

United Nations Convention Against Transnational Organized Crime (UNTOC)



Topic A: Money Laundering

Director: Khalfani Gilliam

October 10th, 2020

To Delegates of CHSMUN Novice 2020

Dear Delegates,
Welcome to CHSMUN Novice 2020!

It is our highest honor and pleasure to welcome you all to our 2020 online novice conference here at Cerritos High School. On behalf of the Cerritos High School Model United Nations program, we are proud to host our very first virtual novice conference, where you will become more knowledgeable on international issues, participate in intellectually stimulating discussions, and create new and everlasting friendships.

The CHSMUN program continues to compete around the world as a nationally ranked MUN program. Our delegates utilize diplomacy in order to create complex solutions towards multilateral issues in the global community. Our head chairs are selected from only the best seniors of our program, undergoing a rigorous training process to ensure the highest quality of moderating and grading of debate. Furthermore, all the topic synopses have been reviewed and edited numerous times. We strongly believe that by providing each and every delegate with the necessary tools and understanding, he or she will have everything they need to thrive in all aspects of the committee. We thoroughly encourage each delegate to engage in all of the facets of their topic, in order to grow in their skills as a delegate and develop a greater knowledge of the world around them.

Although this wasn't what we expected, our advisors and staff have put in countless hours to ensure delegates have an amazing experience at the online conference. Our greatest hope is that from attending CHSMUN 2020, students are encouraged to continue on in Model United Nations and nevertheless, inspired to spark change in their surrounding communities. CHSMUN Novice 2020 will provide a quality experience for beginner delegates to develop their speaking and delegating skills.

If you have any questions, comments, or concerns, please contact us! We look forward to seeing you at CHSMUN Novice 2020!

Sincerely,

Anjali Mani and Karishma Patel

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Secretary-Generals

A Note From The Director

Delegates,

My name is Khalfani Gilliam, and I'll be the head director of UNTOC. This will be my fourth year of MUN at Cerritos High School, and fifth year of MUN overall. Some of my favorite committees to participate in are the Security Council, Ad Hocs on Terror, and the UNDP. I'm excited to be able to participate in providing this learning experience to delegates, even if it is under some less-than-ideal circumstances. Besides MUN, I am also a member of the Cerritos High School band and participate in our marching band, our concert band, and our jazz band. I am also involved with band programs outside of school; had our season not been cancelled due to COVID-19, I would have completed my first season with Pacific Crest Drum and Bugle Corps, a nationally recruiting music program, this past summer. In my free time, I mostly listen to music. My favorite genres right now are shoegaze and bedroom pop, but I'll listen to just about anything. Because this conference is going to be very out of the ordinary, don't hesitate to contact with any questions or concerns you might have! I look forward to seeing you!

Sincerely,

Khalfani Gilliam

Director, UNTOC

Committee Introduction

The United Nations Convention against Transnational Organized Crime (the UNTOC) was signed in 2000 in response to a call from the international community for help in stopping organized crime. The convention would come into force in 2003, becoming the first worldwide response to both trafficking and organized crime. As defined by the UNTOC, organized crime is a group of three or more persons that was not randomly formed, existing for a period of time, acting in concert with the aim of committing at least one crime punishable by at least four years' incarceration in order to obtain, directly or indirectly, a financial or other material benefit. In its 32nd article, the Convention calls for the creation of a "Conference to the Parties of the Convention", leading to the Conference to the Parties of UNTOC's formation. This conference deals with organized crime and any related crimes that these groups may commit, leading them to be the foremost UN authority on such crimes as smuggling, human trafficking, and arms trafficking. Some of the UNTOC's achievements have been the drafting of and assistance in implementing additional conventions like the Protocol Against the Smuggling of Migrants by Land and Sea and the Protocol against the Illicit Manufacturing of and Trafficking in Firearms. The UNTOC has also made strides in implementing Working Groups to deal with issues in the world, like the Working Group on Trafficking in Persons and the Working Group on the Smuggling of Migrants. The UNTOC works closely with the UN Office on Drugs and Crime (the UNODC) to implement its regulations and assist its member countries in doing the same. The parties to the UNTOC meet multiple times a year on topics like firearms and the smuggling of migrants.

Topic: Money Laundering

Background:

According to the UNODC, money laundering is the process of hiding the origin of illegal obtained money in order to use it legally. Many different groups may partake in money laundering, whether it is government officials trying to steal money, terror groups trying to use the money from their illegal activities, or companies trying to avoid taxes. All of these types of money laundering, however, contribute to the global total of about 800 billion to 2 trillion USD of money laundered every year, equivalent to a country like Spain's entire GDP. Money laundering is harmful because of its ability to disguise the true nature or the scale of crimes. Its ability to steal funds out of governments is also incredibly harmful, as laundered money cannot be taxed, diminishing an important revenue stream for governments. Money laundering also undermines the confidence in local banks and local government, which can be disastrous in countries with low levels of development. Seeing as loans and government assistance are very important to people in these countries, stopping money laundering is very important so that poorer people can trust their governments and their banks enough to take advantage of the options offered to them by these institutions. Although money laundering can be accomplished in many different ways, there are always three main steps: firstly, the groups move money from association with the crime, secondly, they go through many transactions, in order to hide that the money was ever laundered, and thirdly, the money will then be used. These steps are referred to as placement, layering, and integration, respectively. Some methods that money is laundered with is through exchanging large amounts of currency into another countries' currency, through working with securities brokers, who use large amounts of money to buy stock, blending illegal currency with legitimately obtained money, and buying assets, like land, businesses, and luxury goods (cars, watches and art are some examples) with illegal cash. All of these methods use the large amounts of money exchanging hands to disguise the illegal money; they then turn the item that was purchased into usable, clean money (using the new currency or selling the stock/luxury item). Because money laundering has so many alternative methods and different paths that can be taken, solutions for the issue must be wide-reaching and comprehensive, to give countries the best shot at stopping it in its tracks. Some organized crime groups that regularly involve themselves with money laundering include the street gangs common in the US, the drug cartels in Latin America, mafias like La Cosa Nostra, the Sicilian Mafia, and the Yakuza, and Islamic extremist groups like Hezbollah, Al Qaeda, ISIL/ISIS, and Boko Haram. These groups are incredibly large and have very diverse revenue streams; however, they all utilize money laundering in order to ensure that they can use the money they have received from their illegal activities to fund their actions. Oftentimes, though, these groups will act in drugs, which are a very lucrative source of income; the illegal drug trade made up almost a full percentage point of global trade in 2003. This allows these groups to exert a large influence upon countries that they are based in. For example, an estimated one million people were killed in organized crime-related killings from 2000 to 2017, or up to 19% of all homicides recorded globally in the same time period. These groups also serve to disrupt governments in the countries they take

residence in, due to their large influences because of all the money they are able to launder, breeding instability. Because money laundering directly funds the actions of these groups, it is an incredibly destructive practice that must be stopped. Keep in mind that the UNTOC deals primarily with stopping organized crime. Therefore, solutions should address predominantly the money laundering that is enacted by organized crime groups throughout the world. Although money laundering from other perpetrators is a significant problem, unfortunately, it is outside the scope of this committee, and cannot be the primary focus of solutions.

United Nations Involvement:

The United Nations has a lot of experience in attempting to stop money laundering, and has created multiple committees with the express purpose of putting a stop to money laundering. Generally, money laundering is covered under the UNODC; specifically, the UNODC's Law Enforcement, Organized Crime, and Anti-Money-Laundering Unit works to minimize money laundering through the enforcement of laws. The UNTOC also deals with similar issues, being a mainly organized crime-gearred committee. However, the UNTOC mainly deals with more policy (law-based) solutions to the issue, whereas UNODC offices like the Anti-Money-Laundering Unit work mainly to actually put in personnel on the ground and advise countries in their responses to money laundering. Additionally, the United Nations Security Council is closely involved with money laundering as well. This is because the SC often has to deal with terrorist groups, and money laundering is a significant source of income for these groups. The Security Council resolution most closely related to this issue is Resolution 1373. In it, many different ways of dealing with the growth of terrorist groups are detailed. In particular, in sub-operative 1d, the resolution mandates that all countries criminalize money laundering for the purpose of assisting terrorist groups, making it the foremost legal instrument the UN has ever drafted to combat money laundering. Outside of the UNODC, two groups that are very closely partnered with the UN in combating money laundering are the Financial Action Task Force (FATF) and the Organisation for Economic Co-operation and Development (OECD). Both of these groups aim to promote financial health of countries around the world; because money laundering undermines the quality of banks in the country, both the FATF and the OECD have made stopping money laundering a major part of their goals. The FATF, for example, has created a 40 part list of actions to take to counter money laundering that the UNODC and FATF work together to bring to countries. The OECD has also made a similar list: they have created a Money Laundering Awareness Handbook, in order to help countries and their officials be more aware of possible money laundering happening in their country. Additionally, many loan programs work to combat money laundering, as to avoid accidentally funding illicit or dangerous actions. One such group is the International Monetary Fund. This loan groups works to minimize the actions of money laundering in the countries that they provide monetary loans to, in order to minimize the possible impacts of money laundering that ends up giving proceeds to terror groups. This is achieved through a dedicated fund that works to provide extra support to anti money laundering efforts in countries that have been donated these funds. The International Monetary Fund also works to, more generally, provide support and administrative guidance to countries attempting to stop the growth or spread of money laundering and terrorist financing within their borders. This is seen in the over 70 consultations that have been performed by them, as well as their frequent Financial Sector Assessment Programs, which analyze the health of the entire financial

ecosystem of a country and provide recommendations to strengthen the financial sector of the country.

Bloc Positions:

Western: Western countries contain many of the banks into which money is laundered, with significant amounts of money laundering occurring in many of the major EU countries (France and Germany), as well as many of the smaller countries in Europe (Liechtenstein and Luxembourg). Organized crime is also not uncommon in Western Bloc countries, with groups like the Mafia taking advantage of laundering. However, many countries in the region have taken actions to strengthen themselves against money laundering, with entities like the United States Department of Treasury helping the world by identifying areas where money is frequently laundered through their National Money Laundering Risk Assessment. Additionally, many Western Bloc countries have a vested interest in stopping terrorism throughout the world. As such, Western Bloc countries should focus on stopping money laundering at home, but also use their abundant resources to assist countries that struggle with monetary security.

Latin America and Caribbean: Latin American countries are very heavily affected by groups that take advantage of money laundering; namely, Mexico's drug cartels and the many narcoterrorist groups in South American countries. Additionally, many Caribbean countries are easy targets for money laundering, with countries like St. Lucia, the Bahamas, and the Cayman Islands, among other Caribbean countries, being named areas where money laundering occurs in the narcotics trade in a 2017 United States report. In order to protect both themselves and other countries, Latin American and Caribbean countries need stronger money laundering regulations. Although the expansion of the aforementioned GAFILAT in 2014 and the year-to-year reported decreases in money laundering according to the GAFILAT are a good start, these countries are still looking for more security.

African: African countries are also heavily affected by groups that take advantage of money laundering. From Boko Haram in the west, to Al-Qaeda in the north, many African countries would greatly benefit from increased money laundering protections in order to protect themselves from the threat of terrorism. Additionally, many countries in Africa suffer from a lack of money laundering protections: Nigeria and Angola, for example, are known to have significant amounts of money laundering, similar to many Caribbean countries. African countries, therefore, are in the same boat as countries in Latin America/ the Caribbean, and have a vested interest in stopping the terrorist groups that plague African countries through stopping their cash flows, much like both the Latin America/Caribbean and Western blocs. Despite this, there are many promising developments in this region as well, with groups like the African Union implementing the beginnings of anti-terrorism frameworks.

Asian-Pacific: The Asian-Pacific bloc can be further divided into 2 main regions: the Middle East and Western Asia and the rest of Asia and the Pacific. The former is much more affected by the terrorism portion of money laundering, with groups like Al-Qaeda, the Taliban, and Hezbollah profiting greatly off of the illegal drug trade and using money laundering to access the

funds they make off of trafficking drugs. The latter is more known as containing many areas where money is laundered, with many islands, like Macau, the Philippines, and Taiwan being considered areas where lots of money laundering occurs. Despite this, both sides of the bloc want to stop money laundering: the Middle East and Western Asia because of the aforementioned terror groups, and the rest of Asia in order to increase their financial stability. One problem that is faced mainly in the Asian-Pacific bloc is the issue of balancing being open to development and being secure in banks. This is because the conditions that lead to heavy development (open banks, with easy transfer of money) also lead to easy money laundering. Although this is an issue in all blocs, it is incredibly pertinent to Asian-Pacific bloc countries due to the fact that so many of them rely on outside investment, often to a much greater degree than other countries. Proposing solutions to this issue, however, allows for Asian-Pacific countries to continue to enjoy the foreign development that has made many of them more prosperous, while also opening a door for other countries (both within and outside the Asian-Pacific bloc) to encourage foreign investment without promoting money laundering within their country.

Basic Solutions:

Solutions for this topic should focus primarily on stopping organized crime groups from laundering money. Although corporate and government money laundering is an issue, as mentioned in the Background section, the UNTOC cannot deal with those areas of money laundering as its main focus. Rather, solutions should focus on either stopping the groups that take advantage of money laundering, as to reduce the actual amount of money being laundered, through stricter protections on money in order to stop laundering, or through stopping the groups that launder money at the source, instead of stopping just their money laundering. Solutions should be novel and specific. Firstly, an example of a solution that protects money more strictly is strengthening banks' security against laundering. This solution and similar solutions should include concrete steps, like the actual organizations that would perform the inspections or an actual set of laws where inspections have been utilized. An example of a step that could be concretely taken, for example, is the implementation of machine learning for the analysis of bank transactions, as the machine learning algorithm can more easily identify the patterns of money laundering than any person looking at bank statements. The solution already has been used to great success with the US's Financial Crimes Enforcement Network. Solutions aiming to deal with protecting banks and related areas where money laundering occurs, like real estate or the stock market, should make sure to avoid too much overstep. As alluded to within the bloc position of Asian-Pacific countries, there is a very fine line between protecting industries from money laundering and crippling companies' financial freedom. Unfortunately, because industry is very important to many countries around the world, we must make sure that any restrictions proposed do not unduly stress the economies that they are put into. An example of a solution that would work to minimize the impact of organized crime groups' ability to commit the crimes that lead to money laundering would be higher security of areas where such crimes occur. Remember, solutions that are presented in this committee should be detailed. Stronger security can be achieved through intercountry collaborations as those employed by Angola and Cabo Verde in 2016. Both countries were looking to strengthen their port security; as such, Cabo Verde employed its superior maritime security group to train Angolan security forces, and both countries agreed to combine their maritime forces to apprehend smugglers. This solution helps

stop the smuggling of drugs that plagues many coastal African states by strengthening law enforcement to stop them, which then stops money laundering by preventing drug selling groups from even getting the money. This leaves them with nothing left to start the cycle of placement, layering, and integration. This category of solution is the most simple; despite this, many avenues of the cash flow of laundering remain undiscovered and unprotected. Therefore, solutions that help protect potentially undiscovered cash flows that lead to money laundering would be appreciated. Another area of solutions that could potentially be explored is solutions that take the fight directly to the groups that commit money laundering. Although these solutions usually are very difficult to implement, getting rid of the groups that perpetrate money laundering as a whole would reduce the amount of money laundering that occurs. The issue with this is that solutions that simply get rid of the groups are very hard to find, as if the solution to the group could be found within a single operative on a resolution, the group wouldn't be around today. However, don't feel discouraged when finding solutions to end the groups that commit money laundering. One avenue that has worked in the past is discouraging individuals from joining organized crime groups. For example, in Mexico in the 1990s, advertisement campaigns targeting cartels and identifying joining cartels as bad decisions managed to reduce the amount of youth joining cartels by around 12%. Solutions like these, which reduce the influence of groups that partake in money laundering by identifying the most at-risk populations and dissuading them from joining organized crime, have been seen to be the most effective. However, novel, fresh solutions will allow for the committee to have a better chance of dealing with the issue, and countries attending should definitely branch out with their solutions. Solutions should avoid being country specific; seeing as this committee has a very wide range of countries that it has jurisdiction over, delegates should try to make sure their solutions can be applicable to all countries that are party to the committee.

Questions to Consider:

1. What steps has your country taken to combat organized crime (terror groups, mafia-like groups, etc.)?
2. How much is your country affected by the money that organized crime can get from money laundering?
3. Is your country considered a major target of money laundering? If so, why?
4. If your country is well-regarded in regards to money laundering, how did they achieve that?
5. What are some deficits that countries have when it comes to detecting money laundering?
6. How can you prevent organized crime from getting the money that they launder at all? Is it possible?
7. How can countries balance being open to development and stopping money laundering?

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