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Anti-money laundering: Towards a two-way street?

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The global anti-money laundering (AML) agenda is increasingly shifting from a debate about technical compliance towards whether the measures being taken by governments and businesses are effective.

Since 2014, the Financial Action Task Force (FATF) has for the first time started assessing the practical effectiveness of countries' anti-money laundering frameworks, in addition as to whether legal, regulatory and institutional AML measures are in place.

Looking at the 44 countries evaluated using the new FATF standards until January 2018, private sector implementation of AML measures (Immediate Outcome 4) is among the areas with lowest [effectiveness](#) out of the 11 outcomes assessed, with major improvements needed in virtually all [countries](#).

At the same time, there is growing awareness of the value of sharing AML experiences, insights and recommendations across borders and between different groups from the private, public, and civil society sectors.

It is in this context that in January 2018 TI convened a workshop with representatives from the accounting and real estate sectors, civil society organizations, law enforcement, and international organizations. The meeting gathered a diversity of participants to share experiences and perspectives from around the world including Belgium, Canada, the EU, Germany, India, the Netherlands, Switzerland, the UK, and the US.

Following scene-setting introductions (see links to scoping papers below), participants jumped into an in-depth discussion of some of the challenges facing non-financial professions in tackling money-laundering risks in their sectors.

Highlights included:

A strong call for improved working relationships between different actors involved in anti-money laundering.

Options for better cooperation range from authorities providing feedback on the quality and usefulness of Suspicious Transaction Reports (STRs) to businesses once they are filed, to more comprehensive cooperation frameworks.

In the financial sector, for example, there are promising emerging **initiatives** allowing law enforcement and individual large banks to cooperate in sharing financial intelligence. Extending this type of model directly to non-financial sectors would be challenging, primarily because of scale: in both real estate and accounting, a large proportion of the sector is made up of small firms and sole practitioners.

However, there was clear agreement on the principle of moving towards a “2-way street” and greater scope and depth in information sharing, with the goal of increasing the “intelligence yield” which can allow authorities to effectively tackle money laundering.

The need to clarify how key concepts in anti-money laundering such as “risk” and “suspicion” apply to non-financial sectors.

For example, the Suspicious Transaction Report (STR) model was first developed for the banking sector, and then extended to other sectors. Private sector participants raised the question of how well this model fits practices and capacities in the accounting and real estate sectors, where the definition of “transaction” can apply to a wide variety of interactions and situations. Should there be, for instance, a shift from risky transactions to risky relationships?

Regarding risk, again the need for more granularity in the assessment of risks was raised, e.g. the challenge of extending risk management system requirements to small practitioners.

An acknowledgement of anti-money laundering challenges facing businesses, combined with a call for recognition of sector diversity.

Business sector participants were candid where stronger efforts by their sectors are needed, for example in greater investment in anti-money laundering training. At the same time, they also emphasised the importance of recognising the high diversity across countries when it comes to designing anti-money laundering policy. For instance, in some jurisdictions lawyers and notaries play a more prominent role in real estate transactions than in others. The licensing requirements for offering accountancy services also vary significantly across countries.

The event took place thanks to support from the Hewlett foundation, as part of a project that seeks to increase engagement between civil society and business regarding anti-money laundering. During the coming two years, the project will provide spaces to continue these multi-stakeholder conversations, increase knowledge on selected issues to feed into this dialogue, and capture and disseminate emerging good practice and policy recommendations.

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