

REGULATORY INTELLIGENCE

G20 summit makes progress on corruption, illicit finance and innovation

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Indian Prime Minister Narendra Modi hosted the [G20 Summit 2023](#) in New Delhi amidst multiple geopolitical tensions and economic headwinds.

For the second year in a row, the war in Ukraine overshadowed the summit, whilst the crises it has precipitated, from runaway inflation to soaring energy prices, to food insecurity worldwide, remain the primary, immediate challenges that the club needed to address.

Further complicating Modi's task to lead the group to a consensus was the decision on the part of both Russian President Vladimir Putin and Chinese President Xi Jinping to skip the summit.

Despite this fraught and contentious backdrop, the hosts managed to steer the group to an [agreement](#), albeit one that skirted around the war in Ukraine, offered no bold measures to deal with its economic repercussions, and did little to advance substantive progress on the prevailing, existential threat of climate change.

Areas in which the G20 was able to advance the agenda involved less politically charged issues, particularly those at the technical level of topics that have been on the group's radar screen prior to Russia's invasion of Ukraine, including anti-corruption, anti-money laundering, terrorism, and innovations such as cryptoassets, central bank digital currencies and artificial intelligence (AI).

Corruption

Fighting corruption emerged as a priority area for leaders recognising this as a threat to peace and security, with the G20 stating its "zero tolerance" appetite for corruption. To that end, leaders endorsed a number of High-Level Principles adopted at the first-ever [ministerial meeting](#) held in person to address corruption prior to the Delhi Summit.

These documents, prepared by the Anti-Corruption Working Group, focused on criminal justice and the role of the public sector and law enforcement in combatting corruption by strengthening measures such as international cooperation and information sharing, mechanisms for asset recovery, and promoting integrity and effectiveness of public authorities responsible for fighting corruption.

The G20 restated its commitment to asset seizure and repatriation of proceeds of corruption by working with the Financial Action Task Force ([FATF](#)) and the [Globe Network](#) created under the auspices of the United Nations Office on Drugs and Crime ([UNODC](#)).

Finally, the G20 committed to criminalising foreign bribery and sharing information on progress made.

Firms should ensure that they have their anti-corruption risk assessments up to date, including areas where they may be at risk of committing foreign bribery offences. They should be ready to update local policies and procedures as new legislation is issued and have avenues available for whistleblower disclosures and protection.

Firms should also ensure that they can quickly respond to information request orders from law enforcement and that they are adequately resourced (including from a human capital and technology perspective) to investigate and report suspected foreign bribery to relevant financial intelligence units (FIUs) and law enforcement authorities.

Terrorism and money laundering

Terrorism and money laundering were also discussed at this year's Summit in Delhi. Terrorism took priority, with G20 leaders strongly condemning terrorism, including acts against critical infrastructure, and stating that terrorism "constitutes one of the most serious threats to international peace and security".

G20 leaders also cited the need to adopt a holistic approach within the confines of international law to fight terrorism, highlighting counter-terrorism measures such as human rights and support for victims.

The G20 also stated the need to make international cooperation more effective in areas such as the denial of safe haven to terrorist groups and creating barriers to make it more difficult for terrorists to run their operations, recruit and move around freely.

International efforts should also focus on preventing financial, material or political support from making its way to terrorist groups.

Recognising that terrorist financing may start as a seemingly legitimate transfer of funds, firms should ensure that their risk assessments are up to date, taking into account a firm's potential exposure to newly identified groups, terrorism hotspots and activity, new typologies or even a change in designation of groups such as private military companies, which may have many registered corporations, as terrorist organisations.



Firms should also carry out horizon planning activities to identify future threats and should continue screening customers and transactions against sanctions lists to identify potential matches against persons and entities proscribed under United Nations (UN), regional and national terrorism programmes.

In the area of money laundering, leaders committed to supporting the implementation of revised standards issued by the FATF as well as other areas identified as priorities under the current FATF presidency.

This includes support for the "timely and global implementation" of revised beneficial ownership transparency standards for legal persons and legal arrangements and revised standards on asset recovery. Leaders also welcomed the FATF's work on enhancing asset recovery networks as well as continuing asset recovery efforts.

G20 leaders committed to increasing resources for the FATF and FATF-Style Regional Bodies to support the next round of mutual evaluation reviews.

Firms should ensure that they remain aware of FATF initiatives by following outcomes published on the FATF website after plenaries are held, and any new priorities when the FATF presidency changes.

Firms should also review policies and procedures to align with national laws and regulations being updated to comply with FATF standards.

This may include laws, regulations and guidance on identification and verification requirements for legal persons and arrangements and the ability to respond to law enforcement and FIU requests regarding assets held by customers.

Leaders also highlighted the need to strengthen international cooperation and action against the following predicate offences for money laundering: the trafficking of small arms and light weapons, the proliferation of illegal drugs, and the trafficking of antiquities.

With regards to arms trafficking, firms should ensure that they are closely monitoring trade finance deals for any red flags linked to arms trafficking or co-mingling between legal and illicit arms in legitimate defence deals.

The UNODC has a number of [resources](#) available to increase awareness of the trafficking of firearms that firms may wish to review.

Firms should ensure that they continue to carry out adverse press and sanctions checks on new and existing customers and also monitor transactions for suspicious activity, which could indicate links to the small weapons market, illegal and synthetic drugs (and chemicals needed to make drugs), and antiquities.

In the area of pharmaceuticals, firms should actively share information, types of activities and trends seen (including in connection with shipping routes) linked to the trafficking of synthetic drugs and precursor chemicals with law enforcement and relevant authorities.

Cryptoassets, CBDCs and artificial intelligence

The G20 also made strides on more cutting-edge topics in their relative nascency as part of the international governance agenda.

G20 leaders endorsed the recommendations made by the Financial Stability Board (including a roadmap drafted) to regulate, supervise and maintain effective oversight of crypto-assets and stablecoins in such a manner as to avoid regulatory arbitrage.

G20 leaders further called on countries to effectively regulate and supervise crypto-assets/virtual assets to manage money laundering, proliferation financing and terrorist financing risks.

This includes supporting the FATF's efforts to get countries to introduce laws and regulations applying the "travel rule", and identifying risks associated with emerging technology and innovations regarding decentralised finance (DeFi) and peer-to-peer transactions.

G20 leaders referred to central bank digital currencies (CBDCs) in the context of advancing discussions on macro-financial implications following the publication of an International Monetary Fund's (IMF) report on this matter.

With regards to AI, the G20 stated their efforts to "leverage AI for the public good" responsibly and safely that also protects people's rights.

Leaders cited the need to address "the protection of human rights, transparency and explainability, fairness, accountability, regulation, safety, appropriate human oversight, ethics, biases, privacy and data protection".

G20 countries pledged to work together to promote international cooperation and discussions on AI governance at the international level and to adopt pro-innovation regulatory and governance approaches to balance risks whilst maximising the benefits of AI.

Firms should also assess any exposure that they may have to crypto-assets (including indirect exposure), DeFi protocols and peer-to-peer transactions and identify any potential AML/CFT risks.

Firms should also ensure that they are aware of requirements to transfer (or monitor compliance with the requirement to transfer) originator and beneficiary information on virtual asset transfers.

For firms looking to adopt software that uses AI as part of their AML/CFT programmes, they should ensure that they carry out a risk assessment, understand data sources, carry out model due diligence (including testing and assurance), assess transparency and explainability, identify legal and regulatory requirements around automated decision-making, and build in personal data protections.



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Firms should also monitor future laws and regulations detailing additional requirements that they may need to implement as part of the use of AI to carry out due diligence, adverse press and sanctions screening, and transaction monitoring.

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