

# G20

TURKEY: THE ANTALYA SUMMIT

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# Severing the lifeline of criminals

— Terrorist groups and criminals are exploiting emerging trends outside the traditional banking sector, and cooperation and coordination at leaders' level is essential in tackling and preventing financial crime, explains **Denisse Rudich, Director, G20 Research Group London**



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**N**ews headlines in 2015 have highlighted that financial crime remains a global threat. It has a massive destabilising effect and illicit global fund flows continue to act as a lifeline for criminals exploiting volatile situations. The presence of Islamic State in Iraq and the Levant (ISIL) in Syria has contributed to tension between the West and Russia that is disrupting global financial markets and threatening the international system as a whole. Worth an estimated \$2 billion in 2014, ISIL has embraced an innovative terrorist financing strategy that combines traditional banking practices, zakat (based on Islamic almsgiving), oil smuggling using corporate structures, and new technologies to raise and disseminate funds.

Additionally, the refugee crisis has created business opportunities for migrant smugglers and human traffickers offering travel out of North Africa and the Middle East. Facebook has seen a proliferation of groups such as Smuggling into the EU (24,000 members) and Trafficking to Europe, which charges €1,700 (\$1,890) for transfer between Turkey and Greece. Children under five get a 50% discount. With ghost ships from Turkey netting \$4 million in profits per trip, it is no wonder

that human trafficking was identified as the third-largest illicit trade, amounting to more than \$20 billion in 2014. In addition to the financial cost, the human element is ruthless, with victims sold into slavery, prostitution or having their organs harvested.

Corruption lies at the heart of this. Despots taking bribes to award public contracts, such as those cited in the FIFA indictment, or stealing from the public coffer to line their own pockets not only undermine competition

and the principles of free market economics, but also lead to dissent and a desire for regime change among their people, as happened with the Arab Spring and in Syria. These are issues that cannot be addressed by nation states acting in isolation, and governments must think creatively.

## Illicit financial outflows

Composed of the world's largest economies, the G20 is well placed to tackle these issues. This year's summit hosted by Turkey presents an opportunity for leaders of the world's largest economies to continue to do what they do best: set the global agenda and create opportunities for cooperation and coordination beyond G20 membership in preventing financial crime. By working with international bodies such as the Financial Action Task Force (FATF), the Organisation for Economic Co-operation and Development (OECD), the World Bank and the B20, the G20 has a good track record in supporting the development of the global framework to tackle anti-money laundering and counter-terrorist financing (AML/CTF) and corruption. It has particularly played a key role in gaining buy-in from countries beyond the G7 by sponsoring the transparency of beneficial ownership and establishing the G20's Anti-Corruption Working Group (ACWG).

The research organisation Global Financial Integrity estimated that in 2012, \$991.2 billion left developing countries through illicit financial outflows.

## The World Bank estimates the cost of bribery and corruption at around \$1 trillion

Recognising the role that opaque corporate vehicles, nominee companies and trusts play in hiding and legitimising dirty funds and terrorist financing, the G20 requested that the FATF develop a new set of AML/CTF recommendations at the Cannes Summit in 2011. Issued in 2012, the revised FATF Recommendations called on countries to ensure that "adequate, accurate and timely information on the beneficial ownership and control" of legal persons and express trusts was available in order to promote transparency. At the 2014 Brisbane Summit, the G20 leaders adopted new High-Level Principles on Transparency of Beneficial Ownership, calling on all states to develop central registries to ensure that law enforcement, tax authorities and other relevant authorities can track proceeds of crime. This is a massive step in lifting the corporate veil and several countries have ratified this into local law already.

The World Bank estimates the cost of bribery and corruption at around \$1 trillion. In recognition of this, the G20 developed the ACWG at the Toronto Summit in 2010 to draft recommendations to allow members to lead by example in the fight against corruption. The ACWG includes members from the FATF, the OECD,

the World Bank and the United Nations Office on Drugs and Crime, and has significant engagement with the private sector and civil society, including the B20. Since its inception, it has developed various principles to tackle corruption, systematically involving stakeholders in the public, private and legal sectors. G20 leaders have endorsed the G20 Guide to Asset Recovery (2014), Principles on the Enforcement of the Foreign Bribery Offence (2013), and the G20 Compendium of Good Practices for Integrity in Public Procurement (2014). The principles provide a platform to standardise whistleblower protection, promote data sharing across legal channels, enhance public-private sector transparency and integrity, and tackle bribery and corruption in high-risk countries and sectors, such

of terrorism and terrorist financing are fundamental to disrupting terrorist financial flows. The FATF will deliver a report on this issue in November 2015. G20 finance ministers and central bank governors reaffirmed their commitment to detect, deter and disrupt human trafficking.

### Understanding the trends

The Antalya Summit offers G20 leaders a chance to continue doing what they do best: bring media attention to hard-hitting policy issues and get domestic support to be able to focus the resources and technical skills of the global community of international organisations, civil society, academia and private actors to tackle threats re-emerging in new guises. In the area of human



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as the extractives industry and construction. What is unique about the ACWG is that when the G20 extended its mandate, it agreed that recommendations should be concrete, action-oriented and support G20 growth directly, which is evident in the well-drafted 2015-16 G20 Anti-Corruption Implementation Plan.

So what can the G20 do at its summit in Antalya to tackle financial crime?

Turkey indicated that during its G20 presidency, it would monitor the effective implementation of the 2015-16 Anti-Corruption Action Plan and work with relevant international organisations to enhance transparency in government-business relations. It incorporated anti-bribery and corruption within its theme of 'Enhancing Resilience'. The communiqué issued by the G20 finance ministers and central bank governors in September 2015 indicated that terrorist financing and human trafficking will be addressed at the G20 summit, although these issues were not formally listed as a priority. The communiqué reiterated the G20's resolve to tackle terrorist financing channels by working on ways to promote more transparency of financial flows and highlighted that "robust targeted financial sanctions regimes" and the criminalisation

Refugees are risking their lives at sea to reach Europe, and those operating so-called 'ghost ships' are netting millions of dollars in profits

trafficking, the G20 could broaden the ACWG's mandate and task it with building on the FATF's 2011 report on human trafficking and smuggling of migrants and develop an implementation plan. With regards to money laundering and terrorist financing, the G20 could also appoint a group to understand how emerging trends and technologies outside the traditional banking sector are being exploited by terrorist groups and criminals to raise and transfer funds. These include crowdfunding techniques to raise funds to finance terrorism, the rise of 'conversational commerce', mobile banking and the proliferation of digital currencies. At the same time, this group could be tasked with assessing how these technologies could also be used by law enforcement and policymakers for trends analysis and to track asset flows to disrupt criminal networks. Additionally, the G20 could also look at how the Global Forum on Transparency and Exchange of Information for Tax Purposes could be used to further support global crime investigations.

Effectively, only global coordination and cooperation, which the G20 should continue to lead, can work to disrupt flows of dirty money to ensure that crime does not pay. ■