Anti-Money Laundering and Combating the Financing of Terrorism

Regional Videoconference: Europe and Central Asia Region—Kazakhstan, Latvia, Romania, Russia, and Ukraine

Sponsored by the World Bank Financial Sector and the World Bank Institute in partnership with the International Monetary Fund and Europe and Central Asia Region of the World Bank
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A Worldwide Challenge…

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Director, Monetary and Exchange Affairs Department, International Monetary Fund

In recent years, and especially since the events of September 11, 2001, worldwide efforts to combat money laundering and the financing of terrorism have assumed heightened importance. Money laundering and the financing of terrorism are global problems that not only threaten security, but also compromise the stability, transparency, and efficiency of financial systems, thus undermining economic prosperity.

James D. Wolfensohn, president of the World Bank Group, has declared that the global community should act “where it really matters”—and, economically, money laundering really matters. At least US$1 trillion is laundered annually using increasingly sophisticated methods of moving funds across borders.

The success of a criminal enterprise is based on its ability to sanitize its ill-gotten gains by moving them through lax or corrupt national financial systems. The laundering allows criminals and terrorists to operate freely, using their financial gains to expand their criminal pursuits and fostering illegal activities such as corruption, drug trafficking, arms trafficking, smuggling, and financing of terrorism.

Money laundering and the financing of terrorism can have devastating economic and social consequences for countries, especially those in
the process of development and those with fragile financial systems. The economy, society, and ultimately the security of countries used as money-laundering platforms are all imperiled. Here are just a few examples of how illicit financial flows can affect the economy and institutions of the host country:

- Financial institutions that accept illegal funds cannot rely on those funds as a stable deposit base. Large amounts of laundered funds are likely to be suddenly wired out to other financial markets as part of the laundering process, threatening the institution’s liquidity and solvency. A financial institution’s reputation and integrity can be irrevocably harmed if involved in money laundering or financing terrorism.

- Local merchants and businesses may find that they cannot compete with front companies organized to launder and conceal illicit funds. Many such front companies offer their services and goods at below-market rates and even at a loss. Because their primary objective is the laundering of money, they do not need to compete in the marketplace and make a profit for their owners.

- Money laundering may also distort some economic sectors and create instability in their markets. Money launderers may channel funds to sectors or areas where funds are unlikely to be discovered whether or not investment is needed or real returns are offered. The often sudden departure of investments from those sectors may impair the industries involved.

- Currencies and interest rates can be distorted by money launderers’ investment practices, based as they are upon factors other than market returns.

- Money laundering and terrorist financing do nothing for the reputation of the host country. The loss of investor confidence that follows revelations of large-scale involvement in such activities can sharply diminish opportunities for growth. Once a country’s reputation is tarnished, it takes years to repair.

The global agenda to curb money laundering and the financing of terrorism calls for a cooperative approach among many different international bodies. Efforts to establish an international standard against both problems have been led by the 29-member Financial Action Task
Force (FATF), which has come forth with its “40 + 8” recommendations—the original 40 in the area of money laundering, and now 8 more related to the financing of terrorism.

The boards of the World Bank and the International Monetary Fund have recognized these recommendations as the appropriate standard for combating money laundering and the financing of terrorism and, in consequence, have intensified their work in this area. Both institutions are working with FATF to develop a comprehensive global methodology for assessing country compliance with FATF’s international standards. They are also cooperating to provide training and technical assistance to client countries and to coordinate efforts with other international organizations, including FATF, the FATF-style regional bodies, the United Nations, the Egmont Group, regional development banks, and other donors.

The videoconferences of the Global Dialogue Series, which bring international experts together with those charged with planning or administering national systems to curb money laundering, are an excellent example of collaborative international work in a critical area.

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The First Videoconference in the Global Dialogue Series on Anti-Money Laundering and Combating the Financing of Terrorism

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“Anti–Money Laundering and Combating the Financing of Terrorism,” a World Bank Global Dialogue Series, was inaugurated on January 24, 2002. The first dialogue in the series covers several countries from the World Bank’s Europe and Central Asia (ECA) region—Kazakhstan, Latvia, Romania, Russia, and Ukraine.

The Global Dialogue was a live videoconference conducted over the World Bank’s Global Distance Learning Network. Three hours in length, it involved more than 85 participants from financial intelligence units, central banks, ministries of finance, ministries of justice, ministries of internal affairs, state securities commissions, presidential administration, and other institutions.

The event provided a unique opportunity for five ECA countries, the World Bank, the International Monetary Fund, and the Council of Europe to discuss the challenges they face in combating money laundering and the financing of terrorism. The participants learned about the progress of each country and identified the type of assistance they need to make further progress. Moreover, they recognized the paramount importance of framing and addressing the challenge of money laundering within the broader context of improving governance and combating corruption and fraud in the private financial and public sec-
tors. Anti-Money laundering and Combating the Financing of Terrorism efforts cannot be effective in isolation from national and transnational governance, or by merely adopting conventions and declarations.

This first videoconference sets the stage for additional regional dialogues that aim to expand the international knowledge base on money laundering and terrorist financing. Important issues emerging from the dialogue and areas for future international assistance are summarized in the report that follows.
Videoconference Agenda—January 24, 2002

Paul Sigelbaum, Moderator
Sector Director, Private and Financial Sector Development Department, Europe and Central Asia Region, World Bank

Welcome and Introduction
• Paul Sigelbaum

The World Bank/IMF Response to Money Laundering and Terrorist Financing
• Cesare Calari, Vice President, Financial Sector, World Bank
• Commentary from John Abbott, Technical Assistance Advisor, Special Financial Supervisory Issues Section, Monetary and Exchange Affairs Department, International Monetary Fund

Governance in the Financial Sector: The Broader Context of Money Laundering and Terrorist Financing
• Daniel Kaufmann, Senior Manager, Governance, Regulation, and Finance Division, World Bank Institute

Country Presentations—How Have Governments Responded?
• Zhanat Kurmanov, Deputy Director, Department of Banking and Insurance Supervision, National Bank of Kazakhstan
• Viesturs Burkans, Chief, Department of Prevention of Legalization of Illegal Proceeds, Ministry of Finance, Latvia
• Nicolae Craiu, Senior Member of the Board, National Office for the Prevention and Control of Money Laundering, Romania
• Nicolae Fuiorea, Expert, International Relations Department, National Office for the Prevention and Control of Money Laundering, Romania
• Victor Zubkov, First Deputy Minister of Finance and Chairman, Committee on Financial Monitoring, Russian Federation
• Vytaļy Lisovenko, Deputy State Secretary of the Ministry of Finance, Ukraine

The representatives from Kazakhstan, Latvia, Romania, Russia, and Ukraine were asked to address the following issues:
• What are the country's responses to money laundering and terrorist financing?
• What institutional arrangements have been made to detect, investigate, and prosecute suspicious transactions?
• What are the key challenges for the country in combating money laundering or terrorist financing?
• What type of assistance does the country need from international organizations to fight money laundering and terrorist financing?

The Urgency of Regional Collaboration—A Practitioner’s View of Implementation Challenges for Regulators
• Peter Csonka, Principal Administrator and Deputy Head, Division of Economic Crime, Council of Europe

Open Discussions on Challenges for Implementation
• Rapporteur: John McDowell, Consultant, World Bank, Former Senior Policy Advisor, United States Department of State, Bureau for International Narcotics and Law Enforcement
Key Issues Raised in the Dialogue

John McDowell, Rapporteur

The following findings and conclusions emerged from the videoconference.

- The systems used to combat money laundering are at different stages of development in the five participating countries.

- Most countries have enacted appropriate anti-money laundering legislation, but enactment is only the first step in a long and difficult process of implementation.

- Countries are striving to follow international standards, such as the Strasbourg convention on laundering, search, seizure, and confiscation of the proceeds from crime, the 1991 European Union directive on the prevention of the use of the financial system for the purpose of money laundering, the Basel Core Principles, and the recommendations of the Financial Action Task Force.

- Representatives of Latvia expressed a willingness to help less-experienced neighbors by providing training and technical support.

- The financial intelligence units (FIUs) of some participants belong to the 69-strong Egmont Group where they can share information on money laundering and seek assistance from other members. Latvia, Romania, and Russia were members of Egmont as of June 2002.
• Most participants are members of the PC-R-EV committee of the Council of Europe, a regional body that operates much like the international Financial Action Task Force. Members undergo regular compliance evaluations by their peers and enjoy access to assistance from other members.

• A few participants have entered into bilateral cooperation agreements to enhance information sharing.

• FIU reports should be expanded to include insurance companies, casinos, attorneys, accountants, and other financial intermediaries.

• Law enforcement and the financial sector often fail to coordinate their efforts.

Country participants expressed the need for the following types of training and technical assistance:

• Workshops and seminars on fighting money laundering and the financing of terrorism.

• Exchanges of experts between FIUs and bank regulators.

• Funding for computer equipment and software.

• Training for bankers and for officials of nonbank financial institutions.

• Standards development.

• Drafting legislation and regulations.

• Developing FIUs.
Welcome and Introduction

- **Paul Siegelbaum**, Sector Director, Private and Financial Sector Development Department, Europe and Central Asia Region, World Bank

We are here to talk about serious issues—issues brought to the world’s attention by the events of September 11, 2001. The World Bank, the International Monetary Fund, and many other international organizations have declared their commitment to work together through the governments of the world to defend our global financial system against abuse by criminals and terrorists. We will cooperate in setting up systems and providing training and technical assistance so that the financial system can identify those who seek to use it for criminal and terrorist intentions. But considering how new the initiative is and how complex the national and international issues, we need to understand what each country is doing to protect the integrity of its financial system, how countries are cooperating in dealing with cross-border activities, what they see as their most immediate challenges, and, finally, what types of assistance the World Bank, the IMF, and other organizations can provide.
Paul Siegelbaum, a U.S. national, assumed his current position at the World Bank in 1999. His responsibilities include management of the department responsible for privatization, private sector development, and financial sector development in 26 countries in the former Soviet Union and Central and Eastern Europe.

Mr. Siegelbaum joined the Bank in 1982 as an attorney in the International Finance Corporation’s (IFC) Legal Department. He was appointed senior financial operations officer in IFC’s Financial Management and Planning Department in 1986. That same year he transferred to the World Bank’s Legal Department and subsequently became legal advisor for finance and head of the department’s finance unit. In 1989, Mr. Siegelbaum moved to the Financial Operations Department as a chief financial operations officer. In 1992 he became senior manager of the department’s North America, Asia, Pacific Division. In 1993 he was appointed division chief of the Enterprise and Financial Sector Division, serving eight former Soviet republics, and in 1997 he became country director for Belarus and Ukraine.

Before joining the Bank, Mr. Siegelbaum worked for two years with the Securities and Exchange Commission and spent eight years in the private practice of law. He received a BA in psychology from the University of Rochester and a JD from Columbia University.

The World Bank/IMF Response to Money Laundering and Terrorist Financing

- Cesare Calari, Vice President, Financial Sector, World Bank

This is the first WBI global policy dialogue on the subject of money laundering and financing for terrorism. We are very keen to hear how countries and other organizations—see the issues. Because our resources are limited, we emphasize partnerships with countries as our clients, first of all, but also with other institutions involved in the international Financial Action Task Force (FATF). Our association with the IMF is particularly close—we share an important diagnostic tool for financial sector assessment, the Financial Sector Assessment Program (FSAP), a joint program of the Fund and the Bank. The program was recently strengthened with the addition of an anti-money laundering module that provides a methodology for assessing compliance with international standards set by the FATF, by the Basel Committee, by the International Organization of Securities Commissions (IOSCO) for securities, and by the International Association of Insurance Supervisors (IAIS) for insurance. It is now being expanded to incorporate issues of financing for terrorism. As the program identifies gaps in financial system regulation and supervision, and as countries request assistance to address those gaps, the Bank
will provide technical assistance, capacity building, and training. So far we have provided assistance to support the drafting of legislation and regulations to prevent money laundering and other financial abuses, to help clients establish and staff financial intelligence units, and to train staff. We expect a strong increase in demand for assistance in this area as the new FSAP module is rolled out and as countries become more aware of the long-term cost of financial abuse—in terms of the affect of corruption on economies and of the destabilizing effects money laundering can have on domestic financial systems. To provide the best possible assistance we are reinforcing our own internal capabilities and recruiting staff.

Cesare Calari, an Italian national, holds degrees in law and international economics from the University of Bologna (Italy) and Johns Hopkins University (United States). After practicing law and serving with the Bank of Italy, he joined the International Finance Corporation (IFC) in 1982. His appointments there include director of the IFC’s Africa Region and director of the IFC Global Financial Markets Group. He held the latter position until his recent appointment as vice president of the Financial Sector of the World Bank in July 2001. In his current position, Mr. Calari is responsible for the Bank’s policy, advisory, and lending work on financial sector development and stability.

Mr. Calari is a member of the Financial Stability Forum and serves on the Board of Directors of Moneda Asset Management (Santiago, Chile). He has also been a director of Zivnostenska Banka (Prague), Nomura Hungary (Budapest), and International Bank in Poland (Warsaw).

• John Abbott, Technical Assistance Advisor, Special Financial Supervisory Issues Section, Monetary and Exchange Affairs Department, International Monetary Fund

The joint efforts of the IMF and the World Bank are evolving quite rapidly. The IMF, like the World Bank, entered the business of fighting money laundering only recently. Last year we began addressing problems relating to financial supervision. After September 11, the IMF board resolved in November and the Bank board in January to expand and intensify our efforts in this area. We are now pushing deeper into areas beyond strict financial supervision. We will include terrorism-related issues beyond money laundering and increase work on the legal framework for fighting money laundering and terrorist financing. We have also extended beyond the prudentially regulated sector to look at financial service providers that would not otherwise have been
reviewed. And we are doing more work on financial intelligence units. Taken together we have a fairly comprehensive approach to the issues involved in fighting money laundering and terrorist financing. One limitation: Our board has instructed us not to get involved in criminal law enforcement matters. But we are engaged in a close collaboration with the FATF to ensure that jointly we address all areas of money laundering and terrorist financing.

Our board also instructed us to intensify technical assistance. This meeting is a very important opportunity to hear where you are in your own processes and where further technical assistance might help you. As Cesare Calari said, we are focusing on the legal framework, financial intelligence units, and training. But other gaps may need to be filled. I look forward to hearing more of your ideas.

Before assuming his current position, John M. Abbott, a U.S. national, was Deputy Controller in the Office of the Comptroller of the Currency of the United States and Treasury Department representative at the U.S. embassies in London, Tokyo, and Brasilia. From 1991 to 1996, he advised the U.S. executive director of the Fund. He has taught at California State University Northridge. Mr. Abbott holds a PhD in economics from Tulane University, and BA and MA degrees in economics from Texas A&M University.

Governance in the Financial Sector: The Broader Context of Money Laundering and Terrorist Financing

• Daniel Kaufmann, Senior Manager, Governance, Regulation, and Finance Division, World Bank Institute

My intention is to put on the table a few elements of a framework for discussion and debate. With that in mind my unit prepared this chart—a first cut at a framework for discussion: what are the approaches to address money laundering within an comprehensive governance framework? It by no means is intended to include all aspects but to illustrate the main hypothesis which challenges some myths and orthodoxies about money laundering and financing of terrorism. At the outset let us state that the challenges in each country’s financial sector are unique depending on the country conditions—another reason for looking at this issue in all its complexity.
Misgovernance, Money Laundering, and Terrorism

Good Governance

Stage 1: Type of Business Activity and Source of Profit
- Legal Business Concerns
- Corruption by Country Leaders/Politicians
- Regulatory State Capture by Corporates/Banks
- Transfer Pricing/Tax Evasion
- 'Charities' and Other Front Companies
- Insider Trading, Stock Market X-Rate and Trade Price Manipulation

Stage 2: Type of Financial Transaction/Intermediary
- Legal Financial Transaction through Bonafide Financial Institution
- Money Laundering #1: A) Through Banks (i) 'Placement' (ii) 'Layering' (iii) 'Integration' (iv) e-banking
- Money Laundering #2: B) Through NBFIs (i) Real Estate (ii) Securities Brokers/Derivatives/X-Rate Market (iii) Leasing/Insurance Companies (iv) Others

Stage 3: Use of Funds/Profits
- Illegal Public Campaign Funding
- Terrorist Activity
- Luxury Consumption

Stage 4: Development?
- Anti-Development and Global Public 'Bad'

Misgovernance and Corruption in the Public Sector and Corporate/Financial Sector

Source A

Source(s) B (B1, B2)

Source C

Informal Financial and Other Institutions:
- Hawala
- Exchange Rate Market (peso)
- Commodities (gems, etc.)
- Cash
- Others

Luxury Consumption

Other Criminal Activities

Illegal Public Campaign Funding

Terrorist Activity
The rows in the chart illustrate the stages of the developmental and governance framework. The first row (stage 1) refers to the various types of activity and sources of profits and funds, which may be legal or illegal. The funds may or may not be channeled through money-laundering transactions. The second row (stage 2) refers to the types of financial transactions and intermediaries. The third row (stage 3) shows the uses to which funds are put. The last row (stage 4) indicates the ultimate impact of the activity—does it favor development or discourage it?

The illegal and extralegal activities that generate funds for laundering (stage 1 on the chart) vary from country to country and from region to region. The ‘egg’ on the left side is the legal side and the rest of the ‘eggs’ on the right side are all illegal types of activities which include insider trading in the stock market, transfer pricing through multinationals, drug trafficking, arms trade, corruption in government and in the political classes, and corruption in procurement. Here it is clear that we need to assess the links between misgovernance in the public/private sectors and money laundering.

The second row (stage) illustrates the types of financial institutions involved. There are two basic types of money laundering. The first type occurs through banks and other formal financial institutions. It is the most common type, or at least the most commonly covered in the press. Funds are placed, layered, and integrated. Electronic funds transfer, or e-banking, plays an important role in money laundering and terrorist financing activities. Growing in importance is money laundering through nonbanking financial institutions (NBFIs)—through real estate transactions, security brokers, derivatives, the exchange rate market, leasing insurance companies, and others.

The second type occurs through hawalas and other informal financial institutions, which in some parts of the world play a very important financial role. As we enhance enforcement, supervision, and institutional development, we must remember that there are substitutes for the formal financial sector. If the holes represented by those substitutes are not plugged, they will grow in importance.

Laundered money is put to many uses (stage 3)—among them terrorist activity, where laundered funds supplement financing received from legal commercial activities and from state sources. A similar pattern can be seen in illegal political campaign funding. Funds that may well have been generated legally go through a laundering transaction.
When financial activity is legal it is quite likely to contribute to growth and development. The opposite is true of illicit activity, which usually compromises growth and development. Money laundering and other types of illegal activities have significant socio-economic developmental and financial costs. In addition, the complex links among grand corruption, money laundering and terrorist financing needs to be better understood. They varies from setting to setting.

In addition to his role as WBI’s Director for global governance, Daniel Kaufmann directs the institute’s capacity building and learning efforts in Latin America. A leading expert in the field of governance, he has pioneered new empirical and survey methodologies with colleagues at the World Bank. Dr. Kaufmann’s team supports countries that request good governance and anticorruption assistance in their efforts to improve governance through a rigorous empirical, systemic, and strategy-driven approach. He frequently advises leaders, governments and civil society.

Before joining WBI in 1998 as manager, Dr. Kaufmann was lead economist in the Development Economics Group and Chief of Mission in Ukraine. He was a member of the team that produced the 1991 World Development Report on distilling the key lessons from development experience.

Dr. Kaufmann has published extensively on issues of economic development, privatization, governance, the unofficial economy, industrial and trade restructuring, corruption, transparency, and urban and labor economics. A Chilean national, he received his master’s and doctoral degrees in economics from Harvard University, where he was a visiting scholar. He holds a BS degree in economics and statistics from the Hebrew University of Jerusalem.

The Urgency of Regional Collaboration—A Practitioner’s View of Implementation Challenges for Regulators

• Peter Csonka, Principal Administrator and Deputy Head, Division of Economic Crime, Council of Europe and Secretary of the Council’s PC-R-EV Committee, which is charged with evaluating the effectiveness of the European convention on money laundering.

The Council of Europe is a regional organization with 43 member states—among them Ukraine, Russia, Romania, and Latvia. It supports democracy, human rights, and the rule of law. In the 1980s the Council published its first recommendation on money laundering. When the issue of drug-related laundering became very serious, we adopted, in 1990, the Strasbourg convention on laundering, search, seizure, and confiscation.
of the proceeds from crime. The convention obligates its 38 contracting parties to adopt effective domestic legislation against money laundering (that is, to criminalize it) and to facilitate confiscation and the steps leading to confiscation—such as tracing and seizing property.

The treaty permits confiscation not only in domestic procedures, but also on behalf of foreign counterparts. The countries that ratify the treaty undertake to help each other identify, trace, seize, and confiscate property, either by instituting their own proceedings or by recognizing the value of foreign decisions. Some of the Council's member states have not yet ratified the convention. I appeal to them to do so as quickly as possible.

How does the convention function in practice? In 1997 the Council established a committee called the PC-R-EV to evaluate its effectiveness. Similar in mission to the Financial Action Task Force (FATF), the committee evaluates anti–money laundering regimes in the 23 member states that belong to PC-R-EV. It exerts peer pressure on those governments to move ahead on issues identified in our reports on four important international documents:

- The 40 recommendations of the FATF, which constitute the main international guidelines for assessing our members’ performance in anti-laundering matters.
- The European Union’s 1991 directive on the prevention of the use of the financial system for the purpose of money laundering.
- The 1988 UN convention on illicit drug trafficking.
- The 1990 Strasbourg Convention.

In emulation of FATF, a mutual evaluation questionnaire is sent to the country being examined. Once the country responds to the questionnaire we visit the country to meet practitioners, politicians, and policymakers in finance, law enforcement, and justice. Our draft report, based on these interviews, is submitted to the government for comments and then discussed at a plenary meeting in Strasbourg. In the first round of these evaluation procedures, now concluded, we examined and adopted reports on all 23 member states of the PC-R-EV. We are now embarking on a second round of review, during which we will look at the implementation of the recommendations made in the first
round. We will be interested in practical results—how the anti-money laundering system as a whole works, is there awareness of money laundering in the banking community and in non-banking financial institutions (NBFIs), how consistently financial institutions are reporting suspicious transactions, how those transactions are examined, what results emerge from the reports, and are there investigation and prosecutions and are they successful?

Some countries have come a very long way from no protection against money laundering to a very comprehensive and complete system that can analyze and process suspicious transaction reports. But those reports are seldom transformed into prosecutions, and even less seldom into large confiscations and successful convictions. But the FATF countries have the same problem.

What are the problems we have detected? The economies of many of our member countries are still cash based, even for large transactions such as automobile and home purchases. Regulators must push for the adoption of cashless means of payment—which can help protect the economy. The countries in the region still do not have laws to prevent money laundering and must be encouraged to adopt them. A key benefit of legislation is to make financial institutions and professionals aware of their obligations to report suspicious transactions, keep records, and identify their customers and the origin of their funds.

A rising class of financial intermediaries—lawyers, accountants, notaries, casinos, and gambling houses, all of which FATF calls “eligible introducers”—is often left out of the scope of preventive laws. Countries should extend the scope of their legislation to cover those professions and activities.

Reporting from financial intelligence units (FIUs) has been very unbalanced from country to country. In most countries only banks report. Even in the banking community, most of the reports come from the largest banks. There is a large, silent majority from which no reports come. Only rarely do we see a report from an insurance company and almost none from casinos, lawyers, or other financial intermediaries. This situation has to be changed. Two reasons for the low level of reporting are lack of awareness of anti-laundering obligations and poor training. The institutions organizing this videoconference could help to raise awareness and to provide more training for the many financial intermediaries who have not yet been reached.
Some countries have expressed concern about poor coordination among the institutions involved in investigations of money laundering—organized crime units, tax and fiscal police, customs authorities, and prosecutors. Countries must make sure that their people speak to each other, so that everyone is aware of cases proceeding through the system. Bank secrecy still constitutes an important hurdle for the police and for prosecutors. Police often find themselves trying to lift bank secrecy to gather evidence for a case. Prosecutors or courts tell them that the evidence they have is not sufficient to warrant lifting secrecy. What to do? In many cases the evidentiary threshold imposed on the police and prosecutors is too high. The Council is looking at how the legal thresholds might be changed.

A related problem concerns predicate offenses committed outside the jurisdiction of the country. Very often countries do not obtain information concerning the predicate offense related to money laundering in their own jurisdiction.

What is most important for most countries is to know what kind of money laundering situation they have. They have to know, first, whether the proceeds are coming from within their own country or from a foreign jurisdiction. When cash is leaving the country, one has to know whether the flight is merely tax-related. Sometimes there is too much focus on tax-related revenue leaving the country; Russia and Ukraine, in particular, should focus more on non-tax-related proceeds leaving the country.

Coordination is important. All agencies and institutions involved in the fight against money laundering must share an understanding of the country's problems and coordinate their policies. Such policy coordination will become increasingly important as FATF expands its scope from money laundering to the financing of terrorism. PC-R-EV will report to FATF in June the results of our investigation of terrorist financing.

Peter Csonka is a principal administrative officer in the Department of Crime Problems, Directorate of Legal Affairs, Council of Europe. He joined the Council in 1991. Specializing in the field of economic crime, he was secretary to the Expert Committee on the Protection of the Environment through Criminal Law, the Expert Committee on Procedural Law Problems connected with Information Technology, and the Expert Committee on Witness Protection. He is now secretary to the Expert Committee on Crime in Cyberspace, the Expert Committee on Criminological and Criminal Law Aspects of Organised Crime, and Co-Secretary to the Multidisciplinary Group on Corruption.
Mr. Csonka is also responsible for money laundering issues. Since 1993 he has been involved in Council of Europe cooperation programs with Central and Eastern European states and has assisted governments in developing national policies, particularly in the field of money laundering, economic, and organized crime.

He graduated (LL.M) from the Faculty of Law at Miskolc University in Hungary. From 1988 until 1991, he lectured in the field of criminal law at the Institute of Criminal Law and Criminology, Miskolc. In 1988, he studied criminology at the University of Pau (France) and conducted research at the Vaucresson Centre on Juvenile Delinquency (France). He received postgraduate diplomas from the International University on Comparative Law in Strasbourg in 1990, and the following year from the International Institute of Human Rights, also in Strasbourg. After being admitted to the bar in Hungary 1989, he practiced law.

Mr. Csonka publishes in the field of comparative criminal law and human rights. He is a member of several international criminal law associations and a visiting lecturer at the University of Pau. He also collaborates with the Interights Institute in London and is a correspondent for the Computer Law and Security Journal (United Kingdom).

Wrap-up


Many countries in the Bank’s Europe and Central Asia region have adopted the Strasbourg Convention, the Basel Committee Core Principles, and the EU directive. Many have adopted laws and regulations to control money laundering. Both developments constitute a very good start to a very difficult task. But because the criminals always seem to be two steps ahead of us, legislation must be modified to close gaps as they develop. The lesson is that when passing laws and implementing regulations, it is best to plan for modifications to keep up with criminals.

Many countries of the region have set up FIUs and joined the Egmont Group of some 69 cooperating FIUs—both very important steps. Members of that group share information and gain access to training and the experience of other members. Beyond the informal Egmont Group, many countries have signed bilateral agreements that will enhance information sharing. The choice between informal and formal channels for sharing information is often a tough one to make. Often you can obtain more information informally, but can you use it in a court case? Each situation must be considered on its merits. One
option is first to obtain information informally, then request further
details through bilateral channels for use in court.

Latvia has provided support to train individuals in the region to fight
money laundering. We hope the Latvian example will encourage other
countries that already have a program to assist their neighbors and to
join the Council of Europe’s regional anti–money laundering group.
Members of that group are required to undergo a peer evaluation, a
positive undertaking because it helps those countries identify their
strong and weak points and address them through their partners in the
Council of Europe.

Videoconference participants made several requests for training,
workshops, and seminars. One learning tool that we have found to be
effective is the exchange of personnel, such as bank examiners. When
developing a new FIU, for example, such exchanges can get things
moving quickly. Similarly, bankers being introduced to new anti–money
laundering regulations can learn a lot from colleagues in countries that
already have a system in place.

Adoption of a new anti–money laundering regime creates a great need
for training—and for related translation, software, and hardware.
Bankers need to learn to recognize suspicious transactions and to
report them properly. Prosecutors, police, judges, bank regulators, and
officials of nonbank financial institutions (such as insurance companies
and casinos) also need training. This is an area where the World Bank
and IMF can play a significant role. Other areas for assistance are
detailed in the summary that appears at the beginning of this report.

Peter Csonka mentioned the lack of coordination among government
agencies, law enforcement authorities, and bank regulators. This very
difficult problem is best addressed when a new regime is being
planned. If bankers, law enforcement officials, and regulators are not
talking and exchanging information, then the lack of communication
will very likely defeat efforts to fight money laundering.

One participant asked how to deal with large financial transactions
using credit cards—a difficult problem. It is best to start by consulting
with correspondent banks, those that handle your credit card busi-
ness. With the correspondent bankers, try to set up a policy governing
review of such transactions. The key question is to be able to identify
suspicious transactions and to report them to the FIU.
Before joining the World Bank as a consultant at the beginning of 2002, John McDowell served as senior policy advisor for the U.S. Department of the State, where he was responsible for developing policy on global financial crime related to money laundering, terrorist financing, and bank regulation. His responsibilities also included the global technical assistance program for financial crime.

Mr. McDowell was formerly an executive with the Department of Treasury’s Office of the Comptroller of the Currency. He has extensive experience in bank regulatory compliance and safety and soundness issues, and in conducting seminars and training programs for state, national, and foreign groups in financial crime, money laundering, bank regulatory and compliance matters.

Mr. McDowell holds an MPA in business and government from Harvard University and a bachelor’s in business administration from the University of Florida.
Biographies of Country Representatives

Zhanat Kurmanov, Kazakhstan
Mr. Kurmanov has been deputy director of the Department of Banking and Insurance Supervision of the National Bank of Kazakhstan since 2001. Previously he was director of the Department of Insurance Supervision at the same institution and chief of the Financial Management Department at KBS Garant, an insurance company in Almaty, Kazakhstan. He holds professional certificates in brokerage and portfolio management from the National Commission on Securities of the Republic of Kazakhstan.

Mr. Kurmanov studied banking in the Faculty of Economics, Moscow Institute of Economics, Management, and Law, and science in the Faculty of Physics, Kazakh State University. He is a doctoral candidate in physical and mathematical sciences in the Joint Institute of Nuclear Research, Laboratory of Theoretical Physics, Dubna, Russia.

Viesturs Burkans, Latvia
Since June 1998 Mr. Burkans has headed the Department of Prevention of Legalization of Illegal Proceeds in the Latvian Ministry of Finance. Previously he was chief prosecutor for the Department of Methodology (1996–98) and the Department of Pre-Trial Investigation
Supervision (1995–96). He also held positions as a prosecutor in the Division of Criminal Law, Office of the Prosecutor General, Republic of Latvia (1994–95) and in the Jelgava regional prosecutor’s office (1993–94). From 1980 to 1993 he was a judicial investigator.

Mr. Burkans has represented Latvia on various European Union committees, including the Committee on Crime (CDPC) and the Select Committee of Experts on Evaluation of Anti–Money Laundering Measures (PC-R-EV).

**Nicolae Craiu, Romania**

Mr. Craiu is senior member of the board of the National Office for the Prevention and Control of Money Laundering. He graduated from the Faculty of Law of Sibiu University in 2000 after earning an MBA in marketing, international trade, and finance at the International Management Institute in Nicosia, Cyprus, in 1992. He has also studied economics, business, and philology in Romania, where he is a candidate for a doctoral degree in economics.

**Nicolae Fuiorea, Romania**

Mr. Fuiorea is an expert in the International Relations Department of the National Office for the Prevention and Control of Money Laundering. Previously he worked as a credit officer for Ion Tiriac, a commercial bank in Bucharest (1996–99). He began his career as an economist with the National Institute for Science and Techniques (1978–92), moving from there to the General Directorate for Relations with International Organizations in the Ministry of Finance (1992–96).

He holds a degree in economics from Academy of Economic Studies in Bucharest.

**Victor Zubkov, Russia**

Mr. Zubkov is the first deputy minister of finance and chairman of the Committee on Financial Monitoring of the Russian Federation. He has held many high management positions.

In 1992–93 Mr. Zubkov was deputy chairman of the external relations committee of the St. Petersburg mayor’s office. In November 1993, he...
was appointed deputy head of the Federal Tax Administration with responsibility for the State Tax Inspectorate of St. Petersburg. After the Federal Tax Administration became the Ministry of Taxes and Fees, Mr. Zubkov headed the St. Petersburg Mintax Department and became a deputy minister of taxes and fees of the Russian Federation.

He earned his economics degree at the Leningrad Agricultural Institute.

Vytaliy Lisovenko, Ukraine
Mr. Vytaliy Lisovenko is deputy state secretary in the Ministry of Finance.
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