



# Uniform Anti Money Laundering Policy And Laundering Process Eradication



## Introduction

Money laundering is the most serious disease affecting the global financial system in the last three decades; it is a process by which the illicit source of assets obtained or generated by criminal activity is concealed to obscure the link between the funds and the original criminal activity (IMF). Global money laundering per annum reached 5%-6% (US 2.0-2.5 trillion) of world GDP in 2006 (Schneider, 2010). Moreover, Ardizzi *et al* (2014) noted that Money laundering forms around 6.4%-6.6% of Italian GDP.

The failures, signified by the absence of holistic effort, hinder enactment and implementation of uniform laws that aid member states to criminalize laundering and combat it (Yepes, 2011), (Dhillon *et al* 2013)

Delegation is abused by politicians and bureaucrats to draft dichotomous laws (Gordon, 2011), making it difficult to enforce them (Baldwin and DiPerna, 2007).

The operating principles of the conventions authorize the member states to enact and implement laws in conformity to their constitution and socio political realities, noted in FATF (2004)

The urgency to combat money laundering (ML), stamp out fraudulent exploitation of banking and financial systems by criminals, mitigate conversion of ill-gotten money into legitimate income, eradicate terrorist financing and sustain economic progress of nations. Notwithstanding the relevance of such goals, governments, institutions, banks and non-banking finance companies (NBFCs) fail to adopt and implement measures to realize them. The failure is attributed to absence of transparency, which is influenced by

- application of anti-money laundering (AML) laws, rules and regulations that are at variance with the guiding principles of United Nations Conventions, International Monetary Fund, World Bank, Financial Actions Task Force (FATF) and Egmont Group

- inadequate access to information about transactions in banks within a country and between banks of different countries

- inefficient information sharing between institutions, such as Financial Intelligence Unit (FIU), in different countries.

Researchers fail to :

- explain why multiplicity of standards and limit authorization to demand their full enforcement and compliance hinder global initiative to combat money laundering.
- clarify why transparent information exchange between banks, CBs and FIUs in a country and beyond becomes imperative to mitigate the scourge of placement, layering and integration.
- justify the relevance of uniform standard and regulatory measure to search, seize, prosecute and convict launderers.

Table 1. Shows proceed of crimes invested in financial system (Irwin *et al* 2012).

Particulars	Fraud (%)	Drug Trafficking (%)	Tax Evasion (%)	Human Trafficking (%)	Commodity Trafficking (%)	Theft (%)
Capital Market Investment	18	8	15	-	21	14
Derivatives	2	3	-	-	-	1
Real Estate Acquisition	20	18	23	-	7	17
Precious Metals & Stones	-	3	-	-	-	1
Purchase Consumer Goods for Export	5	5	-	-	1	4
Purchase of Luxury Goods	2	8	-	25	-	14
Using Currency to Supplement Apparently Legitimate Transaction	5	15	-	-	14	-
Import/Export Business	4	18	23	-	36	-
Purchase & Smuggling of Arms	-	-	-	-	-	14

## Aim and Objectives

Investigate the outcome of anti-money laundering policy adoption in a country resulting in the development of a model that may assist the Ministry of Finance (MOF) and Central Bank to compel banks and investors to be transparent in all transactions, leading to increased inflow legitimate investment."

To critically review the anti-money laundering literature and understand the relevance of transparency to mitigate it.

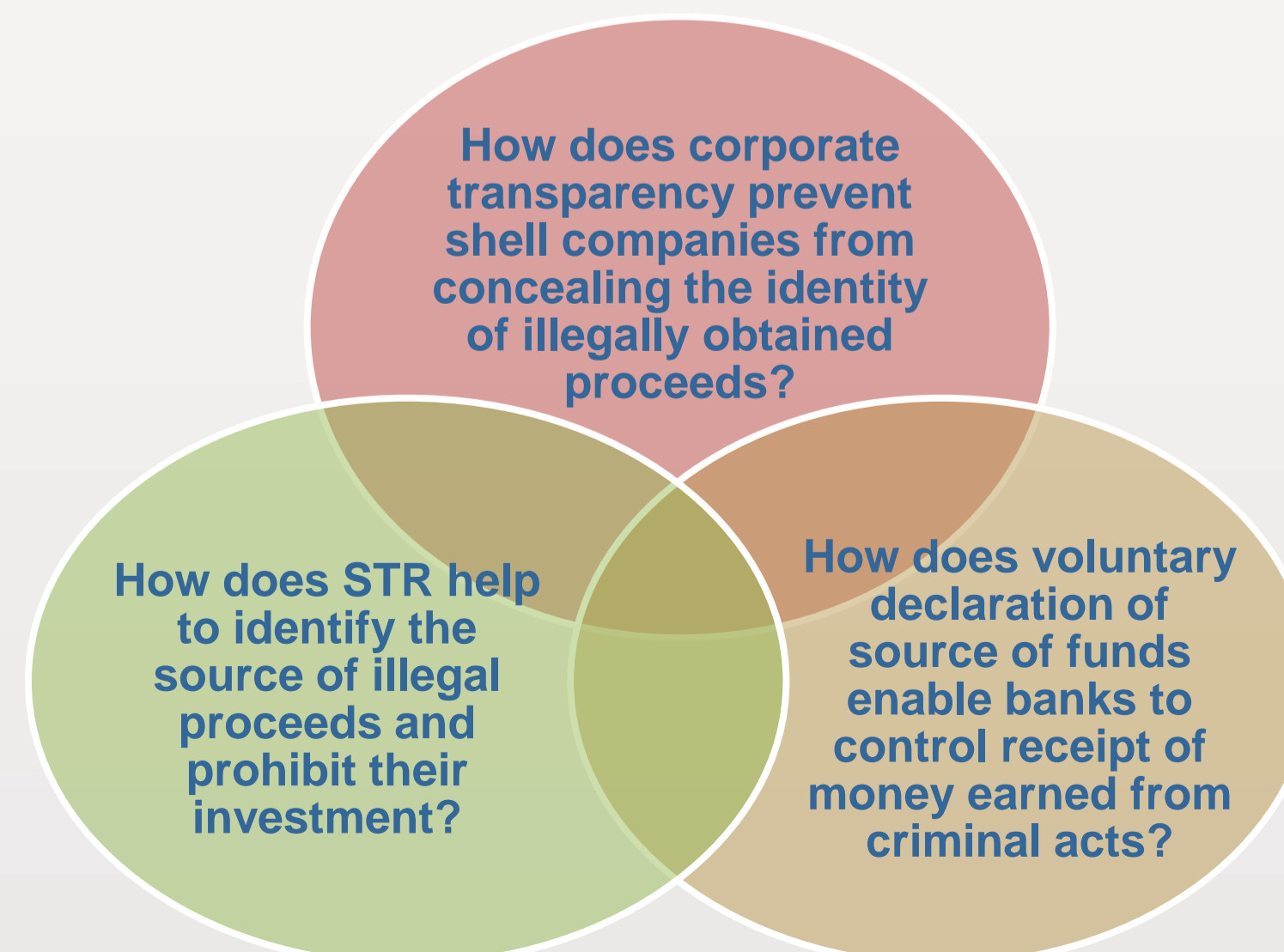
To explore and evaluate factors influencing the banks and investors to declare source of money in all transactions.

To investigate the factors that influence anti-money laundering Initiatives to control placement of illegitimate money.

To develop and propose a model for enabling transparent actions to minimise layering and legitimising illegitimate money.

To test and assess the efficacy of the model from the viewpoint of mitigating integration and increasing investment inflow in Bahrain

## Research Questions



## Methodology

The views of Mathison (1988) credence while employing the two methodologies (quantitative and qualitative). These views explain the underlying reasons of inadequate success of countries to enforce the regulatory provisions delineated in AML/CFT and FATF 40+9 recommendations, thus highlighting the failure to mitigate ML.

- Secondary information (data) will be used on the following facts and their impact on search, seizure, prosecution, confiscation and conviction (KYC, STR).
- Multiple Regressions will be used to process such data to assess the relationship mentioned above.
- Review of Bahrain's Mutual Evaluation Report between 2000 and 2015, review rating on 49 factors, use Measures of Central Tendency (Mean, Standard Deviation and Standard Error) .
- In-depth interviews will be conducted on MLROs in Banks working in Bahrain.

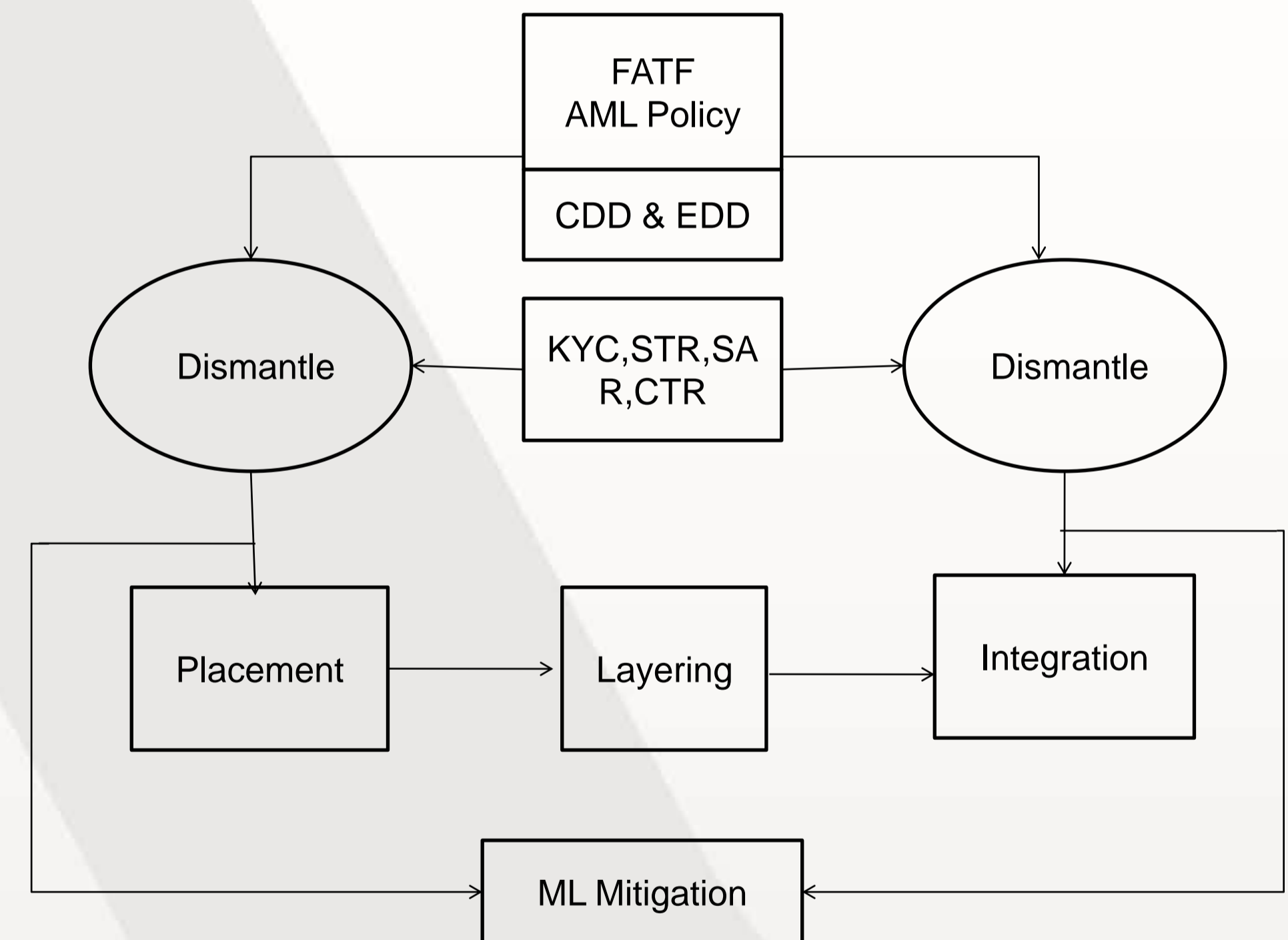


Figure : 1 Conceptual Model

## Expected Results

- Focus on transparency and transparent transactions motivates Ministry of finance, FIU and Central Bank in a country to guide banks to review :
  - source of money deposited by investors and companies.
  - authenticity of all transactions.
- Prioritization of the above by banks mitigates ML that encourages inflow of legitimate investment.