❑ INTERNATIONAL STANDARDS AND COOPERATION IN THE FIGHT AGAINST MONEY LAUNDERING

By Joseph Myers, Acting Deputy Assistant Secretary, Enforcement Policy, U.S. Department of the Treasury

Only sustained, vigorous international cooperation can keep money launderers in check, says Joseph Myers, acting deputy assistant secretary of the Treasury.

Already the 29-member Financial Action Task Force, similar regional organizations, and a group of national financial intelligence units have achieved a good level of cooperation, Myers says, but all of them need to do more.

Fighting money laundering is a cat-and-mouse game. The dirty money tends to find the darkspots, -- the countries having lax regulations, weak institutions, or an inability to enforce laws. These are good places to bank if you're a criminal.

While no amount of effort will ever eradicate money laundering or eliminate crime, international cooperation can arrest their corrosive effects on society, business, and government. Such cooperation against money laundering is improving, but requires more improvement.

One instrument of international cooperation, the Financial Action Task Force (FATF), has achieved some success. Never intended to have a long life at its founding in 1989, this informal group is still at work 12 years later, a tribute to its usefulness and renewed energy.

Most importantly, FATF set the international standards for money laundering controls — "The Forty Recommendations." Setting those standards meant that all participating governments committed to moving in the same direction at the same pace, a requirement for success. Through FATF's peer-review process, the participants have pushed each other into implementing the standards.

With expanded membership, FATF has now achieved agreement on money laundering standards and implementation among 29 governments. More than that, FATF has encouraged development of regional groups to adhere to the same standards. By the U.S. government's count, about 130 jurisdictions — representing about 85 percent of world population and about 90 to 95 percent of global economic output — have made political commitments to implementing "The Forty Recommendations."

In the United States, our financial industry's reputation for being well regulated has been good for our economy, good for investment. And some countries that recently converted to FATF standards have reported similarly good outcomes, especially in markets having many people working in professional businesses.

Another, more controversial initiative that FATF has developed to enhance international cooperation is publication of a list of non-cooperative countries and territories (NCCT) — jurisdictions that lack a commitment to fight money laundering. Following the June 2000 publication of the first such list, a number of the 15 NCCT jurisdictions have acted quickly to implement FATF standards.

While the NCCT initiative has produced good results, FATF participants need to address concerns from some jurisdictions on the list about the fairness of the process. FATF needs also, more generally, to take a more inclusive approach as it formulates policy. It is doing just that now by bringing in non-members to offer advice as FATF members review "The Forty Recommendations" for updating.

Another forum for international cooperation has developed among a number of national financial intelligence units (FIUs), such as the U.S. Financial Crimes Enforcement Network (FinCEN). Organically and spontaneously, several countries created these organizations around the same time to coordinate the activities of their law enforcement agencies fighting money laundering.

In the mid-1990s, people working in these FIUs began to realize the others were out there, and a small group of them started to meet to learn from each other. Quickly, they realized the potential of working with each other on operational matters. Such cooperation has already produced important results; more cooperation is in order.

Governments engaged in the fight against money laundering always need to figure out how they can do the job better. In months ahead FATF members will have to reach agreement on any proposed changes to "The Forty Recommendations" and consider next steps for the NCCT initiative. Meanwhile, the U.S. government is continuing to review the costs and benefits of the way we implement our national strategy against money laundering.

Whatever changes emerge, one fact won't change: only sustained, vigorous international cooperation can keep money laundering in check. ❑