



## President's Summary of Outcomes from the Experts' Meeting on Corruption

12 October 2013

The Financial Action Task Force (FATF) and the G20 Anti-Corruption Working Group jointly convened an Experts Meeting on Corruption on Saturday, 12 October 2013. In this meeting, 95 delegates from 27 jurisdictions and 15 organisations participated including FATF and G20 Anti-Corruption Working Group, Asia Pacific Group on Money Laundering (APG), Caribbean Financial Action Task Force (CFATF), Commonwealth Secretariat, Council of Europe Group of States Against Corruption (GRECO), Egmont Group, Eurasian Group (EAG), European Commission, Financial Action Task Force of South America (GAFISUD), International Monetary Fund (IMF), Middle East & North Africa Financial Action Task Force (MENAFATF), Organisation for Economic Co-operation and Development (OECD), United Nations Office on Drugs and Crime (UNODC), World Bank, and the World Customs Organization (WCO)<sup>1</sup>.

The meeting was chaired by the President of the FATF, Mr. Vladimir Nechaev (Russian Federation), at the OECD headquarters in Paris. The FATF continues to emphasise the anti-corruption agenda, while avoiding duplication of the role of mandated anti-corruption bodies. Part of that work is focused on bringing together anti-money laundering and counter-terrorist financing (AML/CFT) experts and anti-corruption (AC) experts for the purpose of discussing issues of mutual interest. The Co-Chairs of the G20 Anti-Corruption Working Group—Mr. Dmitry Feoktistov of the Russian Federation and Ms. Barbara Martin of Canada—reiterated the support of G20 for FATF work to combat corruption, and welcomed continued engagement on these issues. They also noted that G20 Leaders' Declaration from the September 2013 St. Petersburg Summit highlights that leveraging AML/CFT measures to fight corruption will remain a significant area of growing cooperation between AC experts of the G20 and the FATF.

This is the third time that the FATF has held such an event with the participation of the G20 ACWG, and this meeting built on the discussions of the previous meetings. The first FATF Experts Meeting was held in February 2011 under the Mexican FATF Presidency and was the first international platform for exchanging views between operational-level AML/CFT and anti-corruption experts. The second was held in October 2012 under the Norwegian Presidency where the focus was on specific issues related to international cooperation, specifically in the context of money laundering cases involving the proceeds of corruption and asset recovery.

The key objectives for this meeting were:

- To discuss the FATF's draft *Best Practices Paper on the Use of the FATF Recommendations to Combat Corruption* and incorporate the feedback received from AC experts to enhance the paper.

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<sup>1</sup> See Annex 1 for the full list of jurisdictions and organisations represented.

- To identify key challenges in determining the beneficial ownership of legal persons and arrangements in corruption cases, including the problems caused by the lack of transparency and beneficial ownership information, and what effective measures can be implemented to overcome these challenges.
- To build on the previous discussions between the FATF and the G20 on issues related to combating corruption, and leveraging synergies between AML/CFT and AC efforts.

This meeting has also been an important opportunity for the experts who are present to provide input to the FATF's work. The information gathered during this meeting will be reported back to the FATF membership at the FATF Plenary which is being held in Paris next week. Additionally, the G20 Anti-Corruption Working Group will share with the FATF its full set of high level principles, including those on bribery and solicitation, mutual legal assistance, and denial of entry.

In particular, the FATF's draft best practices paper was discussed, as experts heard country experiences on how AML/CFT measures are used in the fight against corruption. Experts also heard presentations from practitioners on the obstacles associated with tracing corruption proceeds as they are moved through the financial system. Participants discussed the issues outlined below.

## **THE USE OF AML/CFT MEASURES IN THE FIGHT AGAINST CORRUPTION**

The participants all acknowledged that the AML/CFT tools contained in the FATF Recommendations are a powerful tool in the fight against corruption. The first step is for countries to recognise the link between corruption and money laundering (ML). Law enforcement and prosecuting agencies need to understand that corruption offences frequently give rise to related ML offences. This is because corruption and bribery offences generate proceeds that can both qualify as instruments or as the proceeds of corruption the perpetrators of these offences inevitably seek to launder in order to hide their illicit origins. This highlights the importance of ensuring that AC and AML/CFT authorities coordinate and cooperate in the investigation and prosecution of corruption, bribery and related ML offences. It is also important to ensure that the staff of law enforcement, prosecutorial agencies and financial intelligence units are well-resourced and adequately trained to recognise the indicators of ML activity.

The following preventative measures in the FATF Recommendations are particularly relevant to the fight against both corruption and ML: the requirements relating to customer due diligence, politically exposed persons, record keeping, the transparent movement of funds through wire transfers of physical transportations of cash, and the transparency of the beneficial ownership of legal persons and arrangements. It is also important to provide guidance and feedback to reporting entities to ensure that they are in a good position to detect and report suspicious transactions related to corruption/bribery and ML. The participants also noted that debarment lists can be a very useful tool for financial institutions when conducting customer due diligence.

It is also vital that AC and AML/CFT authorities be able to cooperate on these issues, and that the relevant expertise is readily available. The participants shared their experiences on how this is being facilitated in some countries. Some of the examples discussed were:

- having relevant agencies enter into a memorandum of understanding or information sharing agreement, or having other mechanisms in place, so that they can share information either in the context of a corruption/bribery or ML investigation, or in the context of implementing other AC initiatives, such as visa denial programmes
- establishing interagency working groups, comprised of operational level AC and AML/CFT investigators, to meet regularly for the purpose of considering indicators or evidence of corruption, bribery or related ML activity
- ensuring that AC agencies and financial intelligence units reach out to each other and are able to share relevant information on the investigation of corruption, bribery and ML offences, and leveraging off of the important work of the Egmont Group on Financial Intelligence Units
- employing in AC and AML/CFT agencies some investigators or prosecutors with accounting or finance backgrounds, and also practical experience investigating and prosecuting financial crimes
- undertaking joint financial investigations, involving both AC and AML/CFT authorities, in large and complex cases
- breaking down silos between relevant agencies by, for example, ensuring that AC agencies share relevant information with financial intelligence units
- having senior prosecutors located on-site in law enforcement agencies, so that they can provide on-the-spot advice and address legal issues as they arise, and
- ensuring that both AC and AML/CFT authorities are able to provide international cooperation to their foreign counterparts or international organisations on these issues.

The participants highlighted the importance of confiscating the proceeds of corruption, bribery and related ML so as to prevent criminals benefiting from this conduct. This includes being able to trace illicit assets if they have been put in the names of third parties, or if they have been transferred cross-border through wire transfers or physical transportations of cash. In the foreign bribery context, investigators and prosecutors should focus not only on the bribe payment, but also on the benefits that the briber receives from making the bribe payment (the so-called supply side of foreign bribery).

## **TRANSPARENCY & BENEFICIAL OWNERSHIP: CHALLENGES WHEN TRACING CORRUPTION PROCEEDS & THE WAY FORWARD**

Transparency is an issue of broad relevance that goes beyond the fight against corruption and money laundering, and also impacts tax transparency, corporate governance, and the fight against all types of criminal activity. Participants had a lively discussion on the broad range of government agencies that need to be involved, and the need for effective cross-agency and international cooperation in this area.

The FATF Recommendations require countries to take measures to ensure that adequate, accurate and timely information on the beneficial ownership and control of legal persons and arrangements can be obtained or accessed in a timely fashion by the competent authorities. The 2003 FATF Recommendations did not specify how countries were to achieve this objective and the third round FATF mutual evaluation process demonstrated that globally there was a low level of compliance with these requirements. The revised 2012 FATF Recommendations significantly strengthen the requirements in this area, and set out a series of specific steps that countries are expected to take. Additionally, the FATF is exploring the possibility of developing guidance in this area. This will help countries to improve their implementation of the transparency and beneficial ownership requirements.

Other international organisations are also doing important work to encourage the transparency of legal persons and arrangements. For example, the United Nations Convention Against Corruption calls on countries to implement requirements for the identification of customers and beneficial owners. The OECD Global Forum on Transparency and Exchange of Information for Tax Purposes focuses on the issue of transparency which is crucial from a tax perspective. The World Bank is doing work policy and capacity building work on beneficial ownership across a range of work streams, notably to improve the transparency of procurement processes, consider how a beneficial ownership-based approach can improve the effectiveness of its sanctions strengthen licensing and registration regimes in industries vulnerable to corruption, encourage access to and sharing of corporate registry information, make available information about grand corruption cases, develop analytical work and provide capacity building assistance to its client countries on how to effectively address the challenges related to beneficial ownership.

Lack of transparency on the beneficial ownership of legal persons and arrangements creates a serious obstacle to tracing corruption proceeds and neutralising corruption networks. The participants discussed the following specific issues that negatively impact transparency:

- ineffective (or no) implementation of customer due diligence and record keeping requirements, and financial secrecy laws
- use of gatekeepers to create complex and multi-layered corporate structures and trust arrangements that obscure both legal and beneficial ownership
- use of bearer shares, nominees, shell companies, limited liability companies, trusts, offshore accounts, foreign bank accounts, or multiple bank transactions across different countries,

- ineffective supervision of the financial sector, particularly trust and company services providers, and inadequate enforcement of transparency requirements
- insufficient powers of law enforcement and prosecutorial authorities to access financial records and beneficial ownership information, and
- the fact that, even if the authorities have sufficient powers, beneficial ownership information is often not available to be obtained.

The participants shared experiences on how some countries are addressing this issue. Some of the examples discussed were:

- providing guidance to financial institutions and other financial service providers on how to implement the applicable AML/CFT requirements
- establishing interagency mechanisms and coordinated strategies for dealing with corruption networks or targeting corrupt politically exposed persons
- having effective mechanisms for national cooperation and coordination on these issues, including engagement with the private sector
- establishing company registries and trust registries (which may be centralised and/or publicly available), or using protected databases to provide automated access to information on bank accounts for the purpose of criminal investigations and prosecutions, including the name and address of the holders and beneficial owners of accounts, and
- ensuring that law enforcement and prosecutorial agencies have adequate powers to track and obtain beneficial ownership information.

## CONCLUSIONS

Transparency and beneficial ownership will remain as priority issues on the FATF agenda. Additionally, both the G20, including the G20 Anti-Corruption Working Group, and the G8 have made strong public statements of political support for promoting transparency and timely access to beneficial ownership information, which clearly demonstrates the importance of this issue for the international community.

The participants expressed strong support for the best practices paper currently being developed by the FATF on how the FATF Recommendations can be used to combat corruption. They also committed to sharing that paper with the relevant AC and AML/CFT authorities at the domestic level once it is finalised.

The participants also committed to pursuing their continued cooperation and sharing of experiences between AML/CFT and AC experts to strengthen the fight against corruption.

## ANNEX 1

<b>List of jurisdictions represented:</b>		<b>List of international bodies represented:</b>
Argentina	Netherlands	Financial Action Task Force (FATF)
Australia	New Zealand	G20 Anti-Corruption Working Group
Belgium	Portugal	Asia Pacific Group on Money Laundering (APG)
Brazil	Russian Federation	Caribbean Financial Action Task Force (CFATF)
Canada	Saudi Arabia	Commonwealth Secretariat
Egypt	Singapore	Council of Europe Group of States Against Corruption (GRECO)
France	South Africa	Egmont Group
Germany	Spain	Eurasian Group (EAG)
Greece	Sweden	European Commission
Italy	Switzerland	Financial Action Task Force of South America (GAFISUD)
Japan	Turkey	International Monetary Fund (IMF)
Korea	United Kingdom	Middle East & North Africa Financial Action Task Force (MENAFATF)
Luxembourg	United States	Organisation for Economic Co-operation and Development (OECD)
Mexico		United Nations Office on Drugs and Crime (UNODC)
		World Bank
		World Customs Organization (WCO)

<b>List of presenters and moderators:</b>	
<b>Introductions</b>	FATF President; G20 Anti-Corruption Working Group Co-Chairs (Russian Federation and Canada)
<b>The use of AML/CFT measures to combat corruption</b>	Singapore; United States, Spain (FATF Policy Development Group Co-Chair); FATF; and OECD (Anti-Corruption Division)
<b>Transparency &amp; beneficial ownership</b>	Egypt; Germany; South Africa; United Kingdom; FATF; OECD (Global Forum on Transparency and Exchange of Information for Tax Purposes); UNODC; and World Bank