

Transparency International EU

The global coalition against corruption

Intermediaries could benefit from tailored anti-money laundering approach

Admin · Friday, July 13th, 2018

Recent scandals from Panama Papers to the Russian Laundromat and the Paradise Papers have shown how current systemic weaknesses in anti-money laundering (AML) systems can be abused on a large scale. One of the main lessons is that nothing can be effectively achieved without the involvement of the private sector. As gatekeepers and entry points of money into the financial system, banks and intermediaries have a key role to play in the detection of suspicious activities and the prevention of money laundering. Non-financial professions would greatly benefit from similar amount of investments in AML compliance systems as in banking sector.

We very much welcome the conclusions of the recent paper by The Royal United Services Institute (RUSI): [Known Unknowns: Plugging the UK's Intelligence Gaps on Money Laundering Services Providers](#), which identifies main gaps and shortcomings in non-financial sectors' AML compliance systems in the UK. The analysis echoes earlier recommendations and studies by Transparency International (links at the bottom of this blog post).

The RUSI paper investigates the underlying reasons for insufficient AML effectiveness in non-financial professions. It questions not only the level of compliance in these sectors but also how existing rules adequately fit with the specificities of non-financial sectors. For example, the authors deplore the fact that the collection, structure and dissemination of information and intelligence in relation to money laundering is still largely done along sectoral rather than activity lines. Focusing on the high-risk nature of certain activities and services rather than rating the whole sector as high-risk may produce better intelligence yields.

It further suggests that greater granularity is needed in defining typologies of involvement in money laundering from inadvertent to complicit behaviours in order to adapt the regulatory response accordingly. While for a complicit involvement the regulatory response should focus on greater supervision and enforcement of sanctions, in the case of inadvertent abuse, the response may be found in greater awareness raising of money laundering typologies and red flags by making them more relevant to the professionals.

Suspicious activity reports are mainly designed to fit the needs of the banking sector, i.e. based on reporting bank account transactions, and may not be adapted to reporting suspicion on a particular transaction but rather emerge over time in the relationship between a professional services provider and its customer. Better understanding the role of professionals in

transactions could help increase the quantity and quality of suspicious activity reports submitted by professionals as well as the resulting intelligence yield.

The report finally recommends exploring the potential of other intelligence collection and sharing mechanisms to complement SAR systems. Those include whistleblowing mechanisms, targeted reporting mechanisms as experimented by the US in the real estate sector with the Geographic Targeting Orders, or voluntary forms of information exchange drawing from the UK experience in the banking sector of the Joint Money Laundering Intelligence Taskforce. The latter could take the form of a network of vetted and trusted professionals to advise on intelligence cases and to jointly frame alerts and typologies to industry. Opening a new channel for information sharing would also positively affect the quality and quantity of mandatory reporting under the SARs regime.

No change will happen without the involvement of the sectors itself. The need for public-private collaboration has been identified on multiple occasions to further AML effectiveness, as the sector professionals play a key role in the fight against money laundering. Transparency International is [engaging with professionals in the accountancy and real estate sectors](#) to further efforts to improve AML business standards and practices at both global and national levels.

This entry was posted on Friday, July 13th, 2018 at 3:23 pm