

# ANTI-MONEY LAUNDERING

---

## G20 COMMITMENTS

The need to strengthen anti-money laundering systems in order to prevent the laundering of proceeds of corruption has been on the G20 agenda since the 2010 G20 anti-corruption action plan. The G20 hosts an ongoing dialogue between its Anti-Corruption Working Group (ACWG) and the Financial Action Task Force (FATF), the global anti-money laundering standard setter. Combating terrorist financing and money laundering is also a standalone priority of the 2017 G20 summit.<sup>1</sup>

The 2017-18 G20 Anti-Corruption Action plan notes that “Transparency is key to deterring and uncovering corruption. The G20 will promote greater transparency in the public sector, including in public contracting, budget processes and customs. This may be achieved through citizen engagement, strengthening anti-corruption authorities, public-private partnerships and the use of open data, building on the G20 Open Data Principles.” Also, the 2017-18 G20 Anti-Corruption Implementation Plan states that “We will share good practice in promoting public sector integrity and transparency, including the contribution made by an anti-corruption body or bodies.”

Lastly, the priorities document for the G20 2017 summit mentions that “A review of the FATF’s existing structure and governance is necessary. The G20 wishes to support the FATF to this end.”

## THE CHALLENGE

Policy discussions within the confines of a largely closed, expert-driven anti-money laundering (AML) space have not generated sufficiently effective AML policies. No country is yet compliant with the international FATF standards. Out of 26 countries assessed in the current FATF evaluation round, just five – Spain, Italy, the United States, Switzerland, and Australia – score above 50% as regards the overall effectiveness of their AML systems<sup>2</sup>.

The transparency, accountability and participation mechanisms of anti-money laundering institutions require significant improvement, both at the global level (FATF and its regional-style bodies) and at the national level (anti-money laundering institutions). In addition to reducing any risks of undue influence within these institutions, greater transparency and accountability would increase institutional effectiveness in the prevention and detection of money laundering. While FATF recognizes the importance of civil society engagement<sup>3</sup>, and has engaged with civil society for example through its private sector consultative forum, it has not established clear, public criteria which would allow meaningful input by civil society into its decision-making processes.

As part of a review of civil society participation and access to information in the international meetings of various anti-corruption mechanisms, Transparency International has recently assessed the openness of the Financial Action Task Force. While FATF scored positively on a limited number of criteria, including the requirements that the timetable of the meetings for the current calendar year is published, and that a summary of FATF plenary meetings is published, it scored negatively against the majority of criteria, which include: Rules on civil society participation are published; Formal meetings are open to any CSO<sup>4</sup>; Formal meetings include discussions with CSO participants; CSOs can deliver oral statements at the formal meetings; and Final list of participants is published after the

---

<sup>1</sup> [https://www.g20.org/Content/DE/Anlagen/G7\\_G20/2016-g20-praesidentschaftspapier-en.pdf?blob=publicationFile&v=2](https://www.g20.org/Content/DE/Anlagen/G7_G20/2016-g20-praesidentschaftspapier-en.pdf?blob=publicationFile&v=2)

<sup>2</sup> See standardised effectiveness scores calculated by the Basel Governance Institute, which draw on the effectiveness scores for the 11 areas (immediate outcomes) assessed in FATF Mutual Evaluation Reports. Using a scale in which 0 = low risk and 10 = high risk, the United States has the most effective AML system out of the 26 countries, with an effectiveness average score of 3.33 out of 10, followed by Spain (3.94), Italy (4.24), Switzerland (4.55) and Australia (4.85). The remaining 21 countries assessed to December 2016 are above the mid-point of the scale, towards the high-risk end. See <https://www.baselgovernance.org/news/new-fatf-evaluation-switzerland---comparative-analysis>

<sup>3</sup> See e.g. “The FATF frequently engages with civil society or private sector representatives to get their perspective and feedback on FATF work.” <http://www.fatf-gafi.org/media/fatf/documents/brochuresannualreports/FATF%2025%20years.pdf>

<sup>4</sup> “Any CSO” means as a result of a fair selection process a manageable number of CSOs can participate.

meeting. Although FATF country assessments may include input from civil society<sup>5</sup>, the experience of Transparency International chapters has been that scope for participation in practice varies and is limited overall.

At the national level, meanwhile, the transparency of anti-money laundering institutions is also lacking. A Transparency International assessment of the public availability of 20 basic indicators of anti-money laundering enforcement across 12 countries hosting major financial centres, including the U.S., the U.K., Germany, Switzerland and Luxembourg, found that just 1 in 3 anti-money laundering (AML) indicators is publicly available and up to date. For instance, just 3 out of 12 countries publish up to date statistics on sanctions applied to banks for anti-money laundering failings, while only 2 out of 12 countries publish the number of AML-related extradition requests.

## THE SOLUTION

The Panama Papers showed that the combination of data, journalism, and public pressure can be a powerful force for reform. Within the few months since the Panama Papers story broke, over 150 inquiries, audits or investigations into the revelations have been announced worldwide, as well as 6500 investigations of individuals and companies<sup>6</sup>.

Primary data is an essential input to monitor effectiveness. Increased civil society participation drawing on publicly and regularly available anti-money laundering and anti-corruption data would generate new momentum to strengthen anti-money laundering systems. Media and civil society would have more scope and evidence to monitor AML enforcement efforts, tracking progress over time and advocating for reforms. Increased flows of AML data would also strengthen anti-money laundering risk and policy assessments carried out by national, international and private sector institutions.

## RECOMMENDATIONS

- **G20 countries** should collect a full set of statistics regarding their anti-money laundering efforts, following the FATF Guidance<sup>7</sup>, and make them public on a yearly basis, in a format consistent with the G20 Open Data principles. This recommendation builds on previous calls for G20 countries to release all key data-sets crucial in tackling corruption, including data on procurement and anti-corruption enforcement.
- The **G20 Anti-Corruption Working Group** should work with FATF to strengthen FATF's civil society participation and access to information mechanisms. This should apply both to its decision making processes in particular Plenary Meetings, and to national level Mutual Evaluation Reports and follow-up reports. FATF should also adopt the recommendation that its members publish their anti-money laundering statistics on yearly basis.

## SUPPORTING INFORMATION

- *Top Secret: Countries Keep Financial Crime Fighting Data to Themselves*. Transparency International, February 2017, <https://www.transparency.org/whatwedo/publication/7664>

## CONTACT DETAILS

For additional information please contact Maggie Murphy, Senior Global Advocacy Manager, Transparency International | [mmurphy@transparency.org](mailto:mmurphy@transparency.org) | +44 (0)20 3096 7698

<sup>5</sup> See Appendix 2 at <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF-4th-Round-Procedures.pdf>

<sup>6</sup> <https://panamapapers.icij.org/20161201-global-impact.html>

<sup>7</sup> <http://www.fatf-gafi.org/media/fatf/documents/reports/AML-CFT-related-data-and-statistics.pdf>. The FATF Guidance on AML/CFT-related Data and Statistics does not include the recommendation that the data be made public.