



Dirty Money! International AML Fundamentals Global Organizations & Laws to Combat Money Laundering and Financing Terrorism

Terrorist organizations and groups need to operate sophisticated money laundering schemes in order to survive. Terrorists may raise money from criminal activity such as fraud, human trafficking, smuggling, intellectual property theft, kidnapping, and extortion. However, some terrorist operations do not always depend on outside sources of money. They may be self-funded through legitimate sources such as business deals, donations, and profits from charitable organizations.

Methods used by terrorists to launder money are mostly the same as those used by other criminals such as using traditional financial institutions, alternative remittance systems that operate outside the reach of the traditional financial sector, cash couriers and smuggling, false invoicing, and high value commodities such as gold and diamonds. Terrorists use all three phases of the money laundering process to then turn the money from their illegal activities into “clean” money that can be used to further their terrorist causes.

Let’s take a look at the various global organizations and laws used to combat money laundering.

The Financial Action Task Force, or FATF, formed in 1989 by the G7 countries, is an intergovernmental organization dedicated to combating money laundering and the financing of terrorism. With member states around the world, the FATF’s primary function is to set global standards for AML compliance and monitor their effectiveness. The FATF works in collaboration with other international bodies and organizations such as Interpol, the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), and the World Bank.

The September 11 attacks in the United States in 2001 led to the U.S. Patriot Act and similar legislation worldwide, with an emphasis on money laundering laws to combat terrorism financing. This put pressure on governments around the world to increase surveillance and monitoring of financial transactions and to better share this information.

The Financial Crimes Enforcement Network (or FinCEN) is the primary AML regulator in the United States and operates under the authority of the United States Treasury Department. FinCEN is responsible for combating money laundering, and the financing of terrorism and other financial crimes by monitoring banks, financial institutions and individuals, and analyzing suspicious transactions.



The Office of Foreign Assets Control (or OFAC) under the authority of the US Treasury Department is responsible for administering and enforcing the US trade sanctions. OFAC works to prevent sanctions-targeted countries, regimes, and individuals from committing financial crimes, money laundering, terrorism, drug trafficking, and weapons proliferation.

The Bank Secrecy Act (or BSA) was introduced in 1970 and is one of the United States' most important anti-money laundering laws. The BSA works to combat money laundering and ensure that banks and financial institutions do not facilitate money laundering and imposes a range of compliance obligations on firms operating within US jurisdictions. It includes reporting and record-keeping measures to identify suspicious transactions and customers.