonstrated their ability to effectively investigate and prosecute cases involving money-laundering and financing of terrorism. Countries that have received assistance to develop national trainers in the area of anti-money-laundering and countering the financing of terrorism now possess a sustainable, national-owned capacity to train in future their own law enforcement practitioners in financial investigations and other issues related to combating illicit financial flows.

## **C. Progress made in supporting Member States in their efforts to counter illicit financial flows derived from transnational organized crime and money-laundering**

### **1. Legislative assistance**

59. UNODC has worked with Member States to urge them to criminalize the laundering of proceeds of transnational organized crime through legal reviews and other forms of technical assistance. In 2012, the Global Programme delivered intensive support to Ethiopia and Zimbabwe for revising existing legislation for countering money-laundering, and provided legal advice and drafting assistance to the Governments of Kazakhstan, Tajikistan and Turkmenistan. Sierra Leone's new anti-money-laundering act, drafted with substantive input from the Global Programme, in conjunction with the World Bank and the Inter-governmental Action Group Against Money Laundering in West Africa, entered into effect in February 2012. Additionally, legal advisory services were provided to Zambia to enhance and implement legislation on asset forfeiture and to the countries in the Mekong subregion and Member States in West Africa to facilitate the implementation of legislation to counter money-laundering and the financing of terrorism.

60. UNODC also provided legal assistance to several countries in Latin America, upon request. The UNODC Country Office in Colombia has provided legal

assistance to Bolivia (Plurinational State of), Costa Rica, El Salvador, Honduras and Paraguay to support their efforts to strengthen domestic laws against organized crime, money-laundering and terrorism financing. The UNODC Country Office in Colombia also carried out legal analysis and facilitated a legal revision of Colombia's existing legislation to counter money-laundering and drafted a code on asset recovery for that country.

61. UNODC further supported a number of countries in Latin America in their efforts to elaborate and adopt legislation to counter money-laundering and the financing of terrorism. In particular, in June 2012, Argentina adopted decree 918/2012, which regulates measures and proceedings regarding freezing of terrorist assets, as well as the inclusion or exclusion of entities and persons with regard to United Nations lists established under Security Council resolutions. In April 2012, the Bolivarian Republic of Venezuela adopted new legislation on organized crime and financing of terrorism aimed at preventing, investigating, prosecuting and sanctioning offences related to organized crime and the financing of terrorism, in accordance with the provisions of the Constitution and the international treaties signed and ratified by that State. Finally, in October 2012, Mexico enacted the Federal Law for the Prevention and Identification of Transactions from Illegal Funds.

62. The UNODC Country Office in Colombia also developed a regional model law on non-conviction-based confiscation for South America, which it presented to the Caribbean Financial Action Task Force, the Expert Group for the Control of Money-Laundering of the Inter-American Drug Abuse Control Commission (CICAD), and in the Plurinational State of Bolivia, among other countries in Latin America. CICAD adopted the model law as an official reference document and it now forms the basis of the confiscation work of organization.

## **2. Assistance in implementing standards to counter money-laundering and the financing of terrorism**

63. UNODC has continued to work with Member States to encourage the full implementation of international standards for the prevention and suppression of money-laundering and terrorism financing. In addition to encouraging Member States to become party to the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988, the Organized Crime Convention and the Convention against Corruption, UNODC has advocated the implementation of the Forty Recommendations on Money-Laundering and Nine Special Recommendations on Terrorist Financing of FATF. To that end, UNODC conducts awareness-raising activities and provides specific assistance.

64. To facilitate the implementation of the FATF recommendations, the Global Programme participated in briefings to Member States on the revised recommendations and new requirements contained therein. The Global Programme also delivered training in Kazakhstan, Kyrgyzstan and Serbia through its mentor for Central Asia, co-shared with the World Bank, to help Member States understand and implement FATF recommendation 1, on risk assessments for money-laundering and terrorism financing.

65. UNODC continues to urge Member States to require financial institutions and other related professions to promptly report suspicious financial transactions. Most

Member States have adopted laws to counter money-laundering and the financing of terrorism that require financial institutions and other reporting entities to file reports on suspicious transactions with the national financial intelligence unit. Some countries have further introduced obligations to report currency transactions to the financial intelligence unit.

### **3. Assistance with ratifying international conventions**

66. Adherence to the relevant international treaties provides States with useful tools to control illicit financial flows resulting from criminal activities. In the reporting period, UNODC provided assistance for the ratification of the 1988 Convention to Timor-Leste. It also provided assistance for the ratification of the Organized Crime Convention to Fiji, Iran (Islamic Republic of), Maldives, Papua New Guinea, the Republic of Korea, Samoa, Solomon Islands, Thailand and Vanuatu. A total of eight States ratified the Organized Crime Convention (bringing the total number of parties to the Convention to 173).

### **4. Preventing safe-havens for wanted money-launderers and criminal financiers**

67. UNODC has continued to urge Member States to fully cooperate with one another in preventing safe havens for wanted fugitives who have accumulated or possess proceeds of crime or who finance organized crime or criminal organizations, by extraditing or prosecuting such fugitives.

## **D. Progress made in promoting enhanced international cooperation and the exchange of information**

### **1. Asset seizure and confiscation**

68. It is the assessment of UNODC that countries benefit from the establishment of informal regional networks for police and prosecutors dealing with all-crime asset forfeiture. Such networks have been shown to increase the effectiveness of efforts by Member States to deprive criminals of the proceeds of crime by facilitating enhanced regional cooperation in asset identification, confiscation and forfeiture. In addition, such networks have the benefit of raising awareness of the key role of asset management and all-crime asset recovery in efforts to counter money-laundering, illicit financial flows and crime in general. Member States belonging to existing networks are effectively sharing experiences, information and operational skills and have been able to improve coordination mechanisms at the domestic level.

69. In 2012, UNODC has continued to support the development and operation of two asset forfeiture mechanisms. Dedicated attention has been given to the development of the Asset Recovery Inter-Agency Network of Southern Africa through the Global Programme, and the UNODC Country Office in Colombia continued to provide support to the Asset Recovery Network (RRAG) of the Financial Action Task Force of South America against Money-Laundering (GAFISUD). Modelled on the Camden Asset Recovery Inter-Agency Network of the European Police Office (Europol), these regional mechanisms encourage collaboration, information-sharing and cooperation among prosecutors, investigators and law enforcement in confiscation-related investigations and proceedings.



Member States are encouraged to use these inter-agency networks for asset recovery to facilitate requests for mutual legal assistance and cooperate at the regional and international levels.

70. UNODC supported both the Asset Recovery Inter-Agency Network of Southern Africa and the GAFISUD Asset Recovery Network in the holding of meetings for their members to bring focal points together, highlight the need for cooperation, and provide training and mentoring. In 2012, both of those regional networks strengthened their relations with Camden Asset Recovery Inter-Agency Network to start exchanging information and engage in pre-mutual legal assistance coordination. UNODC has also supported efforts to launch a regional asset forfeiture network for prosecutors and financial investigators in the Asia-Pacific region, and for a network in West Africa, for which the Global Programme is conducting a feasibility study whose results are expected to be finalized in May 2013.

71. Further information on the work of UNODC to promote international cooperation and the exchange of information with regard to recovery of assets, particularly concerning the UNODC/World Bank Stolen Asset Recovery (StAR) Initiative, can be found in the report of the Secretary-General on preventing and combating corrupt practices and transfer of assets of illicit origin and returning such assets, in particular to the countries of origin, consistent with the United Nations Convention against Corruption (A/67/96).

## **2. Legal assistance, joint investigations, exchange of information and review mechanisms**

72. UNODC encourages Member States to afford other countries the greatest possible measure of legal assistance and information exchange in connection with relevant investigations, inquiries and proceedings related to tracing illicit financial flows and the identification of illicitly acquired assets.

73. Many countries have concluded regional and international operational memorandums of understanding between financial intelligence units, law enforcement agencies, and judicial offices to facilitate the sharing of information and to effect mutual legal assistance, which is becoming more common. For example, a handful of mutual legal assistance cases have recently been reported through the Platform of Judicial Cooperation for Countries of the Sahel. Member States also continue to take the steps necessary to join the Egmont Group of Financial Intelligence Units. As of July 2012, 131 financial intelligence units had become members of the Egmont Group, and several others were in the application process.

74. UNODC continued to provide technical assistance to Member States to foster the exchange of information and enhance international cooperation through legislative assistance, the delivery of regional workshops and the development of cooperation mechanisms.

75. UNODC recognizes the pertinence of the review of implementation mechanisms for the Convention against Corruption to the prevention of illicit financial flows (see E/CN.15/2013/4).

76. The Conference of the Parties to the United Nations Convention against Transnational Organized Crime was unable to adopt a mechanism to review the implementation of the Convention and the Protocols thereto at its sixth session, held in October 2012. In its resolution 6/1, the Conference underlined the need for the urgent adoption of such a mechanism and urged Member States to continue to be actively engaged in that endeavour on the basis of the work already accomplished by the open-ended intergovernmental working group on the review of the implementation of the Convention and the Protocols thereto.

### **3. Regional and International initiatives**

77. UNODC supports Member States in developing and participating in global and regional initiatives to combat illicit financial flows, in particular initiatives facilitating the tracing of proceeds of crime. Examples include the Central Asian Regional Information and Coordination Centre (CARICC) and the Triangular Initiative, which support information-sharing and operational law enforcement coordination in Central Asia, and the Contact Group on Piracy off the Coast of Somalia working group 5, on illicit financial flows.

78. As cited above, UNODC actively supports two regional informal asset forfeiture networks, is the implementing agency for the Paris Pact initiative, and hosts several judicial platforms and networks of prosecutors. The UNODC Regional Office for Central Asia is operating a project for the members of GUAM to strengthen capacities for national and regional cooperation for combating money-laundering and for seizing and confiscating the proceeds of crime. The UNODC regional programme for Afghanistan and neighbouring countries operates a programme to enhance cooperation among regional financial intelligence units (the "CASH initiative") for the eight countries of West and Central Asia.

## **E. Progress made in strengthening inter-agency cooperation**

### **International and regional cooperation**

79. UNODC works successfully with a range of stakeholders and partners to strengthen cooperation between UNODC and international and regional organizations engaged in combating the harmful effects of illicit financial flows resulting from transnational organized crime, including drug trafficking and related offences set out in the Organized Crime Convention. Among its partners in the United Nations system, UNODC cooperates closely with the World Bank, the International Monetary Fund, the World Customs Organization and the Counter-Terrorism Implementation Task Force and the Counter-Terrorism Executive Directorate to strengthen international cooperation in combating the harmful effects of illicit financial flows resulting from criminal activities, including terrorism.

80. UNODC also works in close coordination with FATF and the FATF-style regional bodies, to include the Middle East and North Africa Financial Action Task Force (MENAFATF), the East and Southern Africa Anti-Money Laundering Group, the Financial Action Task Force of GAFISUD, the Caribbean Financial Action Task Force, the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), the Eurasian Group on Combating Money-Laundering and the Financing of Terrorism, the

Asia/Pacific Group on Money Laundering and the Inter-Governmental Action Group against Money-Laundering in West Africa in coordinating the delivery of technical assistance in various regions worldwide.

81. Relationships with the International Criminal Police Organization (INTERPOL), the Egmont Group of financial intelligence units and regional bodies such as the Organization for Security and Cooperation in Europe, the European Union and its agencies including Europol and Eurojust, the Organization of American States, among other entities, are supported by joint action plans and activities. That coordination ensures that Member States receive practical and sustainable technical assistance incorporating the latest techniques and good practices.

## **F. Research and trend analysis**

### **Enhanced information and reporting**

82. UNODC is working to strengthen, simplify and expedite the collection and reporting of accurate, reliable data on transnational organized crime. In 2012, in consultation with Member States and partner organizations, UNODC continued to work on a series of regional transnational organized crime threat assessments. These studies aim to enhance knowledge about the mechanics of illicit markets and provide transparent estimates of the volume and value of illicit trafficking flows resulting from transnational organized crime.

83. UNODC has conducted thorough field research and developed specific data sets on illicit financial flows linked to piracy off the coast of Somalia. The comprehensive study, conducted and published jointly by UNODC, the World Bank and INTERPOL, is being published in the first half of 2013.

84. Research conducted by the UNODC Country Office in Colombia on the economic aspects of organized crime helped identify links between economic growth in certain regions and crime rates, showing the economic perspective of organized crime. The research has become a useful tool for justice practitioners prosecuting illicit financial flows.

85. The Global Programme is starting new research on the methods used by transnational organized criminal groups for laundering proceeds of crime, including through the illicit cross-border movement of precious metals and other value commodities, as well as trade-based money-laundering. That research will provide a basis for new training modules on asset confiscation/forfeiture and asset management.

## **IV. Strengthening the Global Programme against Money-Laundering, Proceeds of Crime and the Financing of Terrorism**

### **A. Evaluation and strategy**

86. The Global Programme against Money-Laundering, Proceeds of Crime and the Financing of Terrorism underwent a thorough independent evaluation by a team of external experts, in cooperation with UNODC Independent Evaluation Unit, for the period June 2004-June 2010. The objective of the evaluation was to examine the strategic positioning of the Programme, as well as the efficiency, sustainability and impact of its technical assistance activities and the partnerships it has fostered. That evaluation report was finalized in January 2011 and presented to the Member States at the meeting of the working group on improving the governance and financial situation of the United Nations Office on Drugs and Crime held on 18 February 2011.

87. In the evaluation report, the independent evaluators noted that stakeholders consider the Global Programme to be an integral part of the global campaign to stop money-laundering and terrorist financing. They also recognized that the Global Programme had clear competitive advantages in certain areas of control of anti-money-laundering and countering the financing of terrorism. The Global Programme's anti-corruption mentor programme, along with its knowledge and competencies in enforcement issues, were widely recognized in the 2010 evaluation as a mechanism making substantial contributions to improving anti-money-laundering regimes worldwide. The Global Programme's products and services, including advice, training, publications and databases, were cited as having been demonstrably used by Member States. Moreover, Member States and counterparts benefiting from the Global Programme's technical assistance and training indicated their interest in receiving from the Global Programme additional and advanced-level capacity-building in the area of anti-money-laundering and countering the financing of terrorism.

88. The evaluation report contained 11 recommendations, 7 directed at the Global Programme and 4 at UNODC senior management. The Global Programme prepared and disseminated a document entitled "Future Directions and Strategic Planning for 2012-2015", identifying the activities and funding needed to implement those recommendations through the end of its programme cycle ending in 2015. The Global Programme has made strides towards addressing the seven recommendations directed towards the programme and coordinates with the Independent Evaluation Unit to assess the degree to which all recommendations have been implemented. An updated implementation plan is available upon request.

### **B. Mobilizing increased support from Member States and other donors**

89. The overall budget for the Global Programme's planning cycle of 2008-2015, as projected in 2007, stands at \$27.5 million. To date, pledges of \$18 million have been received, leaving a shortfall of \$9.5 million, or 35 per cent, against the

foreseen funding needs to the end of 2015. Owing to the projected abolition of the Global Programme's regular budget P-4 position pursuant to the decision of the General Assembly taken in its resolution 67/248, the programme will be fully reliant on extra-budgetary, voluntary donations from Member States. The overall sustainability of the programme is at risk, in large part due to the unpredictability of funding.

90. In order to strengthen the Global Programme in line with the recommendations made by the Independent Evaluation Unit in its review, as cited in General Assembly resolution 66/177, additional funding of an estimated \$1.6 million per year is required to support expanded operations at headquarters and technical assistance. Should the additional resources not be provided, the recommended initiatives cannot be undertaken.

91. Information on the funding strategies of the UNODC can be found in the report of the Executive Director on the activities of the United Nations Office on Drugs and Crime (E/CN.7/2013/3-E/CN.15/2013/3).

## V. Conclusions and recommendations

92. The Commission on Crime Prevention and Criminal Justice may wish to provide further guidance, in the context of its respective mandates, and consider requesting Member States to carry out the recommendations below:

(a) Ensure they have sufficient domestic legislative frameworks to criminalize the laundering of money derived from drug trafficking and other transnational organized crimes;

(b) Strengthen financial and regulatory regimes for banks, non-bank financial institutions and designated non-financial businesses and professionals;

(c) Implement effective detection, investigation, prosecution and conviction measures for money-laundering and related illicit financial crimes;

(d) Promote effective cooperation strategies for countering money-laundering and prosecuting money-laundering cases by strengthening mechanisms for domestic inter-agency coordination and information-sharing and by strengthening regional and international networks for the exchange of operational information among competent authorities, in particular financial intelligence units;

(e) Fully implement and enforce legal and regulatory frameworks to prevent money-laundering, illicit financial flows and confiscate and recover illicit assets in compliance with relevant United Nations conventions and internationally accepted standards;

(f) Continue entering into bilateral or multilateral agreements for mutual legal assistance, extradition and information-sharing to strengthen international cooperation to more effectively combat money-laundering and illicit financial flows;

(g) Improve tools for sharing information and coordination mechanisms to improve cooperation between the public and private sectors, enhance coordination within their national legal, regulatory, and law enforcement systems, and expand

their cooperation at the regional and international levels on matters relating to illicit financial flows;

(h) Make use of the tools developed by UNODC such as computer-based training for countering money-laundering, the Mutual Legal Assistance Request Writer Tool, model laws, the IMoLIN network and the online legal library, which are all available from the UNODC website;

(i) To designate competent national authorities under articles 6, 7 and 17 of the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988, or to update their national information in the online directory of competent national authorities, available from the UNODC website;

(j) Ensure that UNODC maintains sufficient resources to continue providing technical assistance to Member States to combat money-laundering and the financing of terrorism through the Global Programme against Money-Laundering, Proceeds of Crime and the Financing of Terrorism.

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