INTERNATIONAL PERSPECTIVES ON THE CONTROL OF MONEY LAUNDERING

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I. INTRODUCTION

- **What is money laundering**?

THERE MUST BE A PREDICATE OFFENCE
The key is that there first has to be a crime that generates some kind of proceeds. Cash from the illegal sale of anything, usually drugs, or the acquisition of some asset from another kind of crime like a stolen car. These are proceeds. These illicit or illegal proceeds of crime are run through the financial system to disguise their illegal origins to make them appear to be legitimate in the possession of whoever holds them.

DRUG TRAFFICKING AND OTHER OFFENCES
M.L is associated with especially drug trafficking, but money laundering can be linked to any crime that generates profits such as extortion, fraud, bribery and corruption, sale of stolen goods, smuggling, arms trafficking, kidnapping, illegal gambling, prostitution pornography.

ALWAYS DEPENDS ON WHAT THE LAW PROVIDES
Money laundering always depends on how the law in your country defines it. In most cases still, the proceeds have to come from drug trafficking.

- **How it is performed?**

STAGES - PLACEMENT
First Stage - Whenever cash or anything else, stolen goods e.g. art, cars, boats, jewelry, financial instruments, securities etc. are the proceeds of a crime the object has to be physically disposed of to disguise its illegal origin. This stage is called PLACEMENT is known in spanish as *depósito* or *emplazamiento*.

If we are talking about money from a crime, the bills could be
- deposited in a bank account
- deposited in some other financial institution like an insurance co., stock market, converted to a postal money order, put into an "underground/informal" banking system
- shipped across a border for deposit in foreign financial institutions
- used to buy high value goods like art, airplanes, boats, real estate, precious metals/stones. These goods could then be held and/or resold for payment by check or bank transfer

LAYERING
Second Stage - covering over the money trail. This involves carrying out complex layers of financial transactions to obscure the origins of the illicit proceeds from their source and to disguise the audit trail. This is called

LAYERING (In Spanish, *encubrimiento o intercalación*)

- CAN BE DONE BY wire transfers of deposited illegal cash; conversion of the illegal cash into monetary instruments (bonds, stocks, travellers checks); purchase and resale of high-value goods and monetary instruments, investment in real estate and legitimate businesses like construction, leisure and tourism.

Also done by creating shell companies, i.e., registered companies offshore, MEANING, registration in a jurisdiction where there is less strict supervision. These companies, whose directors are often local lawyers obscure the beneficial owners through restrictive bank-secrecy law and attorney client privilege.

INTEGRATION

Third Stage is to make the illicit proceeds appear legitimate. This is called INTEGRATION (in Spanish, *integración*) and occurs when the funds enter the financial or economic systems from what looks like a legitimate source, such as profits from a business sale being placed in a bank account or when funds are invested by an individual who has received them as a loan through a front companies which makes the owner a phoney 'loan' out of the illegal proceeds.

Another approach is for the owner to make a domestic loan which he uses for investment using as collateral his illicit funds on deposit in a foreign financial institution.

A third example is the use of false invoices showing non-existing goods to have been sold across borders. Another approach is to under-invoice or over-invoice gods purchased or sold and then to use the false margin to legitimize illicit funds.

We will come back to some examples later on

- **How big a problem is it?**

U.N. "guesstimates" in 1995 put the value of money laundering world-wide at between $300-$500 billion.

The International Monetary Fund (IMF) in 1998 put the present scale of money laundering at between 2-5% of global GDP.

These figures are so huge and potentially so inaccurate that they can not be relied upon to give us a real idea of magnitude. But they are useful in that they make us react. The Financial Action Task Force (to which I'll refer later) now has a sub-group to estimate the magnitude of money laundering. With members from IMF, the World Bank, top financial officers of the treasury departments of a dozen or so major countries have been studying and developing a methodology for a more

reliable assessment for the past 2 years.

CREATIVITY OF CRIMINALS/REACTIVENESS OF GOVERNMENTS

In brief the issue is that it is first very difficult to understand and know the myriad ways in which money is laundered. Criminals have become more and more creative at disguising the sources of their money. As governments and law enforcement become more knowledgeable about how money laundering is performed, criminals become more effective at hiding its sources.

Secondly with money laundering, authorities only have direct knowledge about what has been seized after they have successfully prosecuted launderers, which statistically is not that often!! The laws are all relatively new, and until very recently money laundering was not an offence in the criminal law of most countries. If there is no crime there can be no penalty says the law. Likewise, unless there are seized assets to go through, there is nothing tangible to measure.

BANK SECRECY

Third, often bank secrecy laws of many countries are very good at protecting the interests of the banks' clients by keeping their transactions secret.. Often there is no legal basis for law enforcement to begin investigating possible money laundering in banks or other financial institutions.

Fourth, most countries are integrated into a highly sophisticated system of international financial markets which provides a wide variety for places for money to disappear into.

The recent liberalization of financial markets further opens up possibilities for money launderers which they did not enjoy when individual national financial systems were more control based.

Also, money flows around the world at lightning speed making it difficult to find the trail to begin with. With the current use of high technology for money movement, the trail can be cold by the time financial watchdogs arrive.

WHY WE SHOULD WORRY

The reason we need to be concerned about this is because markets and even small national economies can be corrupted and de-stabilized by this activity. In a number of countries large scale organized crime has been tolerated by naïve governments. In the beginning, good and bad monies flow together creating an illusion of prosperity, but in the end often only the corrupt financiers remain, having bought off susceptible public officials and undermined legitimate business interests. Lasting damage can be done when the infrastructure established to guarantee the integrity of the markets is lost.

Economists tell us that laundered money behaves in accordance with the least productive economic principles and in the longer run only contributes minimally to the optimizing of economic growth. We are also told that large scale money laundering can result in inexplicable changes in money demand, increased risks to bank soundness and stability, contamination of financial transactions and greater volatility of international capital flows and exchange rates when unanticipated and sudden cross-border asset transfers occur.

Added to these economic costs are a complementary weakening of the social fabric and collective ethical standards. As for the creation of wealth through the laundering of money, the poor do not benefit from it, only the corrupt and the criminal elements.

II. THE INTERNATIONAL RESPONSE

About fifteen years ago, a number of international entities realizing that there was a need to become more vigilant in dealing with organized crime, mostly owing to huge profits from illegal drug trafficking undertook a variety of measures to address the problem of laundering these profits through the financial system.. I will touch on some highlights of these miscellaneous efforts which, each in its own way has identified a particular aspect of the issue and contributes to what becomes day-by-day a more harmonized global response to it.

While the focus of these comments will be primarily on the instruments developed by these international organizations, I will also touch upon some of the operational aspects to which those instruments are directed or that have resulted from their application.

While these international instruments include conventions - the traditional vehicle for dealing with multilateral issues - recent efforts have focused on more flexible, less formal means of cooperation such as directives, statements of principles, plans of action, model regulations, recommendations and best practice guidelines.

A simple, although not simplistic reason for this is that the fluid and ever-changing nature of money laundering requires instruments that are flexible and that provide operational direction to member states. Thus, these less formal instruments not only promote uniform approaches to the issue at hand in the manner of conventions, but they also set applied standards for member states of particular organizations against which their activities are routinely evaluated and measured. Let us consider the following efforts in that context.

1. Basle Statement of Principles (1988)

Otherwise known as the accord to prevent the criminal use of the banking system for the purpose of money laundering, the Basle principles were developed by "the Committee on Banking Regulations and

Supervisory Practices" of the G-10 or the wealthiest member countries of the IMF in 1988. This Committee, comprising representatives of the respective central banks and supervisory authorities developed four basic principles directed at preventing the use of the banking system for the laundering of proceeds of crime as follows: (1) that banks should know the true identity of all customers requesting services, in particular, who are the true owners of all accounts, especially new accounts; (2) that banks should ensure that business is conducted in conformity with high ethical standards and that relevant laws and regulations are adhered to - more specifically, that banks should never offer services or provide assistance in transactions that they suspect may involve money laundering; (3) that banks should cooperate fully with national law enforcement authorities; and (4) that banks should ensure that personnel are held to high standards of ethical practice and are trained in measures to prevent money laundering.

The principles emphasize the risk to public confidence in banks and to their stability that can arise if they become associated even inadvertently with money laundering.

In terms of a definition of money laundering the principles are prescient in that while they do not offer a formal definition they observe how banks "may be unwittingly used as intermediaries for the transfer or deposit of funds derived from criminal activity". Thus, while the incentive for the development of the Basle statement of principles may have been drug-driven, they are not limited by it.

In addition, while the Statement of Principles does not constitute a formal international instrument between governments, it is important in that it constitutes the point of departure of the preventive effort for banks and other financial institutions to follow in combating money laundering. The enduring value of the Statement lies in its wide reflection in national regulations and in
the internal rules of financial institutions throughout the hemisphere and elsewhere.

2. U.N. (Vienna) Convention (1988)

The second instrument in our survey is a traditional one, the 1988 Vienna Convention, however, it is not expressly a convention for the control of money laundering, but rather one directed primarily against illicit traffic in narcotic drugs and psychotropic substances. However, the Convention creates a link between drug trafficking and money laundering, setting out in Article 3, "Offences and Sanctions", money laundering as a drug trafficking offence. The article describes the offence in the following terms:

> "the conversion or transfer of property, knowing that such property is derived from a drug trafficking offence;"
>
> "the concealment or disguise of the true nature source, location, rights or ownership of property knowing that such property is derived from a drug trafficking offence;"
>
> "the acquisition, possession or use of property, knowing, at the time of receipt that such property was derived from a drug trafficking offence"

In addition, the 1988 Convention also provides for the confiscation of proceeds (property proceeding) from drug trafficking (Art.5), which would include proceeds that are proven to be laundered; it calls for the promotion of mutual legal assistance (Art.7) and other forms of international cooperation in investigations (Arts 8-10), including the use of controlled deliveries of substances or money (Art.11); it specifically declares that the offences which it creates, including laundering offences, shall be made extraditable (Art.6); and it emphasizes that domestic bank secrecy measures should not provide a basis for a signatory to refuse to carry out an investigations into money laundering (Art. 5 (3)). To the contrary, the paragraph provides "that each party shall empower its courts or other competent authorities to order that bank, commercial or financial records be made available or seized".

Thus, the 1988 Vienna Convention although primarily an anti-drug trafficking convention, provides considerable direction to member states on measures to be adopted to combat related offences, especially money laundering. The inclusion in the Convention of the subject of money laundering as a drug trafficking offence has served to focus attention throughout the world on the inter-connectedness of organized crime, drugs and money laundering.

It should also be noted that all of the 34 member countries of the OAS have ratified this Convention, and it has been adopted by about ¾ of countries worldwide. Full adherence to the implementation of the Convention is another question, but it is a fact that in this hemisphere 30 of the 34 OAS member countries have laws and those that do not, have legislation pending in their

respective legislatures.

In addition to the Convention, the U.N. has been active in providing technical assistance including awareness raising and training seminars on money laundering throughout the world. Most recently it has introduced a specific Global Programme against Money Laundering, a three-year research and technical assistance effort that will reinforce its training and institution building activities, carry out research and to support the establishment of financial investigation services. The U.N.'s Office for Drug Control and Crime Prevention proposes to carry out these activities in concert with other international, regional and national entities to realize its goals.

3. Council of Europe Convention (1990)

This convention establishes a common criminal policy on money laundering as well as setting out a common definition of money laundering and common measures for dealing with it. It also lays down principles for international cooperation among the contracting parties and is open to signature and ratification by states outside the membership of the Council of Europe.

The Council of Europe Convention is important in that it broke new ground in two specific ways. It is the first international Convention specifically directed at money laundering and secondly, it was the first such instrument to provide for the criminalization of laundering of proceeds from offences other than drug trafficking.

4. European Union Council Directive (1991)

The 1991 E.U. directive on the prevention of the use of the financial system for the purpose of money laundering was issued in response to the new opportunities for money laundering opened up by the liberalization of capital movements and cross-border financial services in the E.U. The directive obligates member states to outlaw money laundering, requires financial institutions to establish and maintain internal systems to prevent money laundering, including obtaining the identification of all customers when they are beginning a business relationship with the institution, when they carry out a single transaction or linked transactions above a specified amount, and that they keep records of transactions for up to five years. Financial institutions are also required by their respective governments to report suspicious transactions and ensure that such reporting does not result in liability for the institution or its employees.

A report issued by the E.C. in 1995 on the implementation of the directive noted that while there had been progress against money laundering the anti-money laundering prevention effort would be enhanced by application of the

measures to a wider type of financial institutions including casinos and bureaux de change, that cooperation between different bodies in the field should be reinforced, and that financial institutions should receive guidance and support in setting up internal control programs and in determining patterns of money laundering.

The E.C. Directive and the subsequent recommendations of its report are significant in that they reinforce and add depth to the Basle Committee's Statement of Principles and broaden the scope of national action against money laundering.

5. INTERPOL Anti-money Laundering Resolution (1995)

The International Criminal Police Organization was founded to promote wide mutual assistance among the law enforcement agencies of its members. Each member country has an INTERPOL National Central Bureau which maintains liaison with other national counterparts and with HQ in Lyon. Money laundering issues are addressed by its "Funds derived from Crime Group", otherwise known as the FOPAC Group.

The 1995 INTERPOL money laundering resolution recommends that its members adopt legislation to criminally prosecute persons who knowingly participate in money laundering; provides for the seizure of proceeds of crime; authorizes banks and other financial institutions to report suspicious transactions to competent authorities; requires financial institutions to keep and maintain records; and, finally provides that its members should agree to the extradition of persons charged with money laundering.

6. Financial Action Task Force (FATF) "Forty Recommendations" (1990)

The FATF was set up by the governments of the G-7 "industrialized" countries at their 1989 economic summit in response to these countries' perception that money laundering represents a very real threat to the safety and soundness of the world's financial institutions. It now consists of 24 countries of the OECD including from this hemisphere Canada and the U.S., and counts among its observers a wide range of international and regional bodies concerned with money laundering prevention and control.

Countries are represented at FATF meetings by officials from their financial regulatory authorities, law enforcement, and from ministries of justice, finance and foreign affairs.

The FATF has identified three main task areas for its work to protect countries' financial institutions from criminal abuse:

(i) monitoring members' efforts and progress to counter money laundering;
(ii) reviewing money laundering techniques and countermeasures; and
(iii) promoting the adoption and implementation of the FATF's countermeasures by non-member countries.

Key to the FATF's effort is the definition of the appropriate countermeasures for countries to use against money laundering as set out in its forty recommendations. These recommendations were first set out in the body's 1990 Annual Report and were amended in 1996. The forty recommendations, when fully implemented, are felt by FATF members to establish a "best practice" framework of comprehensive programs for countries to follow to address money laundering and facilitate greater cooperation in international investigations, prosecutions and confiscations. The FATF recommendations approach this task under the following four general themes:

(i) the overall context for opposing money laundering;
(ii) the legal framework, consisting of criminalizing and prosecuting money laundering and ensuring that funds are confiscated;
(iii) the role of the financial system in adopting best practices to prevent them from being used by would-be launderers; and,
(iv) the strengthening of international cooperation through information exchanges on currency flows and money laundering techniques and supported by bilateral and multilateral agreements based on shared legal concepts that will promote mutual legal assistance and even extradition.

To achieve its goals, the work-program of the Financial Action Task Force focuses on a rigorous evaluation of the progress of its own members in implementing the 40 recommendations (mutual evaluation); discusses developments in money laundering techniques as monitored and experienced by national police forces and the taking of appropriate countermeasures (typologies exercises), research into related topics (determining the magnitude of money laundering) and conducting an external relations program among non-member countries to promote the adoption of their recommendations.

While the 40 recommendations have no formal juridical basis in international law and the FATF has no formal legal status as an international organization, the FATF has emerged as a powerful vehicle in the development of a comprehensive approach for preventing and controlling money laundering. The current presidency under Japan has made known its intention to expand FATF membership and to establish regional FATF bodies elsewhere. For several years there has been a Financial Action Task Force for the Caribbean islands and concerted attempts have been made to establish an Asian FATF.

7. Caribbean Financial Action Task Force "19 Recommendations" 1990)

As noted above, CFATF came into being as part of FATF's regional initiatives to promote global implementation of its 40 recommendations. In the case of the Caribbean body an additional 19 recommendations were adopted at a Heads of State and Government meeting in Aruba in 1990 and the body was formally inaugurated at the Jamaica Summit of 1992. This meeting endorsed the 19 Aruba recommendations, the forty recommendations of the FATF and called for the ratification of the Vienna Convention.

The Caribbean body consists of 26 member countries and dependent territories of the Caribbean countries including English, French and Dutch dependents. It also has Spanish-speaking members including the Dominican Republic, Panama, Costa Rica and Nicaragua. A number of other international organizations are observers to the CFATF and the organization has as cooperating and supporting members without vote, the United Kingdom, France and Holland as well as the U.S. and Canada.

Like the parent FATF, the Caribbean FATF carries out mutual evaluations of its members, performs typologies exercises and seeks to prevent money laundering in its member countries. Unlike the FATF, member countries have signed a Memorandum of Understanding setting out the terms of their participation, however, like the FATF, the body has no formal international status. Nevertheless, the CFATF is a valuable mechanism for its members to work together to improve their respective national anti-laundering efforts.

8. OAS/CICAD Model Regulations (1992)

In terms of the continental part of the Americas, in 1990 the anti-money laundering effort began within the Organization of American States with a Ministerial Conference held in Ixtapa, Mexico which produced a declaration that among other things mandated the creation of a group of experts from seven countries of the OAS to develop model regulations to oppose money laundering from drug trafficking. Once approved by the OAS, these Model Regulations would then be proposed to countries as recommendations for adoption in national legislation. The Experts completed their work and in 1992 the Regulations were adopted by the OAS.

The Model Regulations consist of 20 articles and address the following four major areas:

(i) The regulations provide for the criminalization of money laundering. Originally, they defined the offence in terms of laundering the proceeds

of drug trafficking but have been recently amended to include proceeds of crime from "serious offences" as determined by each member state. The regulations also provide for the seizure of proceeds of crime which have been or are intended to be laundered.

(ii) The regulations devote approximately one-half of their provisions to the prevention of money laundering in financial institutions with measures that include the following:

-a broad definition of financial institutions;
- the identification of the clients of these institutions;
- the keeping of records;
- providing for reporting of records, large cash transactions and suspicious transactions;
- providing for the lifting of bank secrecy for investigations of suspected money laundering;
- setting up preventive mechanisms such as kyc/, close checking of customer references and raising standards of employees;
- providing on-going training of employees to detect and prevent money laundering;
- establishing independent audit functions for money laundering in financial institutions;
- the designation of compliance officers to supervise control programs and the development and application of procedures for financial institutions to comply with the directive of government authorities;

(iii) Provide for the need for international cooperation, formal and informal, for investigations, and legal proceeding including mutual legal assistance and extradition;

(iv) Provide for the establishment of FIU's (amendment 1998).

Like the recommendations of the FATF, the CICAD Model Regulations are not a formal juridical instrument requiring ratification for their adoption by national governments. They are guidelines prepared by and for the member states to assist them in the development of appropriate national measures. While it could be argued that the recommendatory nature of the regulations could mean that countries would not enact such legislation or might enact very different legislation, experience in CICAD and in other organizations having "voluntary" measures has proven otherwise.

Since the regulations were adopted by the OAS General Assembly in 1992, the number of countries with anti-money laundering legislation containing provisions very similar to those of the CICAD regulations has gone from 9 to 30, with four more having draft bills before their legislatures.

Moreover, the interest of countries in bringing into force anti-money laundering legislation or in up-grading their legislation has been evidenced by requests to CICAD for technical assistance by a dozen countries on the drafting of such legislation.

The Model Regulations are under review at the present time, to reflect recent developments in the field of money laundering such as the establishment of Financial Intelligence Units (FIUs), to expand the scope of the offences that will give rise to money laundering beyond drug trafficking and to complete other housekeeping changes.

9. Central American Anti-money Laundering Convention (1995)

This convention came about following discussions during 1993-94 among a number of legislators, senior officials of the legislative branch and the judiciary of the Central American countries who throughout 1993-94 who attended a number of training programs held by the Center for Legal Development and Cooperation a U.N./CICAD sponsored project in the sub-region. The rationale for this convention lay in the countries' desire to take a harmonized approach to the subject that would facilitate cooperation between them. Essentially, the Convention followed the provisions of CICAD's Model Regulations and is therefore limited to criminalizing the laundering of proceeds from drug trafficking offences. In the sub-region there is also specific anti-money laundering legislation in Panama, Costa Rica and Honduras. There are draft bills before the El Salvador, Guatemalan and Nicaraguan legislatures.

10. Summit of the Americas, Buenos Aires Ministerial Communiqué (1995)

In December 1995 after several meetings throughout the year, the ministers of each of the countries of the hemisphere responsible for money laundering control agreed at a Ministerial conference in Buenos Aires upon a series of actions to be carried out by countries to enhance their anti-money laundering efforts.

Known as the Plan of Action of Buenos Aires, the key elements of the plan provided for countries to update their anti-money laundering efforts in a variety of ways:

(1) To extend the definition of the offence of money laundering to include the laundering of proceeds from other serious offences as defined by the individual countries;
(2) to broaden the scope of investigative techniques for investigating and detecting money laundering including the authorization of undercover operations and electronic surveillance ;
(3) to make mandatory the reporting of suspicious transactions by financial

institutions to competent authorities;

(4) to establish financial intelligence units (entities responsible for receiving, requesting, analyzing and disseminating to competent authorities disclosures of information relating to financial transactions that concern suspected proceeds of crime);
(5) the establishment of national forfeiture funds and to create international agreements for sharing of seized assets; and
(6) enter into international agreements to facilitate the exchange of information for investigation purposes and for improving measures to engage in mutual legal assistance.

Key to making the Plan work however, was the creation of a mechanism for an on-going assessment of countries' efforts to combat money laundering and to make recommendations for suitable actions to be taken.

This task has been entrusted to CICAD's Group of Experts which has developed an assessment based on countries' evaluations of their own national plans. Thus far, on the basis of the evaluations carried out, the Expert Group has developed specific recommendations for training in the fields of money laundering prevention in financial institutions, for Financial Intelligence Unit personnel and for judges and prosecutors in the prosecution of money laundering under national law. The evaluation has also served to reveal to countries specific legal measures for adoption in national legislation that will enhance their ability to oppose money laundering.

CONCLUSION

As will be noted from the foregoing, the international effort to address money laundering has been carried out by a number of traditional international organizations and has resulted in the creation of new bodies devoted exclusively to its control.

The major achievement of this effort has been to produce a broad recognition that money laundering is a grave political, social and economic problem that warrants the attention of all countries and, in view of its highly transnational nature, is one that merits improved international cooperation and control. Moreover, this effort has resulted in a consensus that has produced relatively harmonized legal measures against money laundering throughout the western world in national legislation and in multilateral and bilateral agreements. The most important underlying manifestations of these accomplishments are as follows:

(1) All international agreements and most national measures to combat money laundering provide that the prosecution of the offence will not be prejudiced by the fact that the underlying or predicate offence that

resulted in the proceeds that are the subject of the laundering prosecution occurred in another country, so long as the principle of double criminality is respected. Similarly, most laws and international agreements provide that money laundering is an offence to which extradition applies. This approach is widely adopted since money laundering usually entails a series of transactions in a number of countries to obscure the paper trail.

(2) Although money laundering was originally conceived as the step-child of drug trafficking offences, in recent years, international money laundering efforts are directed at controlling the proceeds of a number of other crimes. While it remains that most money laundering involves proceeds from drug trafficking, there is significant money laundering activity from other illegal activities such as illicit arms trafficking, the diversion of chemicals from legitimate uses and their sale for the production of illegal drugs, kidnapping and other illegal acts. Accordingly, international agreements now endeavor to control the laundering of proceeds from all "serious crimes" and include as non-limiting examples of these crimes such things as are referred to above.

Unfortunately, many national laws are still limited to criminalizing the laundering of proceeds of drug trafficking offences only, however, a number of countries including eight countries of the Americas have now extended the crime to cover proceeds from offences other than drug trafficking.

(3) Each of the international instruments and corresponding national legislation contemplates as a key part of the penalty for money laundering the seizure and confiscation (*decomiso*) of the criminal proceeds. Separating the criminal organizations from their illegal profits is central to the anti-money laundering effort, since the profits from the criminal enterprises are so significant as to be capable of undermining the development and growth of legitimate businesses, increasing volatility in financial markets and impacting dysfunctionally on national economies especially among smaller and more economically vulnerable states.

The extent to which such funds are redistributed to legitimate productive purposes including their allocation to national institutions dedicated to combating drug abuse and organized crime serves to drive home the message that government institutions are capable of and are taking positive steps to eradicate the problem.

(4) From the beginnings of the international concern with money

laundering, preventing the crime at the outset has been recognized as an essential feature of any anti-money laundering strategy. Any prevention effort reduces the opportunities available to would be launderers and forces them to take greater risks and makes the money trail more visible. The challenge for both international and national prevention efforts, in addition to their direct costs which ultimately are born by consumers, is arriving at an informed decision point about how far the protective net needs to be spread to be effective but that will not suffocate legitimate commerce.

(5) An important outgrowth of the prevention principle has occurred in the recommendation by international bodies and the adoption in national legislation of measures that require financial institutions to report large and suspicious transactions. While making mandatory the reporting of cash transactions over specified threshold amounts (usually the equivalent of U.S. $10,000) has been effective in deterring obvious money laundering, in recent years, provided that constitutionally protected public policy or privacy considerations were not felt to be infringed, suspicious or unusual transaction reporting has proven to be more effective. Here, financial institutions are required to report to competent authorities transactions which the financial institutions themselves, based upon their experience and knowledge, perceive to be suspicious or unusual, in accordance with agreed upon criteria.

In addition, the prevention effort has been buttressed in a number of countries by the establishment of new government entities, known as financial intelligence units with authority to receive, analyze and put forward information on suspected money laundering to other government bodies for investigations and prosecutions of money laundering cases.

(6) In conclusion, possibly the most material contribution of the international organizations has been their efforts to promote multilateral and bilateral co-operation to improve the investigation and prosecution of what is usually a transnational crime. The agreements can be as informal as exchanging information among police officers by telephone or as formal as making evidence available or effecting the extradition of accused persons for trials. Prompt and effective co-operation or a lack of thereof among national authorities can make or break a case.