

## The G8's 4Ts commitments: what financial crime risk professionals should know

Jul 11 2013 [Denisse V. Rudich](#)



The G8 leaders issued a series of commitments at the Lough Erne Summit held on June 17 and 18 that are of significance to anti-money laundering (AML), counter-terrorist financing (CTF) and anti-bribery and corruption (ABC) professionals. The commitments were issued under what became the "4Ts" agenda of trade, transparency, tax and terrorism. This article provides an overview of G8 Summit initiatives and examines what implications they will have for the regulated sector.

### Anti-money laundering

In the area of AML, the G8 committed to: *Publish national action plans setting out concrete action on AML and tax evasion, and to self-report to the Financial Action Task Force (FATF) on progress*

The UK has published its own Action Plan which said that it would complete its national AML/CTF risk assessment by 2014 and implement regulatory changes to the [Companies Act 2006](#) and the [Money Laundering Regulations](#) when the Fourth Money Laundering Directive is ratified. Regulated institutions should carry out impact assessments to identify if and how the national risk assessment and proposed regulatory changes might affect their operating models, policies and procedures, and to identify any gaps. Once the assessment has been completed, consultation should be held with significant stakeholders and change management teams so that change which generates business value while managing regulatory risk can be proactively embedded.

The U.S. published its National Action Plan on June 18. It called for an updated national risk assessment, advocacy for comprehensive legislation, strengthening customer due diligence standards for financial institutions (FIs) and improved international cooperation. France, Italy and Canada are due to publish national action plans in the very near future. Russia, Japan and Germany will publish action plans by the end of 2013.

*Continuing to support the listing of high-risk jurisdictions and with strategic AML and CTF deficiencies by the FATF*

Those responsible for AML systems and controls will need to ensure that internal country risk ratings are updated so that they align with the FATF listings, as and when they change. This will ensure that enhanced due diligence is applied to customers, beneficial owners and directors of customers in high-risk jurisdictions, in line with internal policy requirements.

*Implementation of the FATF 40 Recommendations (FATF 40) through proportionate and effective supervision and enforcement to "ensure corporate wrongdoers are held to account"*

In the UK, the Financial Conduct Authority (FCA) has initiated its own risk assessment by sending out requests for information to the regulated sector. It has also committed to credible deterrence through effective enforcement, which means that supervision is likely to become more intrusive for certain FIs and that fines will increase in size and volume. Money laundering reporting officers (MLROs) must make sure that they have accurate, current and readily accessible management information about their AML/CTF systems and controls that they can provide to their regulators within a short time period. They should also have access to a systems and controls inventory which will enable them to provide evidence that they have adequate policies, procedures and systems in place, and that they are effective.

*Support the FATF in hosting the first public-private sector dialogue with Eastern and Southern African nations in September as a platform for FIs from G8 countries, governments, African banks and civil society to discuss how to manage increased exposure to illicit finance flows from Africa*

It is strongly recommended that any FIs which are looking to expand into Africa join this forum and work with their respective governments to identify how governments could reduce the costs to FIs. Particular focus could be placed on access to accurate customer due diligence information (which is often not independently available in some African countries) and intelligence-gathering support for large-scale infrastructure and project finance deals, which are highly susceptible to illicit finance activities.

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They could also explore how governments can provide incentives for FIs to do business in an ethical manner in Africa while allowing them to offer technical support and share best practice with respondents based in countries with weak governance controls. Financial institutions and governments need to explore what support might be offered when things go wrong, for example so that they are able to identify and recover stolen assets.

#### *Increase transparency of beneficial ownership in trusts and companies and access to information by relevant authorities*

The UK has committed to setting up a central register of beneficial owners at Companies House, to trigger a review of corporate transparency, including bearer shares and nominee directors, in 2013/2014 and to ensure that trustees of express trusts hold "accurate and current" information on beneficial ownership. The UK government will consult with industry to determine whether to make this information public or only accessible to relevant authorities. It is strongly recommended that industry participates in the consultation process.

Having publicly available beneficial ownership data would decrease the man hours, effort and costs spent in trying to obtain that information from opaque and secretive companies. It would also provide a great opportunity for electronic know your customer systems to be more effective in the long term, both at onboarding and throughout the client relationship. Having a data feed from Companies House with current and accurate ultimate beneficial ownership information would decrease the amount of manual intervention and would also allow changes to beneficial ownership to be automatically updated and trigger a review of a customer account.

The U.S. has also indicated that it would look to set up a central registry of beneficial ownership information. France, Italy and Canada have said that they will hold a consultation on having a central registry and Germany, Russia and Japan have rejected the idea.

#### Counter-terrorist financing and sanctions

In the area of CTF and sanctions, the G8 has committed to:

1. Reduce terrorist groups' access to funding.
2. Work to reduce the threat of piracy and to stamp out kidnap for ransom (KFR) payments.
3. Prevent the proliferation and transfer of weapons of mass destruction to Iran and North Korea.
4. Return stolen assets to countries in transition as part of the Arab Forum on Asset Recovery (AFAR II) initiative.
5. Call for Syria to expel all non-state actors linked to terrorism (including Al-Qaeda).

Financial institutions that have not already done so are advised set their risk tolerance on what business will and will not be considered with customers located in, or who do large amounts of business with, counterparties in Iran, North Korea and Syria. It is also recommended that FIs continue to engage in dialogue with their governments to get updates on next steps for the AFAR II initiatives and practical guidance on what to do with dual-use items identified in trade finance transactions. Additionally, particularly with regard to KFR and piracy, FIs which are likely to be asked to make ransom payments (provide insurance, shipping business, mortgage vessels, etc.) should have a policy on KFR and incident management processes in place which lists relevant government contacts to allow for a swift response to requests for ransom payments to be effected.

#### Anti-bribery and corruption

In the area of ABC, the G8 committed to improve governance and transparency in the extractives sector, which is recognised as being highly susceptible to corruption and a driver of regional instability in resource-rich/governance-poor countries. It has committed to:

1. Raise the global standards of extractives transparency and build capacity to reduce corruption and other illicit activities.
2. Develop a global reporting standard for multinational corporations and countries with large extractive industries to:
  - allow companies to report on extractive payments;
  - allow governments to ensure disclosure compliance; and
  - allow governments to report their revenues as members of the Extractive Industries Transparency Initiative (EITI) to help fight corruption.
3. Make budget data and other government information public in an easily accessible way by adopting the Open Data Charter.

The EU has recently issued the EU Accounting and [Transparency](#) Directives, which require mandatory reporting of payments to all governments by listed and unlisted extractive companies in the EU. These are consistent with s 1504 of the US Dodd-Frank Act. Additionally, the U.S., the UK and France have pledged to seek candidacy status of the EITI by 2014.

- [The MLRO Handbook](#)
- [The Compliance Handbook](#)
- [MiFID Survival Guide](#)
- [The Insurance Practitioner's Guide](#)

Anti-money laundering and ABC professionals should follow the progress of these initiatives closely as, when this information becomes publicly available, it will become relevant to understanding the nature of a customer's business, and should be taken into account when completing customer risk assessments. This will also be relevant when FIs are determining the corruption and bribery risks attached to project finance, infrastructure finance, commodity finance and trade finance (to name a few) customers and deals.

The agenda at this year's G8 Summit had a very strong AML/CTF/ABC focus. As the institution responsible for the creation and renewal of the FATF's mandate, it is important that regulated FIs remain abreast of G8 (and also G20) developments as these have a significant influence on the evolution of the global AML/CTF/ABC regime.

***Denisse V. Rudich** is as a Strategic Advisor in financial crime prevention working for top tier financial institutions as well as emerging firms in the FinTech and RegTech sector in London, UK. She works with FireDrake Consulting, and has previous experience as Head of Policy AML & Sanctions for RBS Corporate Bank. Denisse has extensive knowledge of G7/G20 global governance and is also Director of the G20 Research Group (London) and senior member of the G7 Research Group at the Munk School of International Studies. The views expressed are her own.*

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