

EU AML / CFT GLOBAL FACILITY

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Where we worked

February – April 2022



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Over the last three months

232
PARTICIPANTS IN
E-TRAINING &
E-WORKSHOPS

216
PARTICIPANTS
IN ONSITE
ACTIVITIES

3
CONTINENTS
REACHED

2
REGIONAL
CONFERENCES
ORGANISED

Bahrain

On 22-24 March 2022, the EU GF-AML/CFT organised a regional conference on judicial cooperation in the MENA region, in collaboration with the Siracusa International Institute, organised with the support of the Public Prosecution of the Kingdom of Bahrain.

Held under the title ‘Strengthening Judicial Cooperation in the MENA Region: Judges and Prosecutors at the Forefront of the Fight against Money Laundering and Terrorist Financing’, the three-day event witnessed the participation of 70 participants from 18 countries of the MENA region.

We are delighted to be here today with such great attendance. It is with pleasure that we see the level of dedication to judicial cooperation, a topic at the heart of the fight against money laundering and terrorist financing,” said EU Global Facility Team Leader David Hotte in his welcoming remarks.

“It is particularly impressive to witness participants from so many countries committed to the deepening of collaborative measures to ensure the due recovery of proceeds from organised crime and terrorist activities,” he added, thanking the Kingdom of Bahrain and all representatives for their attendance.

For his part, Jean-François Thony, President of the Siracusa Institute, highlighted the importance of the event, stating: “this conference is one-of its kind. Indeed, seeing judges and prosecutors from so many countries gathered in one room to cooperate on AML/CFT is unique, especially in this region. Too often we forget the importance of judges and prosecutors in the AML/CFT process but not today.”

“International collaboration of this level is of particular importance for the Siracusa Institute, which is at the forefront of the fight against organised crime in the Mediterranean and has made of the improvement of criminal justice systems one of its core missions.”

The conference is part of a series of activities aimed at strengthening international judicial co-operation and the efficient application of existing MLA standards and international instruments by judges and prosecutors.

In a video message, Regional Counsellor on counterterrorism and security at the EU Delegation to Saudi Arabia, Bahrain and Oman, Philippe Cormier, stated “this conference is an illustration of the fast and strong development of our common ambition to develop and deepen judicial cooperation in the MENA region and work to facilitate judicial cooperation with the EU, in a result oriented way.”

“Today, with this EU-MENA conference on judicial cooperation, our common interest is to extend the level of trust developed between EU Member States to the judicial relation we have between EU and MENA Member States,” he added.

“Too often we forget the importance of judges and prosecutors in the AML/CFT process but not today.”

Jean Francois Thony
President of the Siracusa International Institute for human rights and criminal justice



Participants in the regional conference on judicial cooperation pose for a group picture in Manama, Bahrain on 22 March 2022 ©EU GF

Topics tackled

- What works and does not work for judicial cooperation on AML/CFT matters: A high-level situation analysis for the MENA region
- Countering the financing of terrorism: a specific challenge for the MENA region
- National strategies to ensure effective investigations and prosecutions relating to anti-money laundering (AML), counter-terrorist financing (CTF) and counter-proliferation
- Best practices for money laundering and financial investigations and prosecutions, and criminal asset recovery
- Constitutional arguments as obstacles to judicial cooperation: Contrasting myth and reality
- Improving the capacity of investigators and judicial systems to turn intelligence into evidence
- International experiences and best practices with governmental and social reuse of confiscated criminal assets
- Improving judicial cooperation in the MENA region: listing effective tools



Participants from 18 countries convened to the regional conference ©EU GF

The regional conference led to the publication on the EU GF website of 15 Recommendations and a conference report, which will pave the way for the next regional conference scheduled during the last quarter of the year 2022.

Some
Figures

70

participants
attending

18

countries
represented

15

recommendations
formulated

Regional workshop on Rec 8

The EU GF organised a regional workshop on the compliance with international requirements concerning the FATF Recommendation 8, in collaboration with ESAAMLG and the Financial Intelligence Centre of South Africa.

Thank you to more than 130 participants in this workshop, who came from all parts of Africa and the world!

In his opening address, EU GF Team Leader David Hotte welcomed all participants coming from some 23 jurisdictions in total, saying "it is an honour to see present both ESAAMLG members countries, but also invited countries like Turkey or Jamaica. We hope that these three days will bring

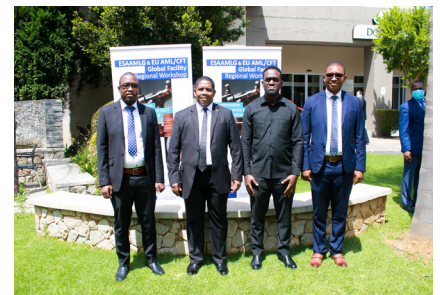
fruitful and lively discussions."

Joseph Jagada, from the ESAAMLG Secretariat, noted "I would like to thank the EU and the Global Facility Team for making this workshop possible, as well as the Financial Intelligence Centre (FIC) and South African authorities."

"The number of experts present is outstanding. REC 8 is a huge challenge to all countries; now risk based, this recommendation is a challenge to comply with, but a challenge that we

do not take lightly, and your presence in the room shows your commitment in this regard."

In the closing remarks, speakers agreed on the importance of collaboration between both regulators and NPOs, citing the successful examples of Tunisia's civil society and Mauritius' regulators. They called for the creation of a network of countries to achieve compliance with Rec 8.



Participants in the regional workshop on Recommendation 8 held in Johannesburg, South Africa on 7-9 March 2022 ©EU GF



EU delisting

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As per Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, the Official Journal of the European Union announced the ‘delisting’ of Mauritius, alongside that of the Bahamas, Botswana, Ghana and Iraq.

The EU recognised the “written high-level political commitment to address the identified deficiencies of these high-risk third countries which have developed an action plan with Financial Action Task Force (FATF)”.

Mauritius

The EU Global Facility on AML/CFT is particularly enthusiastic about this achievement, having been a long standing partner of Mauritius in its delisting efforts since June 2019.

Over the course of 18 months, the EU GF provided technical support to the country as part of the Technical Assistance Coordination Committee (TACC) composed of the GIZ, the IMF, UNODC, the World Bank, in addition to the support of the French and British embassies and AML-THB Project, among others.

Among other announcements:

- O “The FATF welcomed significant progress made by Botswana, Ghana and Mauritius in improving their AML/CFT regime and noted that Botswana, Ghana and Mauritius have established the legal and regulatory framework to meet the commitments in their action plans regarding the strategic deficiencies that the FATF had identified. Botswana, Ghana and Mauritius are therefore no longer subject to the FATF’s monitoring process under its on-going global AML/CFT compliance process. Botswana, Ghana and Mauritius will continue to work with the FATF Style Regional Bodies to improve further their AML/CFT regime.”
- O “The Commission’s analysis concluded that the Bahamas, Botswana, Ghana, Iraq and Mauritius do not have strategic deficiencies in their AML/CFT regime anymore considering the available information. The Bahamas, Botswana, Ghana, Iraq and Mauritius have strengthened the effectiveness of their AML/CFT regime and addressed related technical deficiencies to meet the commitments in their action plan regarding the strategic deficiencies that the FATF identified and the additional benchmarks or preliminary concerns set by the Commission.”

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Botswana

In a statement published on its platforms, the EU in Botswana recognised the “written high-level political commitment to address the identified deficiencies of these high-risk third countries which have developed an action plan with Financial Action Task Force (FATF)”.

The EU is pleased to confirm that this entry into force marks the full de-listing of Botswana, thanks to the commendable efforts by the Botswana authorities to address the deficiencies as well as the high level commitment to comply with international standards.

The Egmont Group of Financial Intelligence Units welcomed the Financial Intelligence Agency as new member in July 2021 reflecting the seriousness adopted by Botswana along the way. The EU together with other partners, the U.S. Embassy Gaborone, Botswana, International Monetary Fund and UK in Botswana have been standing alongside Botswana in the past 3 years to support these efforts.

This support is still on-going and together with our partners we will remain besides Botswana to assist whenever the need arises. These efforts have not been in vain and the momentum needs to be maintained and sustained to ensure the AML/CFT system in Botswana remains strong in the coming years."

For the [full Bulletin](#)

Long Read

Tightening the net on hidden criminal wealth: how the Global Facility seeks to strengthen BO transparency



© Pixabay

When the Panama Papers investigation exploded into the media in 2016 it grabbed headlines with revelations which led to a President being jailed and a Prime Minister resigning. Five years later investigations are continuing and new regulations are being written around the world. It lifted the veil on a part of the financial system made-up of shell companies, off-shore financial accounts and hidden assets. It showed how a globalised, tangled web of legal and corporate relationships shielded both the shy rich and criminals from public gaze and investigative scrutiny.

But sometimes they are not, which is the problem. Secrecy clashes with transparency. And without sufficient transparency it is impossible to distinguish legitimate wealth from criminal cash. A global system first established in the 1980s to fight money laundering, led by the Financial Action Task Force, has developed over time to gather financial intelligence, shine a spotlight into the darkest corners of the financial system and prevent its misuse by malign actors. However, it became clear that this system of data collection was barely scratching the surface, and did not address how corporate law, jurisdictional differences and accounting practices complicated and shielded criminal assets.

While financial intelligence units had been gathering data about people named as directors of companies and owners of accounts those who really controlled and benefitted from the associated wealth – the ultimate beneficial owners – were being missed. Further data leaks and media scandals have brought into stark focus how layers of secrecy continue to

be used and constructed to shield the wealth of individuals, criminal or not. Revelations showed how sham directors, agents and signatories were routinely employed to appear in paperwork as the owners of assets and corporations.

“The devil is in the detail

Those companies are shell companies, and can be used for a legitimate purposes or to launder criminal wealth. When a company has no physical presence beyond a PO box address, no meaningful activity and no employees what matters is identifying the beneficial owner. Almost ten years ago the then US Assistant Attorney General admitted what many working on money laundering around the world knew; “shells are the number one vehicle for laundering illicit money and criminal proceeds.” And while recent legislation seeks to address the abuse of shell companies in the USA around the world many layers of secrecy remain that shields criminal wrongdoing.

Peeling back the layers

Further data leaks to the media since 2016 have showed how offshore havens and shell companies are abused, and they have also highlighted the power

of transparency. The 2016 treasure trove of data enabled tax authorities to follow the money and recover \$1.36 billion in unpaid taxes across 24 countries, according to the journalists consortium who led the original investigation. Nevertheless, this remains a fraction of what is believed to be a worldwide money laundering problem that is hundreds – if not thousands – of times larger.

Exposing criminals who own or control the shell companies and benefit from other vulnerabilities in the international financial system is not so much a matter of lifting the veil as peeling back multiple layers of an onion. The FATF’s recommendations are designed to make it easier for authorities – be they regulators or prosecutors – to trace the trail of corporations, legal arrangements and names around the world and uncover those beneficial owners who are criminals. However, these international standards have been applied differently in different jurisdictions.

In Europe, the fourth and fifth anti-money laundering directives created a virtuous triangle of measures which reinforce each other to expose details of beneficial owners to those who need to know. The first part of what is called the multi-pronged approach is the obligation on companies to hold up-to-date lists of their beneficial owners, as well as shareholders. The second part makes it incumbent on banks, lawyers, accountants and other professionals – be they real estate agents or dealers in precious stones – to gather and verify information on the beneficial ownership of their clients. This data, once shared with authorities, can then be compared and cross-matched with the third part, a centralised beneficial ownership register. As a warehouse of information on beneficial owners it allows law enforcement to readily scrutinise beneficial ownership data and share it with colleagues internationally. And it allows cross-checking by professionals, investigators and members of the general public alike.

But the devil is in the detail.

In the European Union a beneficial owner is defined in terms of percentage ownership or voting rights in a corporation. Around the world some countries put the threshold lower and some make their register publicly available, while others do not. Even within Europe what details need to be registered varies from jurisdiction to jurisdiction, and a European Union-led central exchange mechanism between registers is still work-in-progress. So, the flow of information around the triangle is far from smooth and simple. And while jurisdictions such as the UK have established a central registry of beneficial ownership, which came to include the British Virgin Islands, it still excludes the Channel Islands.

Regulations are changing for European corporations and even notoriously secretive banking jurisdictions are starting to open up. Nevertheless, vulnerabilities remain. Criminal cash seeks the weakest link and can move rapidly around the world so government recognise there is a need for concerted global action.

Otherwise, cases like that of Central and South American shell companies being used to launder hundreds of millions of US Dollars of drug money risk being repeated. And instances of mass plunder of public finances of the type seen in Malaysia, when a leading investment banking firm issued bonds and opened offshore accounts with embezzled national development funds, will continue.

Continued ...

Tightening the net

This is where the Global Facility comes in.

It is helping to close loopholes around the world in line with the FATF's recommendations and best practices guide on beneficial ownership. Following a request, it applies a three-step strategy and provides legal, financial crime and IT experts to address beneficial ownership vulnerabilities in a country.

First, the Facility conducts a legislative and risk assessment to pinpoint weaknesses in beneficial ownership information sharing, and recommends mitigation measures.

This informs the second step where laws, processes and registers are strengthened so that professionals and law enforcement can easily access adequate, accurate and up-to-date beneficial ownership information. This is much-needed. A report from last year identified 52 jurisdictions without any laws covering beneficial ownership at all and far fewer had beneficial ownership registers that were effective and transparent. Indeed, some still struggle with comprehensive registration of details of legal owners.

"The final, crucial phase of support from the Facility seeks to turn what is on paper into reality," says

Alexandre Taymans, the Global Facility's expert on beneficial ownership. He describes how the Facility responds to the local environment – the laws, processes and financial practices – and supports jurisdictions on an individual basis to help them address the findings of their risk assessment.

"We support national authorities to build cooperation between stakeholders in the public and private sectors, and strengthen their knowledge of vulnerabilities related to beneficial ownership," says Taymans. "Our pool of experts is ready to build the legal, financial and data-processing expertise of regulators, investigators and private sector institutions. Better armed prosecutors can then convert intricate investigations into criminal cases, and ultimately convictions."

There is a growing call from all manner of organisations for greater transparency in beneficial ownership, including from the journalists who first investigated the Panama Papers. Noting that developing regions of the world lose more than 10 times the funds they receive in foreign development to illicit schemes they say that lawmakers need to make publicly available registers everywhere. "Without corruption and the shell companies that make it possible, there might be no need for aid to Africa or Asia," they say.

The net is tightening on hidden assets and criminal wealth, but far from closed.

If you are interested in learning more about our 'Long Reads', visit the [Blog section of our website](#).





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Coming Up

Between February and April 2022, the EU GF-AML/CFT continued delivering technical assistance activities, expanding its geographical and thematic outreach. Here is a snippet of what is coming in the next few months:

Romania:

The second meeting of the Experts Working Group to assess the scope and effectiveness of innovative legal approaches to ML investigations and asset recovery will be held in May

Egypt:

A regional conference on 'The use of AML/CFT legislation in the investigation of Art and Antiquities Criminality' is scheduled for June 2022.

UAE:

Series of e-training will be held on cryptocurrency

Zambia:

A training will be co-organised with the UNOCT in May, as a follow up to the South Africa Regional conference on Rec 8 (p.6)

Argentina:

Technical Assistance offer is being finalised and will lead to a scoping mission in the coming months.

Joint webinar with the IMF on "Enhancing BO transparency and the implementation of BO registers: legal and operational considerations" slated for July 2022.

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Correspondent Banking

A regional conference on the theme "From de-risking to best practices in correspondent banking relationships in Eastern and Southern Africa" will be held in Mauritius in May for countries of the ESAAMLG region and EU GF partner countries.

Georgia workshop

An international workshop on "AML/CFT regime for NPOs in the Eastern Partnership as a result of the ongoing war: Adapting policies, maintaining integrity and supporting humanitarian activity" will be co-organised with the Global NPO Coalition on FATF.

Judicial Cooperation

The second edition in a series of regional conferences on judicial cooperation is scheduled for October 2022. It will follow up on the Bahrain regional conference outlined on p.4-5



THE EUROPEAN UNION'S GLOBAL FACILITY ON
**ANTI-MONEY LAUNDERING AND
COUNTERING THE FINANCING OF TERRORISM**

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