

Money Laundering and International Commitment to Combat It

Masoumeh Tamjidi

Department of International Law, Guilan University, Iran

Abstract: Capitalist society has provided currently a broad space in the field of trade and investment. Especially with expanding banking operations we saw a huge shift of property and funds among legal and natural person. Meanwhile, some of the jobber with a double profit motive, by using various tricks, is trying to abuse these exchanges. committed operations of these people include acquisition of property and funds caused by illegal activities such as smuggling, theft, etc and to enter its property and funds into corrupt money of economic system and hide the illegal nature of the property, heavy consequences of economically to society. Sets of activities series that leads to the entry of illicit funds into the financial system, cause money laundering. Money laundering is criminal activity on a large scale, group, continuous and long-term, which can exceed range of politics and place in a country. This article attempts to investigate money laundering crime and combating it.

Keywords: Money Laundering, Illegal Profits, Financial Corruption, International Law, Money Transfers.

1. INTRODUCTION

The dramatic rise in the number of crimes committed it is undeniable in recent years. According to the Secretariat of the United Nations, global crime rates reported have increasing average five percent the annually that is higher than population growth and economic development of many countries. In addition, nowadays by closer to reality the theory of "global village" many of these criminal acts create by going beyond boundaries range of a country and therefore cooperation among various countries to combat such crimes that are mostly cross organized crime, it is absolutely unavoidable. Money laundering is including crimes that has transnational nature, ie is continuous beyond the borders of a country that of course not limited to money laundering but encompasses laundering all dirty property caused by crime, so the worst money laundering is the money earned from selling drugs, which obtain to millions of dollars per month. This crime has nature organized in addition to the transnational nature. But it should be noted in research background that associated with these research has been published domestic and foreign resources, such as papers, books, and conferences and numerous journals that all the arguments set forth in these resources has been the description and has not provide serious or scientific solutions and practical solution. Research conducted by Reuter and Truman (2004) for their book Chasing dirty money led them to make some observations about the severity of the adverse effects of these crimes, and the people they predominantly affect [10]. In this article attempt to investigate these gaps mentioned. The question underlying this research is that what is the reason of attention to money laundering?

Research hypotheses according to the findings: to realize multilateral cooperation and mutual of governments to fight money laundering crime.

Research method in this article is descriptive and analytical and library.

2. THE DEFINITION OF MONEY LAUNDERING

Money laundering is a criminal activity and the criminal process which revenues of criminal activity and illegal is laundering and cleared during process in the legal channels. Money Laundering is being employed by launderers worldwide to conceal criminal activity associated with it such as drug / arms trafficking, terrorism and extortion [5].

Money laundering: it is criminal activity in large-scale, group, continuous and long-term that can exceed political boundaries of a country.

The phenomenon of money laundering has adverse effects for the economy, society, politics and society. Some of these works include contamination and instability in financial markets, people distrust to the financial system, the failure of

International Journal of Innovative Research in Science, Engineering and Technology

(An ISO 3297: 2007 Certified Organization)

Vol.3, Issue 3, March 2014

the private sector - reducing productivity in the real sector of the economy - the destruction of the external sector of the economy and many other damaging ... In fact money laundering increase power, distribution and survival of smugglers, terrorists and arms dealers and other criminals [8]. The first feature that money launderers and terrorist financiers abuse prevalently is cash and bearer negotiable instruments [4].

3. BACKGROUND OF MONEY LAUNDERING AND INTERNATIONAL ACTIONS DONE

The first time someone named "Al Capone" formed a Group called Al Capone. This group would extort from people forcibly. They to hide their practice established a laundry and they pretend that their income obtain in this way and not the illegal. Thus term of money laundering was formed. It is actions that the illegitimate revenue and transactions are perfectly legal and get rid of the prosecution and punishment of the law. But the various actions have been done by international system about money laundering crime and to fight it that can noted to set of documents and conventions and resolutions adopted in the field of crime.

3.1. The Vienna Convention

In the 80s, transnational fight against money laundering crime has emerged as the adoption of international documents. In 1988, convention under the Vienna approved about international fighting with drug trafficking and psychotropic drugs. Mentioned Convention is recalled governments to criminalization of money laundering, to adjust regulations to identify and pursue revenues from crime, blocking and recording of financial assets, financial record keeping. It must be said about the above regulation that with the adoption of the Vienna Convention for the first time regulation earnings from crime is appeared at the international level.

3.2. Palermo Convention

In 2000 the United Nations adopted the Convention in Palermo Italy. This convention is known as the Palermo Convention, about to fight international organized crimes. Article 6 of the convention, the money laundering crime recognized as a clear example of organized crimes internationally. Palermo Convention wants from the government in addition to criminalization of money laundering in its legislation, it acts to confiscate above crime earnings. Also money and revenues laundering and their profits, or the equivalent confiscate to combat money laundering. In addition, have been asked from countries to albums revenues suspected proceeds of crime by culpability statistics priority on the presumption of innocence in cases of suspected and if they isn't prove health of a source, also confiscate them. Based on this convention, countries must consider all serious crimes in inclusion of crimes prior to money laundering.

3.3. Other Conventions

The 40-fold recommendations of financial rapid reaction force in money laundering, which was approved in 1990 and modified several times, contains provisions relating to the crime of money laundering. Also convention on laundering, inspection, seizure and confiscation of revenues of crime adopted by the Council of Europe in Strasbourg in 1990 is as well as other conventions in this field. Strategies such as the need for cooperation in the acquisition of information transfer to another state without that state's demand, the adoption of research techniques and ... are cases that it is proposed to strengthen fight against money laundering. It should be mentioned in 1997, Basel Banking Supervision Committee in the field of money laundering approved evidence of as basic principles for effective banking supervision.

4. RESEARCH FINDINGS

A) The international community's attention to the crime of money laundering

Increasing above commit crimes along with human development in the field of economic exchanges has been attracted international attention to fight this crime. It should be noted that some of the activities related to money laundering is organized and group.

However consequences caused by mentioned crime would be too heavy in long-term for countries economy. These issues, along with other negative consequences of money laundering crime led the efforts of the international system to prevent these crimes. According to the report it reaches 100 billion dollars in 2009. Network of international bands in this field has been a concern of the international community. Especially it should be noted that one of the features of this crime can be transnational. It is understood that some above crime is form of trade among countries. This trade turnover among governments eventually led to the transfer of funds and property from one country to another country.

International Journal of Innovative Research in Science, Engineering and Technology

(An ISO 3297: 2007 Certified Organization)

Vol.3, Issue 3, March 2014

The reason of choosing money laundering term is for this action that this process is like washing machines that washing dirt and filth from clothes and separating dirt resulting from the crime of money or any other property caused by the crime will clean it [3].

This word was stated in America from twenty and thirty decades. It refers to laundering that the Mafia had bought them from illegal money derived obtaining gambling, smuggling, prostitution and so them. Dirty money was injected into them [9].

Some people spread of this word know from the Watergate incident in the mid-seventies when President Nixon was president in America and in term of law it started in a U.S. lawsuit in 1982 (U.S. V.\$ 4255 , 625.39(1982)551 F sup 314).

However, the origin of this word is currently recognized as a technical term in worldwide and washing dirty property caused by crime especially the money resulting from drug trafficking, considering that usually involves crossing borders of various countries, in terms of world countries and the United Nations is considered an international problem and a threat to the global financial system that in cooperation with all countries must be fought because it may be adverse effect on health economy. For example, in Miami major drug traffickers by much money destroyed investment of people in the building and construction. A similar situation occurred in the international bank for credit and commerce. Money laundering is harmful to the economy and trade of countries, because banks and financial institutions involved in this process due to cooperate with criminals lose their credit among the people, inflation rises sharply and large amounts of money extracted from circulation of a healthy economy and is allocated to the unhealthy activities and perhaps, with entering dirty money damage their economy.

If the government to obtain short-term interests opens its doors on dirty money, will lose long-term investments of faith and productive investors because investors as opposed to organized offenders are seeking to invest a safe environment and free of corruption. Money laundering will also disrupt developing countries. Much international organizations aid have been exploited by some leaders of poor countries and with money laundering spent it to personal use and have no trace remained. It is said that the President of Zaire, Mobutu is stolen more than ten billion dollars of his country income. With regard to the country's GDP, which is about 5/3 billion dollars a year, it is concluded that he is stolen doubled country annual income at the time of his sovereignty.

Government period of Abacha in Nigeria about \$ 6 billion extracted from country by him and has been involved in money laundering [2].

Ferdinando Marcos and his wife Imelda, by using different ways seize millions of dollars from wealth in Philippines and with extracted from the country and money laundering, identify and regain it for later government is impossible [7]. Even former king of iran and families and their relatives was extracted two Rolls-Royce cars from Iran [6].

B) The Amount of Money Laundering In the World and Its Methods

Accurate estimate of money laundering in the world is hard work. However, it can say that its rate is very high. A special group was formed by industrialized countries the group of seven to investigate the starting money laundering. Gross revenues derived from drug trafficking estimated at \$ 300 billion in the world that this figure has been provided by the United Nations in 1987[11].

In America and Europe funds caused by retail of heroin, cocaine and marijuana amounted to 122 billion dollars a year that this amount is higher from the GDP of some countries. Of this amount, \$ 85 billion represents the profit that should be laundering [3].

According to the report, drug traffickers in America and Europe have income of \$ 232 to 155 per minute that all of it should be covered money laundering that it is America's GDP and more than the GDP of Canada, as ninth the world economy. In banking system of America for money laundering for all crimes rates are estimated 300 billion dollars in a year that at least 50 billion dollars is related to cocaine [1].

Despite the lack of precision in this estimates and different statistics provided by the various resources, these figures can clarify somewhat our minds compared to the amount and extent of the problem under discussion.

Money laundering practices adopted by the offenders is different and diverse according to the type of crime, property values, offender facilities and so them. But the use of banking system and hiding under the cover of legitimate business is the most common practices.

International Journal of Innovative Research in Science, Engineering and Technology

(An ISO 3297: 2007 Certified Organization)

Vol.3, Issue 3, March 2014

C) The Need for Money Laundering Legislation

During the second half of the twentieth century, with the shift towards individual crime to organized crime, new risks threats and concerns communities about the lack of effective national legislation to combat organized crime and laundering proceeds of this the crime. Such a phenomenon of money laundering in the 1980s was considered as a crime, particularly the proceeds from drug trafficking and psychotropic medications in Western countries.

This is because mentioned countries aware from the huge profits derived of this criminal activity and their concerns about the spread of drug abuse in Western societies that created motivation to fight drug trafficking for the government through compilation of rules that would deprive them from illegal factors. Although these countries emphasized at the beginning on the proceeds from drug trafficking but soon found that in legislation of combating money laundering and regulations and treaties related to international cooperation to combat this phenomenon should be considered in tracing and detection of illegal income and offenders prosecution, the proceeds from other serious crimes such as extortion, bribery, fraud and... .

In past two decades, according to the proper extension of money laundering and turning it into an international phenomenon and concerns about the lack of effective national legislation to combat organized crime and laundering of the proceeds from the new laws and treaties is shaped dramatically international efforts to combat money laundering that can noted such as treaties National Society of Europe, the organization for Economic Cooperation and Development, Organization of American States, the World Bank and the International Monetary Fund action in the fight against money laundering.

Awareness of developed countries from effects of money laundering and developing regulations and significant measures to fight widespread it has caused that revenues from criminal activities just will lead to laundering in the country that monitoring mechanism is weak in financial markets or did not adopt measures to deal with this problem. No doubt the flowing dirty funds for laundering to countries lack mechanisms for dealing with laundering money will create problems for them. Hence it is necessary that is provided first step in addressing this problem, namely formulation of appropriate laws and regulations to combat money laundering.

5. CONCLUSIONS

However serious risks and negative effects of money laundering on national economy despite countries are subject of damage resulting from process of money laundering seriously and an unprecedented increase of class gap in a last decade and economic instability dominating the society would clearly indicate this affair. Unfortunately, dramatically progress hasn't been made to combat money laundering.

The need to maintain and economic stability and preventing the entry of a fatal blow on national economy and development of the country is appropriate that all institutions and organizations related to combating money laundering seriously moved in this direction and in any case do not ignore. It is obviously that legislation and criminalization was not just enough in this important matter and it is necessary to succeed measures related to criminalization on acts of a broad surveillance measures and ongoing pursue and this monitoring and tracking applies on all institutions that may be involved in money laundering process some way such as: Banks, financial institutions, stock markets, macro and micro agencies and also conducted with threat or eliminate principle of professional secrecy, police actions, administrative, judicial and police and should be provided necessary cooperation among governments and countries and organizations in this regard.

REFERENCES

- [1] Arrastia.J, "Money laundering – A.U.S. Perspective" in money laundering control, pp.228-259, at pp.229-230,1996.
- [2] Behn. Hilary."Money laundering as a Threat to International Development", Money Laundering Conference, London, 26 February 2002.
- [3] Chaikin, "money laundering as a aupranational Crime" in principles and procedures for a New Transnational Criminal law (ed. A Eer and o.lagodny (Freiburg: Eigenverlag Max-Planck Insitut, 1992,pp. 415 – 455
- [4] FATA Report, Global Money Laundering and Terrorist Financing Threat Assessment, FATF/OECD, WWW.FATF-GAFI.ORG,2010.

**International Journal of Innovative Research in Science,
Engineering and Technology**

(An ISO 3297: 2007 Certified Organization)

Vol.3, Issue 3, March 2014

- [5] Kumar Singh,V, Controlling Money Laundering in India– Problems and Perspectives, the 11th Annual Conference on Money and Finance in the Indian Economy on 23-24 January 2009 At the Indira Gandhi Institute of Development Research (IGIDR), Mumbai, INDIA,2009.
- [6] Mirmohammad Sadeghi,H, Rolls-Royce History: A Journal of Legal and Judicial of Justice, sixth year, No. 17-18,1996.
- [7] Mirmohammad Sadeghi,H, Laundering the dirty property caused by crimes in international criminal law , Tehran, mizan publication rates, Iran,1998.
- [8] Razavi,A, Importance of Money Laundering legislation, combating money laundering International Conference, Shiraz, Iran,2003.
- [9] Reid.M.Paula, "money Laundering – An Irish perspective" in money laundering control (Dublin; Sweet & Maxwell, 1996) pp.206-227 at p.207 citing w. G: lmore "money laundering: The International Aspect " in Hume papers on public policy, Vol.1. No.2, 1996, pp.1-11.
- [10] Reuter, P & Truman, E M , Chasing dirty money: the fight against money laundering, Institute for International Economics, November 2004, < www.iie.com/publications/newsreleases/truman-reuter-pr.htm> .
- [11] Sherman.T, "International Effort to Combat Money laundering: The Financial Action Task Force" Efforts in Money Laundering (Hume papers on public policy: Vol.1, No.2, Edinburgh university press, 1943, pp.12-33 .