

Modern Diplomacy via Twitter: the G6 + 1

By Denisse Rudich

In a show of modern diplomacy, the days leading up to the G7 Summit in Charlevoix Canada, both social and more traditional media were awash with belligerent tweets from various heads of state. These tweets triggered by President Donald Trump's decision to impose steel and aluminium tariffs citing matters of national security against one of its longest standing ally, Canada, threatened to derail the G7 Charlevoix Summit.

Despite the dramatic tweeting between leaders of the seven largest industrialized countries, the G7 Summit took place. President Donald Trump arrived, met with the leaders and left early to go to Singapore and meet with North Korean President, Kim Jong-Un to work on nuclear disarmament.

The G7 Summit focused on five key themes:

- 1) Investing in growth that works for everyone
- 2) Preparing for jobs of the future
- 3) Advancing gender equality and women's empowerment
- 4) Building a more peaceful and secure world
- 5) Working together on climate change, oceans and clean energy

At the end of the Summit, the G7 leaders issued the G7 Charlevoix Communiqué that was supported by all G7 countries. This is in spite of President Trump's tweets following Prime Minister Justin Trudeau's press conference, indicating he had instructed the US representatives not to endorse the declaration. As the Communiqué had to be agreed and was tirelessly negotiated between all G7 countries, it was effectively already endorsed but now it remains down to each of the G7 members to decide how to implement commitments made at Charlevoix.

In the area for financial crime prevention, several commitments were made across the *G7 Communiqué* in addition to a brief mention in the *Charlevoix Commitment on Equality and Economic Growth* (the "Commitment"), one of several secondary documents issued to support the *Charlevoix Communiqué*.

Tax Evasion

In the area of tax evasion, leaders indicated that they would continue to fight tax evasion and avoidance as well as committing to work together to seek a consensus-based solution by 2020 on the digitization of the economy and the impact on the financial and tax system. The developments around digitization of the economy should be closely followed, particular for companies caught under the UK's Criminal Finances act where companies can be held liable for corporate failure to prevent tax evasion to ensure that they do not inadvertently finance tx.

Additionally, leaders pledged to promote the implementation of international standards regarding financial accounts and beneficial ownership to fight tax evasion alongside corruption, money laundering and terrorist financing in the *Commitment*. This means that financial institutions operating in multiple jurisdictions should soon find it easier to identify and verify beneficial ownership structures more quickly while making it increasingly difficult for criminals and tax evaders to hide illicit funds. Which should have the effect of being able to identify unusual structures and behaviour.

Terrorism

The leaders further committed to work together to counter terrorism and committed to addressing the use of the internet for terrorist purposes including through the Global Internet Forum. Financial institutions implementing new transaction monitoring systems using RegTech may wish to consider how to work with the Global Internet Forum to develop more surveillance-based transaction monitoring systems to more effectively identify and clamp down on fund flows that are indicative of terrorist financing.

Leaders also condemned all financial support of terrorism including terrorist groups supported by Iran. Financial institutions should continue to closely monitor flow of funds in and out of Iran and its neighbouring countries to identify any suspicion of terrorist financing.

Human Trafficking & Modern Slavery

In the area of human trafficking and modern slavery, leaders underscored the importance of taking concrete steps to eradicate the trafficking of persons, forced labour, child labour, and all forms of slavery, including modern slavery. To tackle this, G7 leaders indicated that they would take a strong stance against human rights abuses, human trafficking and corruption across the globe and call on the international community to take action in these areas.

The Global Slavery Index identified in 2016 approximately 48.5million people in forced labour or slavery. The United Nations (UN) estimates that human trafficking yields approximately \$150billion per year, with 71% of affected persons being women and girls. The UN also released its first set of human trafficking-related sanctions against six known leaders of trafficking networks in Libya in an unprecedented move on 8 June.

In addition to ensuring that screening and payment filtering systems have been updated with these names, financial institutions should also identify human trafficking typologies to add to transaction monitoring systems.

Higher Risk Countries

A number of countries were called out in the section on “Building a more peaceful and secure world,” which should be monitored closely in case G7 countries move to either scale back or implement sanctions or funds are laundered through these because of political instability.

In the lead up to a historic Summit between the US President Donald Trump and North Korean President Kim Jong-un, G7 countries showed solidarity by issuing a statement where they recognized some of the measures undertaken by North Korea, including a commitment to denuclearization made in the April 27 Panmunjom Declaration. The G7 continue to call on North Korea to dismantle “irreversibly” its weapons of mass destruction (WMDs). If progress is made, sanctions could be further eased further, opening up business with North Korea.

Also in the area of nuclear proliferation, G7 leaders recognize the threat that Iran’s ballistic missile programme presents to peace and security. The G7 committed to work to permanently ensure that Iran’s nuclear programme remains peaceful in line with international commitments to never seek develop or acquire a nuclear weapon.

Russia also made an appearance on the Communique in spite of Trump’s calls for bringing Russia back into the G7. G7 leaders indicated that they shared and agreed with the UK’s assessment that it is highly likely that the Russian Federation was responsible for the attack in Salisbury and that there are no possible alternative explanation. G7 leaders also urged Russia to “cease its destabilizing

behaviour to undermine democratic systems and its support of the Syrian regime.” Additionally, the leaders recalled that current sanctions are linked to Russia’s failure to demonstrate the implementation of the Minks Agreement and indicated they stood ready to take further restrictive measures to increase costs on Russia.

G7 Leaders further welcomed commitment by Myanmar and pledge to coordinate efforts to build welcome & lasting peace and support democratic transition in Myanmar, citing the Rohingya crisis in order to allow the return of refugees. They expressed concerns for the lack of respect for human rights and spiralling economic crisis in Venezuela, about the Israeli-Palestinian conflict and the on-going deteriorating situation in the Yemen. The G7 further re-iterated their commitment the democracy of Lybia.

As the changing geo-political landscape continues to evolve, banks should identify how risks such as capital flight, the laundering of proceeds of corruption, terrorist financing enabled by the aforementioned conflicts could affect their overall risk and control framework. Customer risk assessments may need to be amended as well as sanctions lists checked to ensure that as new sanctions are implemented and old ones removed, banks are operating effectively.

Yes, the G7 Summit at Charlevoix Canada became a theatre for challenging conversation and shows of poor statesmanship. Many think it is irrelevant but it is a key forum that is pivotal for driving forward domestic political agendas but also for being able to have frank and open discussions about issues that matter, especially for the G6 +1. In the field of financial crime prevention, there are key areas that need to be taken in to account to effectively implement the risk-based approach while carrying out horizon planning work. These include, tax evasion, terrorism, human trafficking, country risk, etc,