

## Money laundering

Money-laundering and counterfeiting thrive in environments where fraud, corruption and lack of transparency abound. Corruption opens the door for politically influential players to exert policy distortion and for an often unpredictable interpretation of regulation, which inevitably results in poor policy implementation, an ideal breeding pot for the activities of money-launderers. This, in turn, weakens the incentives for investment, robbing many developing nations of the opportunities for sustainable growth. The South African government has firmly stated that it will have none of it.

Worldwide, the Financial Action Task Force (FATF) articulates international standards for its over 100 member countries to adopt and implement in the areas of money laundering and terrorist financing. In South Africa, a person convicted of certain offences mentioned by the Financial Intelligence Centre Act (FICA) is liable to imprisonment for a period of up to 15 years or to a fine not exceeding R 10 million. Individuals who suspect money laundering, or get caught up in it, may also have reporting obligations or risk committing criminal offences. In the UK, all firms of practising accountants and many businesses have systems and reporting obligations in respect of money-laundering under the Proceeds of Crime Act 2002 and the Money Laundering Regulation 2003. In particular, firms must report suspicions of money laundering to the National Criminal Intelligence Service and criminal sanctions for failing to report are in place.

Globally, the problem of money laundering is enormous - estimates indicate a staggering total of \$500 billion is wrapped up annually. In January 2005, Riggs Bank of Washington pleaded guilty to a criminal charge of failing to report suspicious transactions in the accounts of foreigners, and agreed to a proposed USD 16 million fine – the largest criminal penalty ever imposed on a bank as big as Riggs. Prosecutors alleged that Riggs aggressively cultivated and profited from certain accounts, displaying a systemic misconduct that included the setting up of dummy off-shore companies and shell corporations to conduct questionable transactions, altering the name of accounts and other deceptions to conceal the assets of some of its diplomatic clients, amongst them a number of Saudi diplomats in Washington, former Chilean dictator Augusto Pinochet and officials of Teodoro Obiang's regime in Equatorial Guinea.

In yet another example, investigators described the money laundering activities within the BCCI bank affair as "an elaborate corporate spider web." The Kerry Report indicated that 3 000 criminal customers were included in the bank's scandal made up of multiplying layers of entities, related to one another through an impenetrable series of holding companies, affiliates, subsidiaries, banks-within-banks, insider dealings and nominee relations. BCCI was no ordinary bank - if you picked up any one of BCCI's accounts, you could find financing from nuclear weapons, gun running and narcotics dealing, stretching across Europe, Africa, Asia and the Americas.

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