

G20 Osaka: From drugs, jokes and North Korea to crypto, FATF and corruption

Jul 10 2019 [Denisse V. Rudich](#)



This year's G20 Summit in Osaka may be remembered as the summit that began with a scandal. An officer accompanying Brazil's President Jair Bolsonaro was arrested en route to the G20 while the plane was re-fuelling in Spain. He was found to have been smuggling 39 kilograms worth of cocaine: a sober reminder of what people will do to make money and, at some point, launder the proceeds of drug trafficking.



Or it may be the summit best remembered for U.S. President Donald Trump sharing a joke with Russia's Vladimir Putin about election meddling and tweeting about shaking the hand of North Korea's Kim Jong-un.

With geopolitical tensions and a looming trade war, expectations were low on what the summit could actually deliver. And yet, the leaders of the world's largest economies came together and focused on reaching agreement in areas of mutual interest. Among the many commitments made, leaders developed new initiatives that will contribute to financial crime prevention, particularly in terms of anti-money laundering (AML), corruption, and technology.

Anti-money laundering

With regard to anti-money laundering, the G20 addressed innovation in technology as well as reaffirming its support for the work of the Financial Action Task Force (FATF), the global standard-setter in anti-money laundering (AML) and counter-terrorist financing (CTF). The G20 leaders said they would continue to monitor developments in crypto assets, described as not yet posing a threat to financial stability, and other decentralised technology, to "remain vigilant to existing and emerging risks". The G20 further reaffirmed its commitment to implement the updated FATF Standards for AML/CTF to virtual assets service providers (VASPs), crypto assets and virtual assets.

Some G20 countries, including France, Canada, the UK and the United States, have launched industry consultation and/or issued guidance on how to apply AML/CFT legislation to comply with the updated FATF 40 Recommendations. In the EU, the [Fifth Anti-Money Laundering Directive](#) (5MLD), which brings into scope custodian wallets and fiat-to-crypto exchanges, must be applied by January 10, 2020. The main challenge is that the FATF requires the application of AML/CFT standards to a much wider net of entities than the 5MLD, [defining](#) VASPs as:

"any natural or legal person who ... as a business conducts one or more of the following activities or operations ...: i. exchange between virtual assets and fiat currencies; ii. exchange between one or more forms of virtual assets; iii. transfer of virtual assets; iv. safekeeping and/or administration of virtual assets or instruments enabling control over virtual assets; and v. participation in and provision of financial services related to an issuer's offer and/or sale of a virtual asset."

While this is aimed at reducing the possibility of virtual assets and crypto from being abused to facilitate further financial crime, this means that there may be an un-level playing field in the application of standards, depending on where a VASP is incorporated, registered and operates. Not to mention its product offering. This should, in principle, make it easier for banks to offer services to these types of clients.

The application of AML/CTF standards should lower the risk profile of VASPs, making it simpler for these types of firms to access banking services. Compliance teams will, however, need to be trained to understand the main risks associated with VASPs, how they operate and what to look for, similar to emerging fintechs and regtechs seeking access to banking products.

The unintended consequence of AML/CFT, commonly known as de-risking, also made an appearance in the G20 Declaration. G20 leaders indicated that they will "continue to monitor and address the causes and consequences of the withdrawal of correspondent banking relationships". This remains a vital public policy issue and there needs to be a recognition at

Related content

Related articles

- ▶ [G20 Buenos Aires: Despite low expectations, agreement reached on financial crime initiatives](#) - Dec 07 2018
- ▶ [G20 Hamburg summit: Agreement reached on financial crime prevention initiatives](#) - Jul 20 2017

News by subject

- ▶ [Know your customer and identification procedures](#)
- ▶ [Record keeping and reporting](#)
- ▶ [Financial crime and anti-money laundering](#)
- ▶ [Corporate governance and ethics](#)
- ▶ [Risk](#)
- ▶ [Public policy](#)
- ▶ [Regulatory oversight](#)
- ▶ [Sanctions, regulatory enforcements and criminal proceedings](#)
- ▶ [Technology](#)
- ▶ [Browse all subjects](#)

News by country

- ▶ [United Kingdom](#)
- ▶ [Japan](#)
- ▶ [View country guides](#)

Related rulebooks

- [EU Directives](#)
- ▶ [2018/843 — Fifth Anti-Money Laundering Directive](#)

Search

Subject browser →

Advanced →

Most read articles

- ◆ [Deutsche Bank chief regulatory officer exits in huge shake up](#)
- ◆ [Deutsche Bank combines compliance, anti-financial crime, aims to break from past shadows](#)
- ◆ [Deutsche Bank compliance staff may use "difficult" experience for new jobs](#)
- ◆ [Life after restructuring: Deutsche starts hiring compliance, AML staff](#)
- ◆ [Irish central bank fines Wells Fargo 5.9 million euros for 'fundamental' compliance, board-oversight failings](#)

Message boards

Show all messages

NEW [Really?](#)
General Discussion
4 posts – [4 new](#) (last post Jul 09, 2019)
They tried this once before and it failed terribly...

NEW [simple exit](#)
General Discussion
1 post – [1 new](#) (last post Jul 09, 2019)
as we know there is never a simple exit, so with t...

[Where is Complinet screen](#)
General Discussion
1 post (last post Jul 04, 2019)
Can't seem to access complicheck

Add a post →

More messages →

Reference Library

- [Practitioner's Guide for Broker-Dealers](#)
- [The MLRO Handbook](#)
- [The Compliance Handbook](#)

government level of the operating costs and challenges for banks who continue to operate in this space with a view to developing additional incentives to do so.

Access to global finance is important to the success of development initiatives, although risks must be managed. Perhaps in recognition of this, leaders welcomed private sector participation in developing sustainable finance solutions and strengthening of financial inclusion.

One final important initiative of which practitioners need to be aware relates to the fact that G20 leaders reiterated their "strong commitment to step up efforts to fight [financial crime] threats, including by strengthening the FATF's global network of regional bodies". This year, on its 30th anniversary, FATF was given a new, open-ended mandate in recognition that AML/CFT and proliferation financing remain concerns for the integrity of the financial system, and sustained political commitment is needed. The G20 also called for the swift, effective and full implementation of the FATF Standards, and the inclusion of language concerning FATF-style regional bodies (FSRBs) highlights the political support given to FATF as well as the expectation that non-G20 members must also apply standards.

One final commitment made relates to G20 statement that it remains committed to addressing illicit financial flows in Africa, and that leaders would "take stock at future summits", most likely through the G20 Africa Partnership. This is a major commitment given United Nations findings that illicit flows from Africa could be as much as \$50 billion per year, which is double official development assistance (ODA) that is received by Africa.

That amount not only contributes to worsening social conditions and poverty but it is also making its way through, and threatening the integrity of, the global financial system. Financial services firms and real estate agencies should remain vigilant to unusual transactional activity or attempts to access products or services to purchase real estate, and should report such suspicions to their local financial intelligence units.

Corruption

With regard to corruption, leaders made a number of commitments aimed at promoting transparency, particularly in infrastructure projects, protecting whistleblowers and criminalising bribery of foreign public officials where such laws are not in place. This is likely to have implications for anti-bribery and corruption frameworks in-house, particularly for financial services firms involved in financing infrastructure projects or dealing with vendors, agents and overseas introducers.

This will be particularly relevant for firms when countries implement the high-level principles contained in the following documents, and so should remain part of horizon planning strategies:

- Compendium of Good Practices for Promoting Integrity and Transparency in Infrastructure Development;
- High-Level Principles for Effective Protection of Whistleblowers;
- United Nations Convention against Corruption;
- Organisation for Economic Cooperation and Development (OECD) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

Looking to the future, the G20 leaders stated that they welcomed the initiative on identifying linkages between corruption and gender and that they looked forward to receiving a paper on "international cooperation dealing with serious economic offenders and recovery of stolen assets". While the private sector was not cited as part of these initiatives, it is likely to be involved as part of any consultations that take place or to provide support in returning stolen assets or the implementation of any initiatives developed as part of the exploratory work that will be carried out.

Technology

Technology is playing an increasingly important role in the fight against financial crime. At the same time, it is also being used to facilitate money laundering, terrorist financing, theft, fraud and corruption. While not directly linked to AML/CFT, G20 leaders made a number of commitments of which financial crime practitioners should be aware, especially as they adopt and embed new technology as part of their control environment.

Regulators in the EU have already set down some expectations for what they will look for when assessing technology used for AML in their [opinion paper](#) published in 2018.

The G20 highlighted the need for the "responsible development and use of artificial intelligence (AI)", committed to a "human-centered approach to AI" (which has yet to be fully defined), and welcome the non-binding G20 AI Principles. Of note are the principles on transparency and explainability as well as those on robustness, security and safety. Firms looking to embed financial crime prevention solutions based on AI should review these and the OECD principles on AI as they may, in the future, form part of what regulators will assess when reviewing this technology. The G20 further recognised the need to promote security in the digital economy; this will include addressing security gaps and vulnerabilities. The G20 acknowledged the need for "further work on these urgent challenges".

Given the rise of cyber crime and its impact on global finance, G20 leaders also recognised the value of continuing discussions on cyber security, and said they would step up efforts to improve cyber resilience. It is essential that financial crime prevention teams get to know their colleagues responsible for cyber resilience to identify common threats and synergies between the two teams, as the worlds of cyber crime and financial crime come closer together.

Denisse V. Rudich is Director of the G20 Research Group (London), Director of Rudich Advisory and a well-known Financial Crime Prevention specialist with extensive knowledge of anti-money laundering, counter-terrorist financing, bribery and corruption, tax evasion and sanctions. Her clients range from top tier global financial institutions, regulators and

- MIFID Survival Guide
- The Insurance Practitioner's Guide

industry bodies to non-for-profits, emerging FinTech, RegTech and crypto assets firms in London, UK. Denisse has previous experience as Head of Policy AML & Sanctions for RBS (Corporate Bank) and Advisor to the Regional Head of Compliance (Europe) in Rabobank. Denisse is a member of the Global Coalition to Fight Financial Crime launched at the World Economic Forum (having acted as the Secretariat until recently) and set up the AML/CTF Working Group for a digital assets industry body. She also writes and teaches courses for ACAMS. The views expressed are her own.

Comment on this article

Subject*

Name or pseudonym*

Message*

Submit Message

THOMSON REUTERS GRC | © 2011 THOMSON REUTERS. ALL RIGHTS RESERVED

[CONTACT US](#) [DISCLAIMER](#) [TERMS & CONDITIONS](#) [PRIVACY STATEMENT](#) [ACCESSIBILITY](#) [RSS](#) [TWITTER](#)
[GRC CONNECTS](#) [LINKEDIN](#)

