

G20 Hamburg summit: Agreement reached on financial crime prevention initiatives

Jul 20 2017 [Denisse V. Rudich](#)



As fires raged and looting befell the city of Hamburg, world leaders met at the G20 Summit on July 7 and 8, 2017 to address issues of concern under the umbrella theme of "Shaping an Interconnected World". The G20 leaders were able to make a number of high-level commitments regarding financial crime prevention, counter-terrorist financing (CTF), anti-corruption, anti-money laundering (AML) and tax transparency.



Counter-terrorist financing

On the first day of the summit, G20 leaders issued a Statement on Countering Terrorism. The statement addressed the need to tackle radicalisation, strengthen information sharing and cooperation among various actors and fight terrorist financing. The G20 linked terrorism to other crimes, such as the diversion of weapons (including weapons of mass destruction), the looting and smuggling of antiquities, kidnap-for-ransom, ransacking of banks and plundering of civilian and cultural property, and drug and human trafficking.

The statement also emphasised that "low-cost attacks by small cells and individuals funded by small amounts of money transferred through a wide range of payment means are an increasing challenge", and called on the private sector to continue to strengthen efforts to identify and counter terrorism.

The G20 committed "to make the international financial system entirely hostile to terrorist financing", and stressed the importance of United Nations (UN) Resolutions targeting al Qaeda, ISIL (Da'esh) and the Taliban. The [reports issued by the UN sanctions monitoring team](#) may well prove a useful source of intelligence for financial institutions and will also help them keep abreast of the changing nature of threats presented by terrorist groups. The reports include countries where the various terrorist groups are active and expanding (Iraq, the Syrian Arab Republic, Libya, Nigeria, Afghanistan, Yemen, northern Mali, Burkina Faso and the Niger, Somalia, and the southern Philippines), estimated numbers of terrorist fighters, as well as changing trends in terrorist financing, such as the reliance places on oil, extortion and taxation.

The G20 issued a mandate to the private sector to strengthen efforts to identify and stop terrorist financing. It asked for greater collaboration between international bodies (the Financial Action Task Force (FATF), the Financial Stability Board (FSB), the Organisation for Economic Cooperation and Development (OECD) and the United Nations (UN)); the public sector (finance ministers, central banks, financial intelligence units and law enforcement); and the private sector (financial services and fintechs) to:

- generate new guidance and terrorist financing indicators;
- harness new technologies to improve the tracking of terrorist financing; and
- narrow the intelligence gap and improve the use of financial information in counter-terrorism investigations.

Wherever possible, financial institutions should ensure that they have adequate representation at industry fora or events promoting public-private partnership, and should support initiatives to identify terrorist financing typologies. New technology companies operating in financial services should look to collaborate with financial institutions to identify how they could hone their technologies to identify terrorist financing transactions.

Anti-corruption

Anti-corruption featured heavily in the four annexes that were published with the G20 Leaders' Declaration. The four principles-based documents (the principles) were drafted to address: liability of legal persons; organising public administration to make it more hostile to corruption; countering corruption in customs; and combatting corruption related to illegal trade in wildlife and wildlife products.

Related content

Related articles

- ▶ [IMPACT ANALYSIS: FSB update on regulatory reform ahead of G20 summit](#) - Jul 06 2017
- ▶ [FSB's Carney warns G20 growth at risk from reform fatigue](#) - Jul 04 2017

News by subject

- ▶ [Financial crime and anti-money laundering](#)
- ▶ [Regulatory oversight](#)
- ▶ [Sanctions, regulatory enforcements and criminal proceedings](#)
- ▶ [Browse all subjects](#)

News by country

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

Search

Subject browser ➔

Advanced ➔

Most read articles

- ▶ [UK FCA fine damages Barclays' reputation, Staley meddled in compliance's domain](#)
- ▶ [EXCLUSIVE: Goldman's Blankfein enlists senior management in conduct, culture initiative](#)
- ▶ [COLUMN: Compliance, CEOs and the senior managers regime — was Staley a missed opportunity?](#)
- ▶ [Throwing money at financial crime compliance is not enough — Standard Chartered CEO](#)
- ▶ [SEC's Peirce: Lighten up on compliance officers in enforcement; 'broken windows' inefficient](#)

Message boards

Show all messages

Really?

General Discussion
1 post (last post May 14, 2018)
How exactly has Barclays been reputationally damag...

Members of the assessment

General Discussion
1 post (last post Apr 26, 2018)
Who are usually members of the assessment team? Ar...

Criminal vs civil standar

General Discussion
4 posts (last post Apr 19, 2018)
Good article but the last sentence isn't correct...

Add a post ➔

More messages ➔

Reference Library

- ▶ [Practitioner's Guide for Broker-Dealers](#)

The area of liability of legal persons is most relevant for persons in the private sector, with the G20 calling on countries to extend corporate liability to cover both foreign and domestic bribery offences. This should apply even if a natural person who has committed an offence has not been prosecuted or convicted. This means that either the U.S. [Foreign Corrupt Practices Act](#) (FCPA) will need to be amended or supporting legislation drafted, to ensure that domestic bribery can also be prosecuted where the "nationality" of the legal person is also linked to the United States.

The principles also listed additional enforcement measures that should be considered, such as: fines and confiscations; suspension or exclusion from the ability to receive public benefits or aid; disqualification from participating in public procurement or other commercial activities; dissolution of a corporate; and publication of sentence.

The principles further highlighted that where this has not been done, the private sector should develop effective internal controls, ethics and compliance programmes or measures following the 2015 [G20 High-Level Principles on Private Sector Transparency and Integrity](#).

With regard to the principle on "concrete incentives ... to foster effective compliance by business", the G20 supported the idea of countries taking into account the existence of compliance and ethics programmes in the granting of export credits and other benefits, as well as any voluntary self-reporting and cooperation by businesses with law enforcement in determining the proper level of enforcement.

In the principles related to illegal trade in wildlife, the G20 said that trafficking in wildlife was one of the largest and most profitable forms of crime, amounting to between 8 and 20 billion euros annually. Corruption was identified as a significant enabling factor in the source, trade and destination countries and the G20 said that illegal trade in wildlife and wildlife products often involved organised criminal networks.

As such, it is essential that financial institutions remain aware of any potential payments that might be linked to the illegal trade in wildlife. Much work remains at the inter-governmental level, however, to help financial institutions identify typologies which allow them to build this into training and continuous monitoring programmes.

Other financial crime prevention themes

Transparency of beneficial ownership also featured in both the statement and the final G20 Declaration. G20 leaders said transparency was an important tool to fight corruption, tax evasion, terrorist financing and money laundering.

The leaders promised to advance the implementation of international standards and the availability of beneficial ownership information of legal arrangements and legal persons on both a domestic and cross-border basis.

Financial institutions, particularly in Europe, must ensure they have relevant beneficial ownership documentation to comply with requirements to verify the identity of beneficial owners of corporate entities as per the 25 percent threshold set by the EU [Fourth Anti-Money Laundering Directive](#), applying a risk-based approach.

In a report drafted by the FSB for the G20 on the implementation of financial regulatory reform, the FSB indicated that some emerging markets and developing economies (EMDEs) continued to raise concerns about the drop in global banks' activity in their domestic markets. that the FSB said it was also monitoring financial stability issues raised by the fintech sector.

At the summit, the G20 raised the issue of de-risking in correspondent banking and remittances as a threat to financial inclusion, which was highlighted as an area of focus. The G20 applauded the FSB's work plan to address the decline in correspondent banking, the FATF's "Guidance on Correspondent Banking" and the Basel Committee on Banking Supervision (BCBS)'s revised guidance to combat AML/CTF in correspondent banking.

The drop in correspondent banking is having a negative effect on global sustainable development and growth, and various documents have been issued to ensure that there is a global payment system available to support remittances, financial inclusion, trade and openness. The G20 further asked relevant stakeholders, including international organisations, to step up technical assistance support for countries to improve domestic supervision for remittances and correspondent banking.

Financial institutions and financial services firms, money services businesses (MSBs) and remittance service providers will need to review these documents and make any relevant changes and updates to their internal systems and controls, as well as risk assessment documents. Given the high cost of doing business with correspondent banks, remittance service providers and MSBs, financial institutions and governments should enter into a dialogue and work with central banks and finance ministries to identify relevant defences from prosecution of money laundering. They will also need to look for incentives for financial institutions to provide technical assistance and support to higher-risk customers in their network who are involved in remittance payments, correspondent banking and MSBs, to ensure that their environments are fit-for-purpose and do not introduce downstream risks to the banking sector.

The G20 welcomed the FATF's transition from a temporary task force, set up to address the proceeds of drug trafficking in 1989, into a legal person, and the stronger role which has evolved for its president. The FATF was recognised as the leading body for tackling AML and CTF and G20 leaders acknowledged that it had become "a sustained public and political commitment". The G20 stressed the need for the FATF to have adequate resources and support from its members to fulfil its mandate, and to strengthen its traction capacity through its network and other FATF-style regional bodies.

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

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.

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](#)

