



GOPAC ANTI-MONEY LAUNDERING INITIATIVE:
A Proposal

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Project Description and Objective:

The objectives of the proposed initiative are:

- (1) to engage parliamentarians from around the world in the anti-money laundering (AML) agenda, by developing a better understanding of how money laundering occurs and launching an international initiative to combat it; and;
- (2) to build political support for effectively implementing practical mechanisms to combat money laundering.

The ultimate result that we are seeking is *extending the anti-money laundering regime* and developing effective strategies that parliamentarians can execute (e.g. promotion of international treaties) to combat money laundering.

GOPAC – the Global Organisation of Parliamentarians Against Corruption - an international organization of parliamentarians dedicated to fighting corruption, will establish a globally balanced team of up to 12 parliamentarians – headed by Roy Cullen, Member of Parliament for Etobicoke North, Canada (hereafter known as ‘Team Leader’). The Team will work with AML experts and organizations (such as FATF – the Financial Action Task Force associated with the OECD) to develop an approach to combating money laundering and promote its practical implementation.

GOPAC’s approach to building integrity in governance is to bring together political will and expertise to empower parliamentarians in all countries. Such an approach, especially on a matter where there are regional differences and sensitivities, takes time to develop the necessary understanding, build consensus and guide implementation.

We propose, therefore, to begin by ensuring that the Team fully understands the current international approach and its implications before beginning to assess the impediments and special features of their regions that could hinder or require adjustments prior to implementation. These will be documented for discussion and resolution. After such background work, the Team will shift its focus to developing a coherent global strategy that is sensitive to these differences and develop an approach to implementing a global AML regime. This includes developing tools and supporting materials for parliamentarians. The final step is communicating the approach internationally, including through GOPAC. We anticipate that GOPAC would formally adopt the approach and lead its implementation.

The work will proceed through four distinct stages:

(1) Orientation and Training: *Building a knowledgeable team of parliamentarians to work with the international organizations that are developing Anti-Money Laundering Initiatives (AMLI); to provide political support and motivation; to increase public awareness of the need for AMLI; and to bring AMLI to a successful conclusion in many parts of the world.*

(2) Development of Position and Discussion Papers: In association with the organizations participating in AMLI: to publish position and discussion papers; to engage GOPAC members and parliamentarians in general around the world; to raise awareness of AMLI; and coalesce parliamentary opinion on the issue. Team members will work within their regions to provide a broad-based understanding of current practices and issues.

(3) Prepare and Publish a Report: In association with the organizations participating in AMLI, to publish a substantive document, within the next two to three years, outlining objectives desired such as an international treaty or convention, making acceptance of laundered money by a financial institution a crime in their country - and the repatriation of the money should it occur. The document will include significant detail and set out the way ahead.

(4) Conference: To host a conference of parliamentarians (GOPAC members) to advance the substantive document and the way ahead with follow-up by GOPAC and its chapters to motivate and monitor progress.

Background and Participants

The *Anti-Money Laundering Initiative (AMLI)*: Money laundering is a device for making funds obtained illegally accessible for the personal use of perpetrators without being traceable back to their illicit source – typically by transferring the funds across international borders to legitimate financial institutions. The central concept of Anti-Money Laundering Initiatives (AMLI) is to reduce the motivation for economic crimes by making more difficult access to their proceeds.

AMLI initiatives are important to discourage supply of funds to international terrorists and their organizations. Impeding the international flow of such funds reduces the means available to terrorists and identifying their sources discourages their funders.

The negative effects of corruption are obvious. Some of the poorest countries in the world are the most corrupt, as measured by Transparency International's Global Corruption Report. According to Transparency International a one unit decline on a 10-point corruption index lowers real GDP by 0.3 to 1.8 percentage points. Looked at from the perspective of an individual firm, bribery adds to the cost of doing business (in Uganda, an estimated 8%).

AML Expertise: The principal global initiative to reduce money laundering to date has been the formation of the Financial Action Task Force (FATF) in 1991. FATF is closely associated with the OECD and its members, and its secretariat is located in the OECD offices in Paris. It recommends 40 actions – currently being updated – for governments. These have been accepted by most OECD countries. The recommendations include:

- making money laundering a crime;
- requiring financial institutions to: know their clients; maintain records; and exercise due diligence regarding suspicious transactions; and
- requiring governments to: monitor cross-border transport of cash and report aggregate flows to the IMF and BIS (Bank for International Settlement); ensure financial

institutions have appropriate capacity; and cooperate internationally on information, investigation and prosecution.

FATF also has a peer review process to assess the degree and quality of member's compliance with its recommendations.

FATF is the recognized source of expertise on money laundering. This project, accordingly, will establish arrangements with FATF in order to benefit from its expertise and advice. Where individual governments are willing to provide access to their experts, the project will use such services as needed. In addition, individual experts will be retained on contract to undertake needed tasks and draft the planned reports.

Role of Parliamentarians: Parliamentarians can play a vital role through their influence on legislation, by vigorous oversight of government activity and support of parliamentary auditors, and perhaps most effectively through personal leadership. They can engage the public and help build the political will to act. However, to do so, they must understand how money laundering occurs and the mechanisms for its mitigation. They also need the support of recognized experts and a global voice. GOPAC provides the global voice and the proposed Anti-Money Laundering Initiative can help provide the understanding and expertise.

The selection of parliamentarians to participate on the Team will be particularly important. The key requirements are parliamentarians with experience and a track record in the field, as well as regional balance. Energy, political skill and gender balance also will be important for credibility and effectiveness.

GOPAC: The Global Organization of Parliamentarians Against Corruption (GOPAC) – incorporated in Canada – was formed in October 2002 by over 150 parliamentarians from all continents meeting at a conference in the House of Commons in Ottawa, Canada. It is led by an international Board of Directors and Executive Committee, chaired by John Williams, MP for St Albert, Canada, and former Chair of the Canadian House of Commons Standing Committee on Public Accounts. Its Secretariat is located in the Parliamentary Centre in Ottawa, an NGO with over thirty years of experience in working with Canadian and international parliamentarians.

GOPAC has regional chapters in Africa, the Arab World, Europe, Latin America and South East Asia, as well as in many individual countries. Active chapter development is underway in the South Asia, the Newly Independent States of the former USSR, Central Asia as well as North America.

Under the leadership of Hon. Roy Cullen, MP (Canada), GOPAC has undertaken a number of regional level workshops to train parliamentarians on AML issues. Workshops have been completed in the Dominican Republic (December 2005) and Mexico City (March 2006) for Latin American and Caribbean parliamentarians (see draft resolution in Appendices), in Vienna (September 2006) for Eastern European Parliamentarians and in Kenya (November 2003) for East African parliamentarians. This is in addition to a study tour of Kyrgyz parliamentarians to Canada (March 2006), co-sponsored by GOPAC, to study the Canadian response to money laundering.

Work Plan and Deliverables

We propose to complete the four stages of the proposed project in approximately 24-36 months. Each stage will include a GOPAC AMLI Team face-to-face meeting to ensure thorough understanding of plans and intended results and to build personal commitment and trust. While the initiative will be financially independent of GOPAC, the GOPAC Chair and Executive will be informed regularly on developments and will ensure the participation of a globally balanced, knowledgeable and dedicated team of GOPAC members.

For the purposes of the outline of products, events and time lines, a 30 month project, beginning March 1st, 2007 and ending on September 1st, 2009 is assumed. Since all work on this initiative is compensated on a product-delivered or days-worked basis, shortening or extending the project by 6 months likely will have no appreciable impact on costs.

Stage 1: Orientation and Training (01-03-07 to 1-09-07; Team meeting September, '07):

The key event is a 3 day meeting in Paris (to have convenient access to FATF and OECD expertise) to:

- a) orient the Team members on money laundering, on the FATF AML regime, and on global AML actions and initiatives; and
- b) develop a good understanding of the project objectives, team working practices and approaches to communication.

Prior to the meeting, GOPAC would put together the Team. The Team Leader, supported by the GOPAC Secretariat and AML experts would prepare the first Team meeting agenda and materials, as well as a draft research and consultation plans for consideration of the Team.

After the meeting Team members would establish informal regional networks of colleagues and experts to ensure they have the capacity to access knowledge and views concerning money laundering and AML initiatives related to their region.

Based on the meeting, any needed follow-up briefing and orientation of Team members will be undertaken to ensure a good understanding on the part of the entire team. The research and consultation plan will be confirmed and initiated. The Secretariat would establish a distinct workspace on the GOPAC Website for the Team and experts.

Stage 2: Development of Position and Discussion Papers: (01-10-07 to 01-10-08; Team meeting July '08; Team meeting in June-August '08 period in Africa ¹)

¹ The plan is to have, in addition the opening meeting in Paris, three additional meetings – one each in Africa, Asia and Latin America. The idea is to encourage broad visibility in the different regions of the world. The selected site for each meeting would be based on other complementary developments, such as a GOPAC Board of Directors meeting or an AML event. Accordingly, the locations are listed arbitrarily.

This stage would begin by initiating the core research and consultation. This likely will require two different kinds of initiatives: a) commissioning experts to develop certain products for Team review; and b) conducting regional consultations to assess applicability and impediments to the implementation approach. All research and consultation would include interim reporting to the 2nd Team meeting.

Team members will also personally conduct consultations within their regions, and provide input into the discussion papers insofar as practical through other GOPAC members. A fund to support the communications cost in certain regions likely will be needed. The objective is to establish a good understanding of any impediments facing parliamentarians in each region and the kinds of support they might need – essentially sensitising the Team products to regional differences.

The meeting would come at roughly the mid-point of the research and consultation. In addition to contracted research, Team members would be expected to come to the meeting prepared to highlight their understandings (and that of their informal networks) on particular factors that must be addressed in a global AMLI. Based on such deliberation, the meeting would provide for redirection, additional study and a preliminary discussion of the positions and issues that would be contained the AMLI Report to be prepared in Stage 3.

The remaining part of Stage 2 would complete the anticipated research. In addition, the Team Leader – supported by the Secretariat and contracted experts – would draft a preliminary outline for the report to be prepared during Stage 3.

Stage 3: Prepare and Publish Report: (01-10-08 to 01-03-09; Team meeting October ‘08; Asia)

Based on a review of the findings of the research phase and the draft report outline, this stage would begin with a meeting that essentially provided instructions to the report drafting team. It also would set up clear review by Team members. This stage would conclude with a Team-approved report.

Supported by the Secretariat, the Team Leader would direct the report preparation and Team discussions. It is expected that the report would contain a description of a global approach to AML that is sensitive to regional differences that outlined roles that parliamentarians should play, and that included key briefing materials and tools.

The Team Leader, in consultation with the GOPAC Executive Committee would consult on how GOPAC can adopt the AML package at a GOPAC event, and ensure its implementation worldwide.

Stage 4: Conference: (01-03-09 to 01-09-09; GOPAC September ‘09 in Latin America)

This stage would complete the transfer of the project products to GOPAC for its acceptance and further implementation. There are some advantages to formally transfer the AMLI to GOPAC at one of its global conferences, and if convenient this approach would be used. A GOPAC conference is anticipated for 2008/9 and if the project is delayed in inception or completion, this might be the result. However, GOPAC plans for formal face-to-face Board of Directors meeting

annually. In addition to the GOPAC Conference other mechanisms to publicize the products would be used.

Budget

Time of Parliamentary Team members:	no charge
Four meetings and 20 persons @ \$5000 each	400,000
Retaining professional advice and services	150,000
Secretariat (support to leader, meeting prep, fin mgnt)	150,000
Support for regional consultations and website communication	100,000
Preparation of discussion and position papers	<u>150,000</u>
 Rough estimate of total project costs	 <u>950,000</u>