

# RENMUN VII

*Peace in Permanence*



March 5-6, 2022

**Chair Report**

## Chair Introduction

Dear delegates,

Welcome to the United Nations Office on Drugs and Crime (UNODC). We are Isabelle and Milo, a Form 5 student studying at St. Paul's Co-educational College and a Year 9 student at Renaissance College respectively. We hope that after RENMUN VII you will be inspired to keep joining more conferences, and that this experience will remain a valuable learning experience.

The UNODC is committed to achieving security and sustaining the well-being of global citizens. It deals with issues surrounding drug trafficking and dependence, organized crime, terrorism. In this conference, we will be focusing on combatting international terrorist laundering and money laundering, and the decriminalization of drugs. We hope this will be an eye-opening experience for delegates, and that you may gain a broader perspective on UNODC issues through research, discussion, and writing resolutions.

Before the conference, delegates should read through the chair report thoroughly, conduct extensive research on the issue and your country's stance to better prepare yourselves for the conference. If you encounter any questions, please do not hesitate to ask us! Wishing you the best of luck and we look forward to seeing fruitful debates in the council!

Best regards,

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# Combatting international terrorist funding and money laundering

The aims of combatting international terrorist funding and money laundering aligns with the blueprint of the United Nation's sustainable development goals, specifically, goal 16 - peace, justice and strong institutions. Terrorist groups require funding for weaponry and to sustain their groups, and in most cases, terrorist groups receive funding through illegal money laundering. Methods of money laundering include trespassing loopholes in online banking, washing money through cryptocurrencies, illicit trade in commodities such as diamond, oil, gold, etc. The UNODC has established the Global Program against Money Laundering (GPML) to strengthen countries' AML and CFT capabilities. Countries are encouraged to strengthen technical cooperation, advisory services, transnational border control to control any origins of illicit financial flows.

The GPML calls for countries to strengthen cooperation at an international, regional and bilateral level, in order to combat the organization of terrorist groups. Anti money laundering task forces and programs should be strengthened, as well as the criminal justice system. Countries should identify sources of illicit money, work closely with anti-money laundering experts, and support an accountable criminal justice system to prevent money laundering. Such actions can prevent sustainability and growth of international terrorist groups, strengthening international security.

## Key Terms

Term	Definition
Money Laundering	The process of changing large amounts of money obtained from crimes, such as drug trafficking, into origination from a legitimate source to disguise their illegal origin. The basic 3 stages of money laundering involve "placement" into legitimate financial systems, "layering" through multiple transactions to conceal its origin, and "integration", wherein the money is withdrawn from legitimate accounts.
Terrorism	Illegal use of violence to pressurize civilian groups or governments in achieving political or ideological objectives.
Terrorist financing	Terrorist financing encompasses the means and

	<p>methods used by terrorist organizations to finance their activities; like money laundering it also involves disguise and concealment.</p>
<p>Global Programme against Money Laundering (GPML)</p>	<p>A global program providing in-depth assistance to countries to build and strengthen their anti-money laundering and countering the financing of terrorism capacity.</p>
<p>Anti-Money Laundering (AML)</p>	<p>Precautions financial institutions perform to achieve compliance with legal requirements to actively monitor for and report suspicious activities.</p>
<p>Combatting the Financing of Terrorism (CFT)</p>	<p>A set of standards and regulatory systems intended to prevent terrorist groups from laundering money through the banking system or other financial networks, which is also implemented by the UNODC.</p>
<p>Financial Action Task Force (FATF)</p>	<p>The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.</p>
<p>Basel AML Index</p>	<p>The Basel Institute of Governance ranks countries according to risk scores according to AML / CFT framework, financial transparency, legal risks, etc, in determining risks of money laundering in different countries.</p>
<p>Corruption</p>	<p>According to the UN, corruption distorts electoral processes and democratic institutions, perverting the rule of law whose only reason for existing is the solicitation of bribes.</p>
<p>State capture</p>	<p>State capture is a type of systemic political corruption in which private interests significantly influence a state's decision-making processes to their own advantage.</p>

## **Background Information**

The term money laundering was first introduced in the 20th century and took off in the 1920s in the United States. It became illegal in 1986 in the US, and then followed by other countries. In the 1990s, money laundering control laws were established in the US and in European countries. In 1997, the UNODC was established, and there was increasing focus on combating money laundering, drug trafficking, and illicit trade worldwide.

### **Money laundering from illicit trafficking**

Criminals may commit money laundering through drug trafficking, counterfeit goods, cultural property, and raw materials. Drug trafficking organizations produce, transport, and/or distribute large quantities of one or more illicit drugs. Preventing drug trafficking presents challenges especially in less-monitored borders, such as that in Iran. Criminal groups easily find loopholes to smuggle drugs and obtain profits illegally. Groups such as the Mafia and Camorra in Europe and the Americas, and the Triads and Yakuza in Asia have diversified into the illicit trafficking of drugs and counterfeit goods. Low-cost counterfeit goods may be traded for drugs to lower chances of exposure and reap higher profits. Other types of illicit trafficking include smuggling cultural property, such as archeological or historical artifacts, and raw materials such as oil, timber and metals, in which such exploitation would damage the wild species of protected flora and fauna. Illicit trafficking through loopholes in financial and legal systems has extensive mutilation to societal peace, health, cultural history and the environment.

### **Terrorist financing and programming**

Terrorist financing may receive financing from illegal activities such as trafficking in weapons, drugs or people, or kidnapping for ransom. The transaction of illegal payment results in money laundering. For example, the Taliban terrorist group in Afghanistan obtains its fundings from drug trafficking, extortion, kidnapping for ransom, mineral exploitation, or donations from wealthy individuals and non-governmental charitable foundations. The Hawale money transfer system in Afghanistan has allowed gray areas for illegal activities as it provides uncertainty with its transparency and methods. Afghanistan, as one of the countries with the most severe money laundering and most active terrorism, serves as an example to display the loopholes in financial systems. Many terrorist organisations may have selected a legal loophole in the finance system by using “state capture” in transacting funds, and due to the lack of supervision of terrorist activities and financial transactions, terrorist financing may go undetected, especially in developing countries.

### **Rise of cryptocurrency and anonymous transaction**

The recent rise in cryptocurrencies such as bitcoin are anonymous, which provides a convenient way for criminals to wash money. It becomes increasingly difficult to

trace the origins of the money and the identities of launderers. Digital currency platforms also fail to identify the source of money, therefore allowing illegal proceeds. Criminals may often use such digital platforms to wash money without leaving any traces. Online banking fraud is another method for money laundering, such as obtaining sensitive information (e.g. passwords), allowing the criminal to gain remote access to bank accounts and make unauthorized transactions. There is a high level of complexity behind cryptocurrency and setting regulations to regulate such anonymous transactions, which therefore highlights the importance of artificial intelligence in combating money laundering.

### **Criminal Justice System**

In many developing countries, the criminal justice system in certain communities may be weaker, hence money launderers can commit crime without bearing legal consequences. Despite the acknowledgement of anti money laundering laws, some countries may not have the resources to identify and track transactions. This is due to the legal, financial, and technological backwardness of third world countries, making it harder to recognise criminal traces. It is therefore recommended by the UNODC that countries strengthen their rule of law and system for collecting and analyzing information, in order to uphold criminal justice at regional and international levels.

## **Potential Clashes**

### **Sharing of technology, case laws among countries**

According to the publication of the UN General Assembly Resolution on Crime Prevention in 2020, countries may create database to share technologies in tracing monetary transactions and identify illicit trafficking, therefore preventing chances of terrorist funding and threats to society. Statistical data can also be exchanged, such as identified methods of money laundering, trends of illegal monetary transactions, transaction reports, etc. Countries can also submit case law and legislation to the UNODC through the management portal, known as the Sharing Electronic Resources and Laws on Crime. However, it is argued that the high level of transparency may violate privacy of some states. Delegates have to debate on what extent of transparency should be granted, and whether countries have an obligation to share its technology and case laws. Delegates may also consider whether or not such management portals should be made mandatory, and the obligations of countries on the issue of combating money laundering on an international scale.

### **Difficulty in implementing cross-border cooperation**

Money laundering often does not happen in a single region, but involves the transition of funds from one country or state to another. For instance, the Islamic Republic of Iran shares a 1,923 km-long Eastern border with Afghanistan, wherein their long standing political rivalry enhances difficulty in cross-border cooperation. Another example is the unidentified money laundering crimes in the Gaza Strip - a

result of Israel and Palestine’s political conflict. The political complications in the Middle East enhances difficulty for border control, leaving launders loopholes to transfer and wash money. The total global cross-border payment flow is growing around 5% (CAGR) a year, proving the increase in cross border trade. There has been a Delegates should not only focus on the necessity of cross-border cooperation, but solutions to such political conflicts that prevents combatting terrorist funding and money laundering.

**Key Stakeholders**

Stakeholder	Involvement with the Issue
Afghanistan	According to the AML index, wherein the maximum is 10, Afghanistan leads with the highest AML risk of 8.16.
USA	The United States has a strong legal foundation and intergovernmental cooperation in terms of countering terrorist financing. As one of the first countries to criminalise money laundering, the US has constantly updated it’s national strategy to provide a holistic approach to guide public and private sectors to spot illicit financial risks, while also conducting national assessment on terrorism threats.
European Union	The European Union has established and updated agendas against terrorism financing, and has recently focused on developing Artificial Intelligence systems to process large amounts of transactions and online data efficiently, to clearly identify threats of terrorism or illegal transactions. The EU Crisis Response Protocol is a voluntary mechanism to coordinate a cross-border response to the viral spread of terrorist and report on the violent extremist content online.
Argentina	Since 2016, the risk index of Argentina has decreased from 6.74 to 5.03. Argentina is located in the Tri-Border Area (TBA), which shares its border with Brazil and Paraguay. This is one of the main entry points for money laundering companies and was suspected to have ties with

	<p>the terrorist group Hizballah. Argentina is now a member of the FATF, and the government has established a National Committee for Combating Money Laundering and Terrorist Financing, wherein a comprehensive crime-fighting plan and national risk assessment is conducted.</p>
South Africa	<p>South Africa was described as a transit hub for money laundering and financial crimes. From 2019-2021, the FATF has conducted thorough evaluation and investigation of the AML and CFT measures and published relevant reports. The FATF concluded that local law enforcement authorities lacked the ability to investigate complex financial crimes, while methods of state capture allowed such crimes to go undetected. South Africa has announced an interdepartmental committee of AML/CFT as a response to strengthen the country's financial system.</p>
Anti-Money Laundering Global Task Force	<p>The Anti-Money Laundering Global Task Force (GTF-AML) works with anti-money laundering experts, and organizations such as the Financial Action Task Force (FATF), the World Bank, the International Monetary Fund (IMF). The GTF-AML has developed a complementary approach to combating money laundering, in particular the laundering of corrupt money, and promotes the use of practical tools and techniques to limit or arrest such activity.</p>

## Possible Solutions

### Strengthening the capacity of national legal and financial systems

Countries can enforce stricter laws in upholding the criminal justice system to strengthen AML/CFT rules. This is especially important in developing countries, where the legal system should be fully exercised as an anti-corruption tool. Financial institutions should also follow the FATF Standards, especially in identifying backgrounds of politically exposed persons (PEPs), having appropriate risk management and monitoring of businesses and funds. The shared and more transparent financial systems can prevent terrorist funding and money laundering,

while strengthening the national legal system serves as a negative incentive mechanism to discourage illegal transactions.

**Cooperation between countries to counter organized crime**

Countries can share information between each other, regarding new technologies, new methods used by launderers to transfer and wash money, or statistics on such organized crimes. Countries should also inform one another when there is suspicious terrorist activities, in order to strengthen border control and prevent a large scale cross-border terrorist attack. Regular conferences could be held, and countries can write annual reports to summarize anti-criminal methods.

**Provision of technical, financial and humanitarian assistance**

Some developing countries lack the technology, capital and expertise to improve their crime resistance systems. The UNODC is committed to providing necessary assistance to these countries to better equip the capacity of their financial systems. Developing countries are likely hubs for illegal monetary transactions, therefore, stronger artificial intelligence should be incorporated into financial systems to identify the processes of funds. The World Bank may also provide financial assistance to develop stronger capacities in countering organized crimes. Moreover, money laundering experts from the FATF can provide education in developing countries to form expert groups to combat future money laundering crimes, but also raise awareness to the public in those countries.

**Past Actions**

1986	Publication of the Money Laundering Control Act in the United States, wherein the US became the first country to criminalize money laundering.
1989	The Financial Action Task Force (FATF) was established to combat money laundering. It has expanded its members from 16 to 39 members. In 2001, the FATF officially included terrorist funding within it's scope. It aimed to evaluate the money laundering methods, agree on the international standards for money laundering and terrorist funding, and assist governments in taking action.
1997-1999	Establishment of the UNODC in 1997. In December 1999, the International Convention for the Suppression of the Financing of Terrorism was published and serves as the blueprint for anti money laundering legal support of the UNODC.
29 September 2003	United Nations Convention Against Transnational

	Organized Crime became effective, and has since combatted transnational crimes, such as money laundering and corruption.
February 2012	The FATF Recommendations was established as a consistent framework of measures countries should implement in order to combat money laundering and terrorist financing, as well as the financing of proliferation of weapons of mass destruction.

## Guiding Questions

- How can countries identify the means used for money laundering, and how can countries effectively track the origins, transfers, and destination of suspicious funds? Will this require stronger international cooperation, and how can countries improve their anti money laundering control on a regional basis?
- How can the UN (or specifically, the UNODC) encourage countries to strengthen border security? What are the difficulties in implementing a model legislation system or criminal justice system to counter money laundering?
- Is it feasible for all countries (both MEDCs and LEDCs) to implement all suggested preventative measures? What support would be required, and who will provide them?
- Have past UN actions, establishment of anti money laundering organizations, model recommendations been effective in combating the problem? How may these be improved in the future, especially in sight of the rise of cryptocurrency and anonymous transactions?
- To what degree of transparency should countries share case laws, data on terrorist activities, corruption or suspicious monetary transaction records?
- What future actions will individual countries take, and what are the revised international actions to be taken in order to combat this issue?

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