



GLOBAL ORGANIZATION OF PARLIAMENTARIANS AGAINST CORRUPTION  
ORGANIZATION MONDIALE DES PARLEMENTAIRES CONTRE LA CORRUPTION  
ORGANIZACIÓN MUNDIAL DE PARLAMENTARIOS CONTRA LA CORRUPCIÓN

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# **The Role of the World Bank in the Global Effort Against Money Laundering and Terrorist Financing**

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**Arusha, Tanzania**

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The World Bank**



# The World Bank and the Fight Against Money Laundering and Terrorist Financing

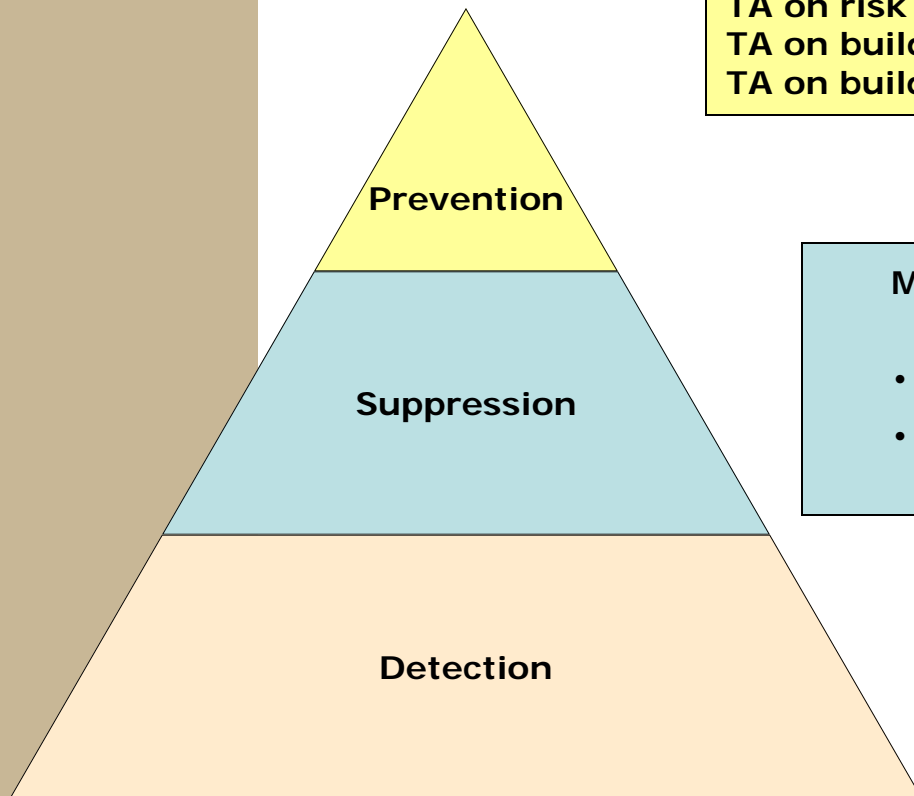
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- **The World Bank is not Standard Setter**
- **Main role is to assist countries in meeting global standards set by FATF 40+9 Recommendations**
- **Since 2001, strengthened partnership with other institutions in global effort to combat money laundering and terrorist financing**



# World Bank Role in Fight Against ML and TF

## Combating ML/TF as part of WB development mandate



TA on risk management for financial stability  
TA on building stronger legal and institutional frameworks  
TA on building strong governance frameworks

Monitoring systems, case tracking systems,  
transparency

- Use 40 + 9 as appropriate standard
- Legislative and institutional reform, change in mindset, change in culture, better governance

Investigation instruments, police capabilities, prosecutorial capacity, surveillance, domestic and international cooperation



# The World Bank TA Program on AML and CFT

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## Policies Governing the Bank's Program

- No segregation between AML and CFT
- Country and Regional Orientation
- Programmatic Approach
- Sustainability



# World Bank Approach Towards Effective AML/CFT Regime

## Assessment

Undertake assessment based on FATF 40+9 Recommendations

## Policy Development

Research and policy recommendation on new AML/CFT issues

## Training

Global/regional dialogues, e-learning, training of trainers & publications

## Technical Assistance

Provide Technical Assistance

- Comprehensive
- Targeted
- Sustainable
- Mainstream into WB lending and country assistance strategies

## Mentor Program

Fund in-house expert mentors

- Vietnam, Laos & Cambodia (2005)
- Central Asia (2004)
- Africa & Middle East (planning)

## Partnership

Collaborate with IMF, UNODC, GOPAC and other Donors. Support FATF in implementing standards



# Five Key Principles in WB Country Assistance Programs

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**1. AML/CFT Measures of importance for Financial System Soundness**

**2. Creating awareness and commitment that sound AML/CFT system is part of financial regulatory framework**

**3. Taking into account level of development of financial sector and specific features of domestic systems**

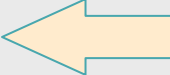
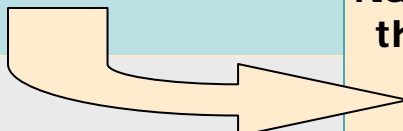
**4. Ensuring reform measures are appropriate to meet international standards but designed to suit local conditions**

**5. Working towards effectiveness of systems and measures**



# Principle 1

## AML/CFT Measures of Importance for Financial System Soundness

- **Dynamic** 
    - Development of financial structure
    - Changing risk environment
    - Leveraging on technology
  - **Practical and enforceable regulations**
  - **Balance between compliance needs and access to financial services**
  - **Credible sanctions for non-compliance**
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- Global standards provide for flexibility
- National authorities ensure oversight that is effective and commensurate with risk and abuse



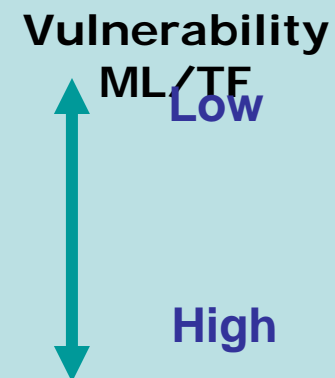
## Principle 2

### AML/CFT Measures as Part of Regulatory Framework

- Flexibility of compliance through risk-based frameworks
- Undertake analysis of risk within jurisdiction
- Compile data, typologies and surveillance of financial service providers

#### Examples of risk-based approach

- Multinational companies with transparent operations
- National companies that operate in several regions
- Shop front premises with no clear evidence of business
- Overt ARS within other business groups
- Covert ARS with no premises

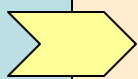




## Principle 3 & 4

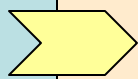
### Measures to Suit Local Conditions, Level of Financial Sector Development, Legal System & Characteristics of Economy

- **Assess vulnerabilities based on characteristics**



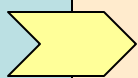
Prevalence of cash transactions vs. monetized economy

- **Guidelines on CDD and KYC rules to suit local conditions**



- Consular identification (Mexicans in the US)
- Letters/verification from village authorities (Kenya, Malawi, Uganda & Tanzania)
- Identification by dedicated companies affiliated to banks providing specialized money transfer services (Malaysia/Indonesia; Malaysia/Nepal)
- Adopt procedures for “mass banking clients” with low transaction amounts.

- **Liberalization of financial services matched by effective monitoring system**



- Cross-border cash movement
- Domestic transactions in foreign currency

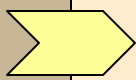


## Principle 5

### Ensuring effectiveness of AML/CFT Systems and Measures

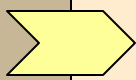
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- Joint responsibility of all agencies



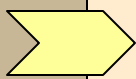
Common role to eliminate weakest link

- Measures for AML/CFT as part of overall governance structures



Strong and sound anti-corruption system

- ML/TF is cross-border, regulations are domestic



Exchange information

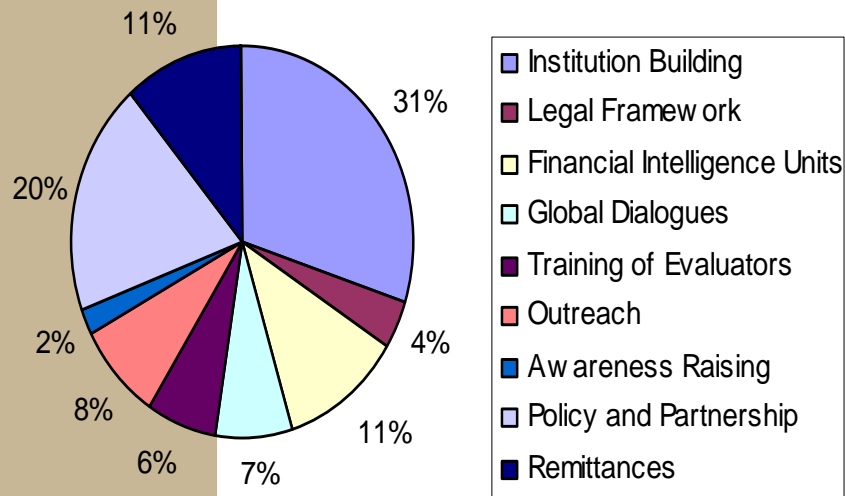
Network with foreign law enforcement agencies, FIUs and regulators

- Transparency – powerful instrument to prevent abuse (publications of names, disclosure of assets and other relevant information)

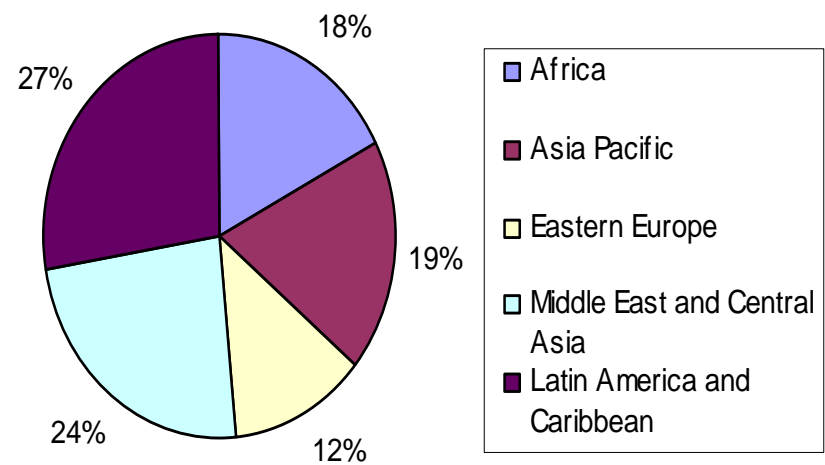


# World Bank Technical Assistance by Regions

**Bank TA Projects by Type (FY05)**



**Bank TA Projects by Region (FY05)**



**Remittances : 9 corridors (4 completed & 5 ongoing) and 6 forthcoming**



**Thank  
You**

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