

SEMINAR ON MONEY LAUNDERING IN INDONESIA

"Money Laundering: Its Challenges and Impact on the National Economy"

Jakarta, 13-14, 2000

Seminar Objectives. We all understand that money laundering problems have been discussed in Indonesia for years, but to date it seems that there have been no concrete results. There is a general lack of awareness, and we should think that this two-day seminar would raise awareness of the money laundering situation in Indonesia. This seminar is aimed at providing participants with knowledge and information on money laundering from a host of experts. The overall objectives of this seminar are to:

- Increase the awareness of society concerning money laundering;
- Explain the key money laundering issues and how to deal with them;
- Contribute to the development of clean and good governance;
- Provide education on maintaining order and confidence in the banking system.

What Are the Impacts of Money Laundering?

There are a number of ways that money laundering is having a significant negative impact on Indonesia. The main areas of concern are:

- that money laundering enables criminals to keep the profit of their criminal activities and so provides them with motivation and funding for continued criminal acts;
- that money laundering can introduce corruption and financial discord to legitimate businesses. Laundering schemes will often require the complicity of otherwise honest individuals;
- that tax avoidance, as used in money laundering schemes will often conceal the funds in such a way that the payment of tax is avoided;
- that the national balance of payments to the extent that proceeds are moved offshore to be returned as overseas loans;
- that the stability of the banking system as public confidence in banks can be undermined by the association of a bank with criminals, and as banks are fined and have assets confiscated or are de-listed owing to their involvement in laundering schemes;
- and finally, the overall cost of combating money laundering.

Indonesia's Money Laundering Problem. *For several years it has been noted that the use of banking financial and other institutions by those engaged in criminal activity and in tax evasion, to channel or launder the money that they obtained and to convert that money into what appears to be legitimate funds.*

Money laundering is a term used to describe the problems of concealing and converting cash that has been earned illegally to another payment medium, with the intent of covering the appearance of the origin of the funds from illegal to legal.

Money laundering is a problem that is faced by most law enforcement agencies; particularly ones involved in the drug trials and corruption investigations. The level of sophistication of the various methods employed in money laundering is directly related to scale and clout of the organization involved.

The concept of money laundering is not new and it has been practiced for as long as man found necessary to legitimize incomes which otherwise could not be explained to various law enforcement bodies interested in monitoring various levels of business profitability or simply as indicators, which would monitor wealth administered or displayed by corporate bodies or individuals.

Illegal gambling, prostitution, loan sharking protection rackets, thefts, fencing stolen goods, murder, corruption, drug running and a myriad of other illegal activities produce funds which cannot be accounted for in conjunction with legitimate earnings, therefore encouraging the necessity to find ways to legitimize these vast sums of tainted money. Once the tainted money receives the required patina which will make it lily white, the recipients will be able to use it overtly in any way they see it fit.

The present Indonesian banking system uses a highly sophisticated network of communications that permit very complicated transactions in only a few minutes. Sums may be credited to financial institutions physically located thousands of miles from the remitting source by the flick of a switch. Checks, letters of credit and similar monetary instruments permit the transportation of huge sums of money with minimum risk or bulk.

In Indonesia, money-laundering practices have increased rapidly since 1992. These practices are mostly due to corruption, lack of anti-money laundering laws and regulations, the tightness of bank secrecy policies, and Indonesia's strategic economic position in Asia.

What You Will Learn at This Seminar. The methods that may be used in laundering operations are only limited by human ingenuity and imagination. However there are some methods which have been successfully tried and proven to be very popular because of their effectiveness and simplicity. The following are some of the money laundering schemes that will be discussed in the seminar:

- bank loan methods;
- casinos and other gambling outlets;
- investing in money losing companies;
- Use of fraudulent customs documents;
- smuggling bulk money shipments across borders;
- promotion of shows and expos;
- use of fictitious entities;
- bank-to-bank payment;
- smurfing
- false declarations;
- the Chinese banking and similar systems.

Who Should Attend This Money Laundering Seminar? Based on the methods used to launder illegal funds, the following parties should be aware of the potential for and how to combat money-laundering practices in Indonesia. These parties include:

- banks
- financial institutions
- insurance companies
- real estate companies
- airline companies
- shipping companies
- express carrier companies
- postal officials
- couriers services;
- car dealers
- importers/exporters
- jewelry outlets
- auditors and accountants
- central bank
- police
- customs officers
- state attorney general's office
- Lawyers.
- business community
- stock brokers