

ANTI MONEY LAUNDERING

What is Money laundering?

Money laundering is any act or attempt to disguise the source of money or assets derived from criminal activity.¹ Those engaged in money laundering seek to conceal the true ownership and origin of criminal proceeds and ultimately use the laundered funds for legitimate purposes or for terrorist financing.

Basically money laundering involves three stages, namely:

- *Placement*: Physically placing bulk cash derived from criminal activities into the financial system or legitimate commerce.
- *Layering*: Separating the source of cash from its criminal origins by passing it through several financial transactions.
- *Integration*: Combining illegal funds with legally obtained funds and providing a legitimate explanation for its ownership.

Money laundering is a global problem and in the past some offshore jurisdictions have been abused for such illegal practice.

International Legal Environment

Various international organizations set up rules and recommendations to fight money laundering. The Financial Action Task Force on Money Laundering or FATF, which was established by the G7 member states, compiled 40 recommendations that should be initiated as anti-money laundering measures.² In 2001 a further 9 recommendations were added to also combat the funding of terrorism. The FATF Recommendations are seen as the international standards in combating money-laundering and the financing of terrorism and are recognized and supported by the International Monetary Fund and the World Bank.

The FATF has been quite effective in compelling offshore jurisdictions to enact the requisite legislation respecting anti-money laundering. It identified jurisdictions that failed to enact the necessary new legislation to be a non-cooperative country or territory (NCCT), and these jurisdictions have been threatened with different sanctions. Today the FATF no longer considers any jurisdiction to be a NCCT. So all the offshore jurisdiction where ILS offers to incorporate a company or to open an account, fulfill the international standard regarding anti-money laundering legislation. FATF continues to monitor and evaluate various jurisdictions and report as to how they measure up with respect to international anti-money laundering standards.

Standards to be fulfilled

When it comes up to anti-money laundering legislation, different offshore jurisdictions have different regulatory frameworks. Regularly these rules are adjusted to new international standards. We at ILS follow closely legal development and take the necessary steps to make sure that your company fulfills these demands. For more details about the different jurisdictions please follow the links in our Client Guid.

¹ www.bankersacademy.com, visited February 10, 2010.

² See www.fatf-gafi.org, visited February 10, 2010.