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Foreign and Commonwealth Office

London SW1A 2AH

2 June 1988

Nigel Wicks Esq CBE
No 10

Dear Nigel.

DRUGS

I shall be sending you later today a quick commentary on the US paper for the Summit which arrived yesterday. Meanwhile I thought you might like a pirate copy of a Private Secretary letter to No 10 that the Secretary of State has seen and approved, and which will issue today. It responds to Charles Powell's queries in his note recording Mulroney's meeting with the Prime Minister.

Yours ever.

Tom

T L Richardson
Economic Relations Department
270 2670

Att

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From: T L Richardson

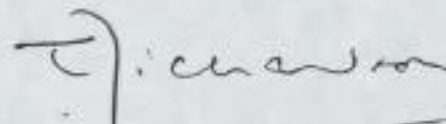
Date: 31 May 1988

PS

cc: NCAD
Mr Braithwaite

PRIME MINISTER/MULRONEY MEETING. DRUGS AND MONEY LAUNDERING

1. On page 3 of his letter of 23 May recording this meeting, Mr Powell said he would be grateful if the Treasury could provide a note on UK powers to prevent the laundering of drug money.
2. This is very much a FCO subject on which ERD leads. We have agreed with the Treasury that we should provide the note, which Sir Geoffrey Littler has seen and approved in draft. It has also been cleared with the Home Office, who have a major interest in these subjects.
3. I submit a draft reply to No 10.



T L Richardson
Economic Relations Department
WH 417 270 2682

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DSR 11 (Revised Sept 85)

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1 +

FROM:

Reference

DEPARTMENT: Private Secretary, FCO
TEL. NO:

RS1AMU

BUILDING:

ROOM NO:

Your Reference

SECURITY CLASSIFICATION

TO:

Copies to:

Top Secret

C Powell

Secret

No 10

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SUBJECT:

PRIVACY MARKING

PRIME MINISTER'S MEETING WITH THE CANADIAN PRIME
MINISTER: ECONOMIC SUMMIT

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CAVEAT

1. In your letter of 23 May you asked the Treasury for a note on UK powers to prevent the laundering of drug money. We are replying by agreement with the Treasury and Home Office. You may want to copy the relevant part of your letter and this reply to Philip Mawer as the Home Office have a major interest in the subject.

2. The Drug Trafficking Offences Act 1986 (DTOA) provides stringent and comprehensive new powers to trace, freeze and confiscate the proceeds of drug trafficking. It also creates a new offence of laundering the proceeds of drug trafficking.

3. The DTOA allows these powers to be made available to other countries once they have been designated under the Act by Order in Council. Our policy is to designate countries with which we have negotiated reciprocal agreements that enable

Enclosures (tag(s))

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UK court orders and requests for assistance to be put into effect overseas. It is also our aim, by having such agreements in place, to avoid any potential extraterritorial problems; in particular with the Americans.

4. The first reciprocal agreement was signed with the US on 9 February. Texts have also been agreed in draft with Switzerland, Australia, Canada and the Bahamas. Talks have been started with some 20 other countries. By building up an international network of agreements, countries can develop the means to combat the laundering of drug money which takes place on a worldwide scale. We fully support the work being done to produce multilateral conventions on measures against drug trafficking. But these will take time, and we do not see them as a substitute for the immediate benefits of detailed bilateral agreements.

5. Laundering of the proceeds of crime is not, of course, confined to drugs offences. The Criminal Justice Bill, when enacted, will extend powers of freezing and confiscation to other areas of serious crime. You may also like to be aware that the US have proposed that the Committee of Banking Supervisors at the Bank for International Settlements should recommend the adoption of a code of conduct on the prevention of the criminal use of the banking system for the purpose of money

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laundering. Consultations on a draft are currently in progress with banks and official bodies.

6. I am copying this letter to Alex Allen (HM Treasury), and to Sir Robin Butler.