

financial & private sector development

# 3<sup>rd</sup> Global Conference of Parliamentarians Against

# Corruption

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THE WORLD BANK



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# Corruption and Money Laundering: Making AML a Key Weapon in the Fight Against Corruption

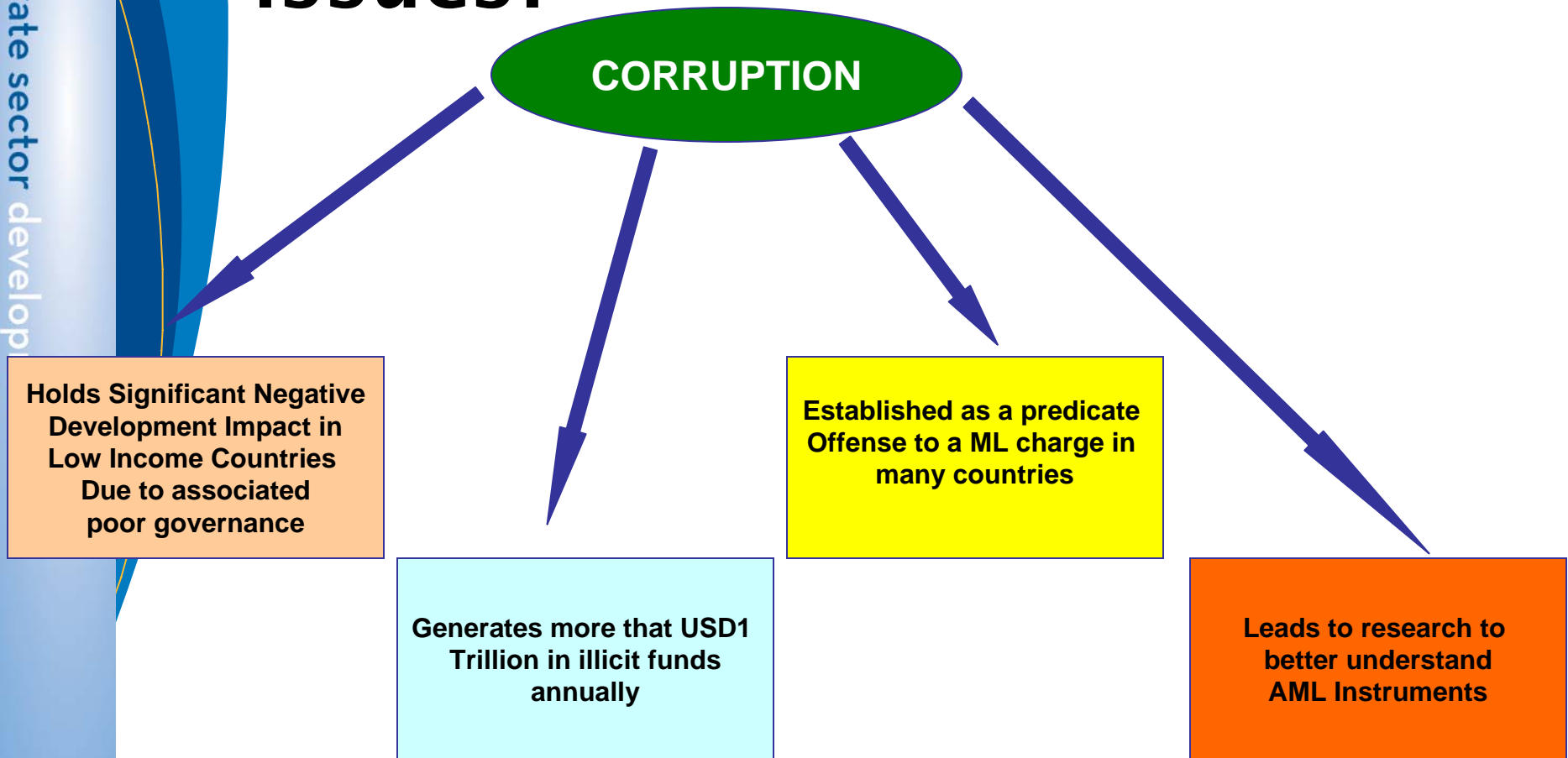
Ted Greenberg, FPDFI



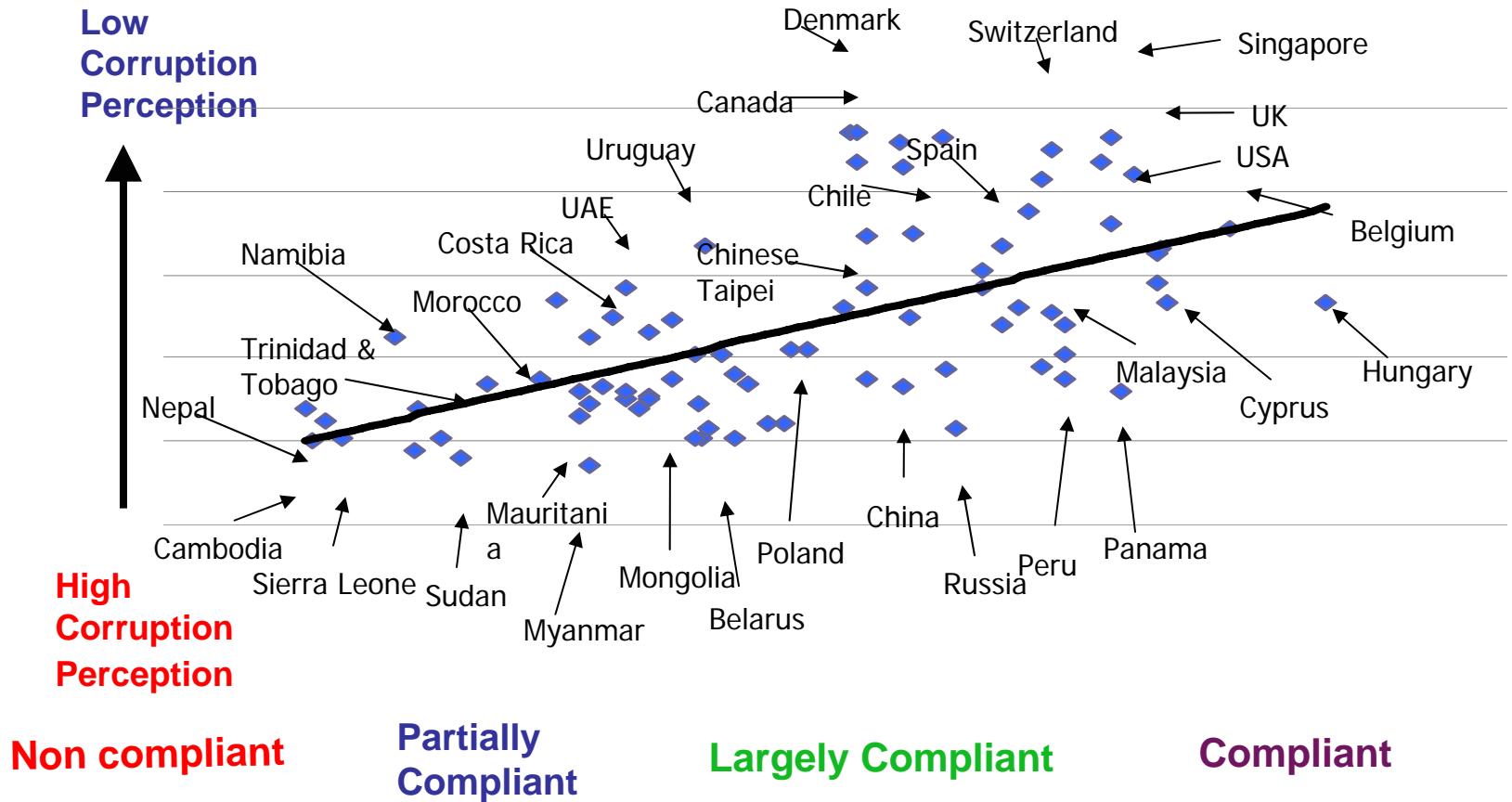
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# Why is the World Bank involved in anti-corruption issues?

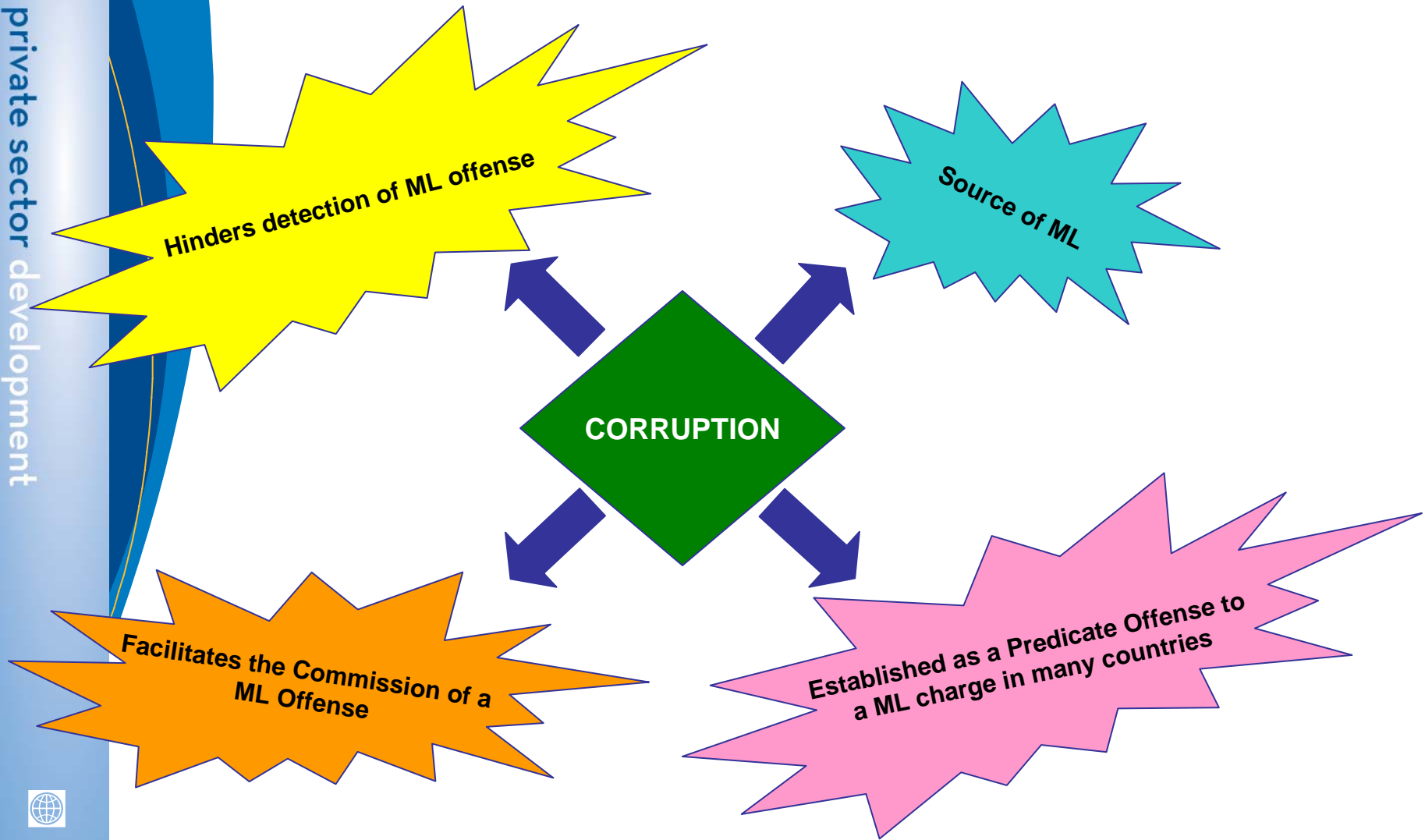


# Strong correlation between AML and Good Governance

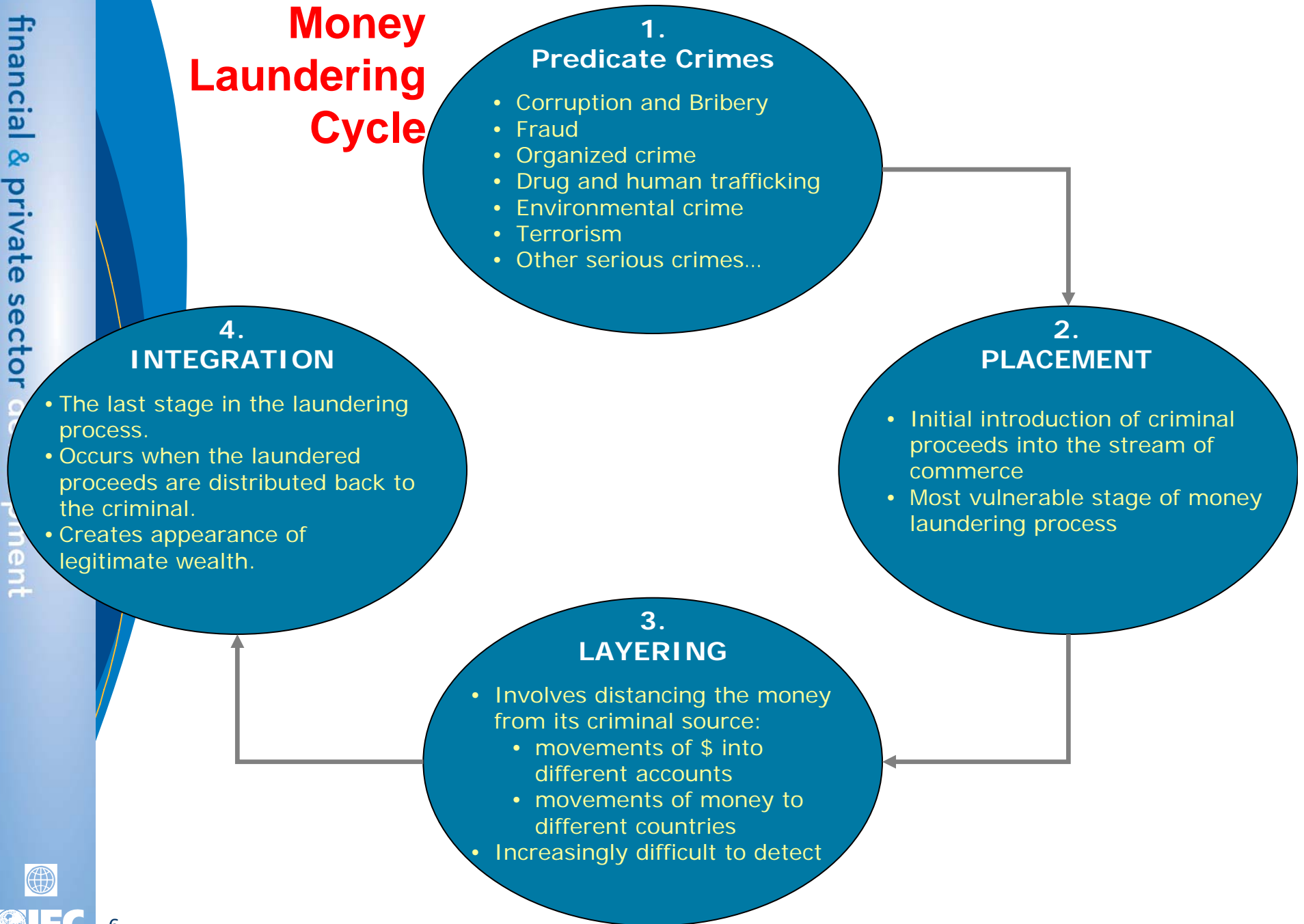


Source: Transparency International (Corruption Perception Index) and World Bank (AML)

# Linkage Between Corruption and Money Laundering (ML)



# Money Laundering Cycle



## AML Tools to prevent/detect and/or investigate corruption

Criminalization of Money Laundering
Criminalization of self-laundering
Freezing, Seizure and confiscation of proceeds from corruption
National Cooperation on AML issues between FIUs, police, customs authorities, judicial authorities and supervisory bodies
International Cooperation on AML issues between FIUs, police, customs authorities, judicial authorities, and supervisory bodies
Postponement of ML suspicious transactions (FIU power)
Record Keeping
Reporting of ML Suspicious Transactions to the FIU
Monitoring the physical cross-border transportation of cash and bearer negotiable instruments
Prohibition of keeping anonymous accounts
Transparency of legal persons and arrangements
The inclusion of designated non-financial businesses and professions among AML reporting entities
Customer Due Diligence
Reporting of Cash Transactions to the FIU
Prohibition of entering or continuing the operation of shell banks
Introducing fit and proper criteria for owners and managers of financial institutions

# World Bank Draft Report: *The Work of Anti-Corruption Agencies and the use of Anti-Money Laundering Information for Anti-Corruption purposes*”

## Objective

Aims to assist the World Bank advise client countries on:

- Using various ACT tools to address the problems of corruption in their countries, especially in regard to recovering the proceeds of corruption.
- Improving the effectiveness of countries’ AML regime for anti-corruption purposes.

## Scope

- Examines the link between Money Laundering and corruption
- Provides an outline of how countries have sought to use ACT tools to combat corruption
- Identifies possible areas of improvement to promote a more effective AML regime



# Organization of Report

Around Six Major Themes:

- Legal and Institutional Framework of the Anti-Corruption System
- Anti-Money Laundering Regime
- Training Programs
- Collaboration with other Institutions
- Exchange of Information
- AML Tools to Combat Corruption

# Key Lessons Learned

1. Gaps exist in the exchange of information between AC agencies and other relevant government agencies
2. AML legislation is a critical tool for combating corruption and that it is more of a help than most AC agencies may realize
3. AML Training could be incorporated in capacity building programs for anti-corruption agencies
4. Development of training modules could be useful to AC agencies

# Avenues for Policy Consideration

- ❑ Develop a dedicated typology exercise detailing the links between corruption and money-laundering.
- ❑ **Encourage Joint training and enhanced links between FIUs and anti-corruption bodies.**
- ❑ Conclude directly a Memoranda of Understanding between FIUs and anti-corruption agencies, if not already existing.
- ❑ Compile a list of corruption key words or phrases to improve information flow between FIUs and anti-corruption bodies.
- ❑ Promote further research onto how best your country's national authorities can overcome defacto banking secrecy.

## Other Positive Steps

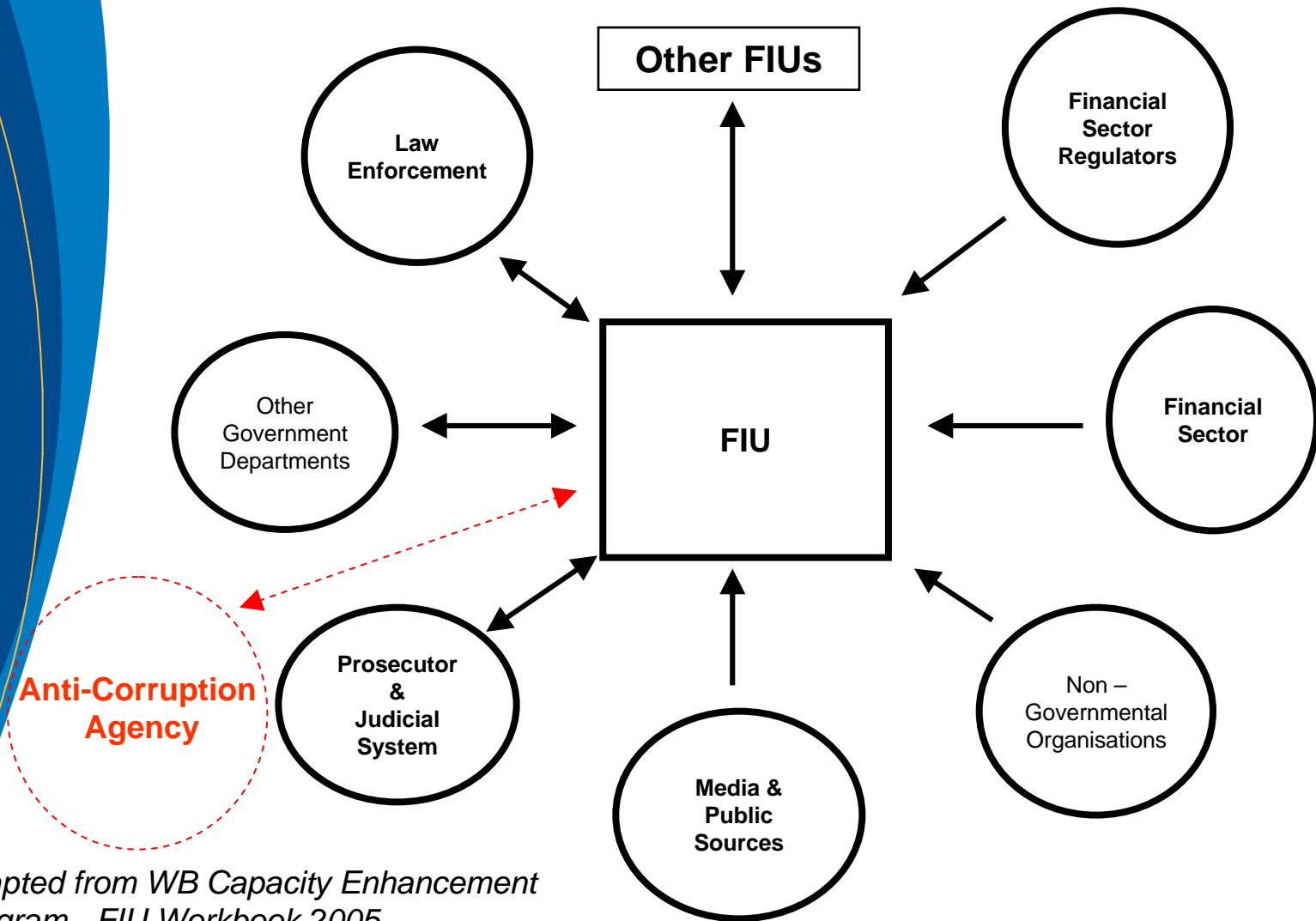
- A commitment from the highest levels of government as well as the demand from an informed and aware public, can help force law enforcement and the courts to diligently use the tools which the laws of virtually every country offer.
- For example corruption, money laundering and Financial Intelligence Unit laws have been enacted (and in different degrees implemented) in approximately 140 countries.
- UNCAC and other international conventions, bilateral treaties (which include mechanisms for international cooperation) are being ratified and implemented.
- Skills can be learned, capacity can be expanded and awareness can be raised.

## **Anti-Money Laundering Regimes Can Help Fight Corruption – Need To Create a National Strategy and Action Plan**

- 1. Make Corruption a predicate for money laundering**
- 2. Make anti money laundering and asset forfeiture a component of every investigation except for subsistence cases.**
- 3. Use results of vulnerability assessment to help design a law enforcement strategy and targeting for investigation and prosecution.**
- 4. Allocate sufficient resources to investigate and prosecute cases including funds for expert witnesses, travel and financial investigations.**
- 5. Identify key impediments to investigation and prosecution. Develop legal and best practice counter measures.**
- 6. Training and cross fertilization for investigators, prosecutors and judges including how to conduct financial crime investigations.**
- 7. Coordinate with Financial Intelligence Unit. Identify Red Flags of Money Laundering and Corruption relative to vulnerability.**
- 8. Participate on the National Anti Money Laundering Group.**
- 9. Develop contacts among prosecutors and investigators in the region as a means to strengthen international cooperation in cases.**

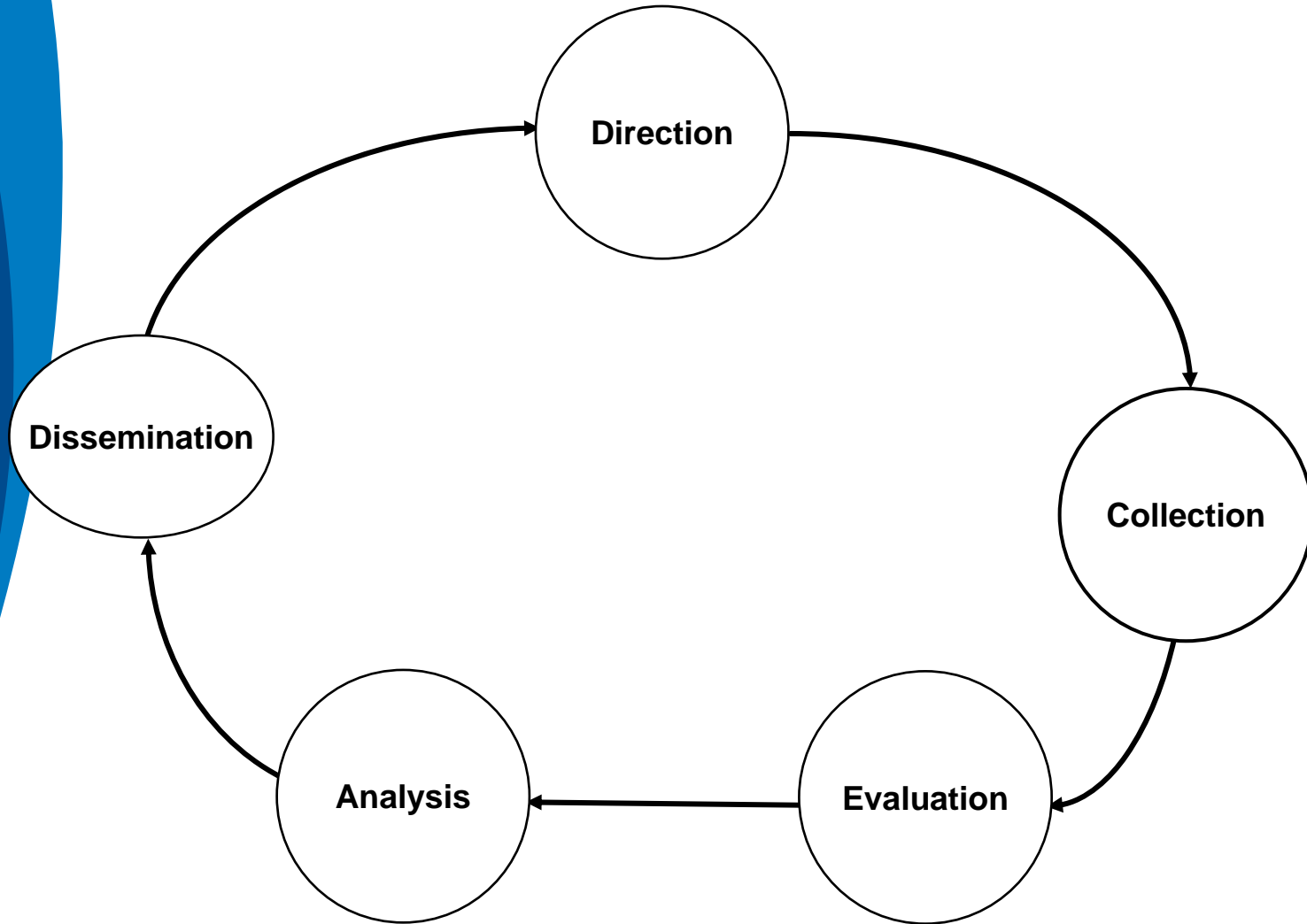
# Inter-Agency Co-operation and Information Sharing

# Information Sources



Adapted from WB Capacity Enhancement Program - FIU Workbook 2005

# The Intelligence Cycle



Source: WB Capacity Enhancement



Program - FIU Workbook 2005



## UNCAC Art.52(1): Prevention and Detection of Transfers of Proceeds of Crime = PEPs

...each State Party shall take such measures as may be necessary, in accordance with its domestic law, to require financial institutions within its jurisdiction to verify the identity of customers, to take reasonable steps to determine the identity of beneficial owners of funds deposited into high-value accounts **and to conduct enhanced scrutiny of accounts sought or maintained by or on behalf of individuals who are, or have been, entrusted with prominent public functions and their family members and close associates.** Such enhanced scrutiny shall be reasonably designed to detect suspicious transactions for the purpose of reporting to competent authorities... Emphasis added.



## UNCAC Article 52(2)(b)

- Where appropriate, **notify financial institutions within its jurisdiction, at the request of another State Party or on its own initiative, of the identity of particular natural or legal persons to whose accounts such institutions will be expected to apply enhanced scrutiny...Emphasis added.**

# Thank You

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