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SSCMUN
 STUDY GUIDE

Introduction

- The main goals of the International Monetary Fund (IMF), a global institution founded in 1944, are to advance financial stability, balanced trade growth, exchange rate stability, and global monetary cooperation.
- The organization has over 190 member countries and seeks to develop international monetary cooperation and stability in order to support long-term economic prosperity around the world.

Mandate

- The IMF's goals are to facilitate the expansion and balanced growth of international trade, contribute to global economic stability, assist in the establishment of a multilateral payment system, and provide resources to member countries in need of financial assistance to address balance of payments issues.
- In addition, the IMF provides policy advice, research, and technical assistance to its member countries to help them with economic development and policy execution.

Conference topic: The impact of financial crime on global economic stability with emphasis on its drastic effects in developing countries.

What is financial crime?

- Acts pertaining to financial matters that are illegal are categorized as financial crimes.
- The act of deceiving someone else to obtain an unfair advantage—typically financial—is called fraud. With an estimated 3.4 million occurrences in the year ending in March 2017, it is currently the most frequent crime in nations such as the UK.
- Many of these involved cyber-related incidents, and since 2011, the CPS has handled nearly one-third more cases involving fraud and forgeries.

How can tax crimes and terrorist funding be detrimental for developing nations

- Tax crimes and terrorist funding can be detrimental to developing countries in several ways. They can hinder economic growth, divert funds away from essential services like healthcare and education, and create instability and insecurity.
- These illegal activities can erode trust in institutions and deter foreign investment, further hindering development. Nations must address and combat these issues to promote sustainable development.
- Such crime consists of but are not limited to:
 - 1) **Fraud.**
 - 2) **Money Laundering.**
 - 3) **Terrorist funding etc.**

How does financial crime affect an economy?

- It is critical to recognize that financial crime affects lives and livelihoods profoundly, especially for the most vulnerable members of society, and that the expenses associated with it are not only significant but also increasing. These costs take many forms, including **decreased income, increased expenses, penalties, limited access to banking services**, and, most significantly, a rise in **financial instability**.
- For example, recent IMF research in the **Nordic Baltic Region** shows that deficiencies in **Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT)** are associated with substantial declines in the **stock prices of the banks** that are directly affected as well as a decline in the share prices of other financial institutions in the same nation. Furthermore, banks in the larger region with identical cross-border exposures experience similar decreases in their **share values**.
- Indirect costs are much more significant since they affect the whole economy, causing cycles of boom and bust and driving up the cost of real estate. The possible effects on macroeconomic stability include events such as bank takeovers and a reduction in foreign capital inflows. Widespread money laundering can also lead to political unrest, weakened governance frameworks, increased volatility in global capital flows, and a general decline in public confidence in institutions and governments.
- The fact that illicit financial flows are worldwide in scope is another important factor. Some nations, particularly international financial centers, may draw illegal revenues from abroad due to inadequate

Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) frameworks.

The effects of being a country that serves as a source for illicit flows are extensive and include reduced opportunity, greater poverty, inequality, and illegal immigration, as well as resource theft and environmental degradation. For example, research indicates that illicit financial flows into and out of sub-Saharan Africa amount to an estimated \$1.3 trillion since 1980. These flows not only reduce domestic revenues that are essential to the continent's development, but they also have a notable and negative effect on investment rates, particularly in private investment, which in turn limits the rate at which Africa saves. These consequences may also have a domino effect on nations that function as receivers or conduits for the unlawful proceeds.

What should be the focus during committee?

- This committee is a solution-based committee and while we as chairs certainly preach that solutions are crucial for debate; we would also like to see heated debated with regards to intricacies of economic policy that would solve **financial crimes** such as **money laundering, tax evasion** and **tax avoidance**.
- We would like to see delegates bring in their own distinctive solutions (so long as it is within your given country's foreign policy) and provide a debate that would steer the entire committee towards a feasible and unique resolution that would solve the economic downturn caused by financial crime in **LEDCs**.
- Keep in mind that the definition of what amounts to a **financial crime** varies on your own country's foreign policy, specifically it's legislation pertaining to the matter.

- Furthermore, we would suggest that, in the case where it is difficult to produce solutions, that you focus on providing solutions that would mitigate the **effects of financial crime** to prevent further global economic downturn rather than having to find solutions to solve the **root causes of financial crime** itself.
- We would also like to add that we appreciate your diplomacy within committee, and we will be monitoring it throughout the course of debate.
- Lastly, we wish all the delegates the best of luck with the conference, and we hope to see you all there. :)
- *Key words/concepts are highlighted with a bolding format above*



Chairs of IMF- Randhir and Oneli

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