



Synergies between beneficial ownership transparency, tax crimes and the fight against ML/TF”

Report of the Regional Conference held in Buenos Aires on November 7-9, 2023

Disclaimer:

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The European Union Global Facility on Anti-Money Laundering and Countering the Financing of Terrorism (EU AML/CFT Global Facility) is a technical assistance project supporting partner countries worldwide to strengthen their AML/CFT policy and operational frameworks.

Identified as the European Commission's mechanism to support countries engaged in strategic and operational AML/CFT reforms, the EU AML/CFT Global Facility offers various forms of technical assistance programs tailored to the partner countries' needs, on a demand-driven basis and in response to emerging threats.

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The Latin American Financial Action Task Force (GAFILAT) is a regionally based intergovernmental organization that brings together 18 countries from South, Central and North America: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru and Uruguay. GAFILAT is an associate member of the Financial Action Task Force (FATF) and one of the FATF-style regional bodies (FSRBs) of the Global Network.

GAFILAT's objective is to combat money laundering (ML), the financing of terrorism (FT) and the financing of the proliferation of weapons of mass destruction (PF) through a commitment to continuously improve national policies against both issues and to deepen the various cooperation mechanisms among member countries.

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The EU AML/CFT Global Facility (Global Facility), GAFILAT, the Inter-American Development Bank and Argentina's Ministry of Justice and Human Rights organised a 3-day conference on the synergies between beneficial ownership transparency, tax crimes and the fight against money laundering and terrorism financing. It featured experts from the FATF, GAFILAT, the OECD, the Global Forum on Transparency and Exchange of Information for Tax Purposes, the International Monetary Fund (IMF), the World Bank, the Bank for International Settlements (BIS), the Inter-American Development Bank (IADB), the Inter-American Center for Tax Administrations (CIAT), EITI and Harvard University as well as tax and anti-money laundering authorities from Belgium, Norway and several Latin American countries. Participants included competent authorities from Argentina, Brazil, Bolivia, Chile, Colombia, Cuba, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, and Uruguay.

The conference brought together 18 countries as well as interdisciplinary authorities related to beneficial ownership (BO), including tax authorities, FIUs, BO registries, anti-corruption agencies, international organisations and experts. It served three major purposes of learning about new topics, sharing best practices and engaging in networking to develop personal relationships in order to promote cooperation.

It was the first time that an international conference on BO brings together tax authorities, FIUs and other AML/CFT authorities. This event served as a vital platform for sharing knowledge and fostering collaboration, breaking the silos in which different competent authorities work to ensure that cooperation, especially at the domestic level, can achieve effective measures against financial crimes and improve beneficial ownership transparency.

Over the course of these three days, the hybrid regional conference explored a diverse range of topics. Day 1 provided the global and regional context of different standards and initiatives on tax and anti-money laundering, including their impact on beneficial ownership transparency. Day 2 dealt with availability, accessibility and quality of beneficial ownership information. It showcased the experiences of specific Latin American countries as well as leading examples from Norway and Belgium. It also offered a space for interaction and discussion among domestic tax and AML authorities from each country. Finally, on Day 3, the conference delved into practical case studies on extractives and capital markets, and forward-looking topics including exchange of information within enhanced privacy settings, lessons from the implementation of artificial intelligence and measures to address complex ownership structures.

Highlights

Countries described their BO legal frameworks and their initial steps to start enforcing compliance and verifying information, either manually or by statistical analysis of nature of the BO or by “outsourcing” verification to the private sector, by requiring financial institutions to check information before allowing customers to operate or to report discrepancies.

In addition to constraints on their staff’s technical capacity, awareness and understanding of BO frameworks which tend to be new, a major challenge refers to domestic cooperation among authorities (many feel like working in silos) and the lack of timely access to verified information, if they have access at all. In many cases, authorities engage and exchange more information with their foreign counterparts, than with other local competent authorities.

In this context, the conference emphasised the synergy potential between tax, AML and BO registries either to obtain information (through foreign exchanges via Egmont or the automatic exchange system), to verify information (based on authorities auditing capacities and additional information obtained via tax and asset declarations, STRs, etc.) and to use it appropriately (e.g. a tax evasion investigation may also involve the laundering of the evaded taxes). In this regard, automatic exchange of bank account information (which includes BO data) for tax purposes has a high degree of potential for AML, anti-corruption and verification of BO data. However, main challenges to take advantage of this relate to the lack of participation by some countries in the automatic exchange system, the limitations to use information for other purposes, or the lack of interoperability between systems. To tackle this, many countries in Latin America are working through the Punta del Este Declaration to run a pilot and sign MoUs to foster this cooperation and other uses.

The conference also served as a showcase of examples on upcoming policies and technologies that are under-utilised in Latin America, including the new OECD standard to collect and exchange information on virtual assets, the use of mandatory disclosure rules to understand and identify schemes to hide the BO or the application of machine learning and artificial intelligence to detect money laundering schemes. In addition, participants learnt about new frameworks to allow for cooperation and sharing of information within data protection and privacy frameworks, including pilots to detect money laundering through decentralised systems with federated pattern finding, encrypted systems to identify common individuals under investigation among different countries as well as platforms to share customer due diligence data among banks to save costs for financial institutions, customers and BO registries.

Although countries should improve their BO frameworks to comply with new international standards (e.g. the FATF reform of Recommendations 24 and 25, EITI’s new 2023 standard) and show effectiveness, after the conference they are in a much better position thanks to the newly establish personal relationships, the sharing of best practices and the awareness of new technologies and tools that they could start implementing to take a whole-of-government approach to BO transparency and the fight against financial crimes.



Conclusions

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BO Transparency. The conference highlighted the need for authorities to count with accurate and timely access to BO information as one of the key data points to investigate and fight financial crimes.



Multi-purpose. There was an agreement that BO information serves several purposes beyond AML/CFT, especially for tax purposes and anti-corruption.



Synergies. There were many examples of the same information being relevant for more than one purpose, and ways in which different authorities can cooperate with each other to fight financial crimes and specifically to improve BO transparency, such as the use of STRs or AEOI related to tax and banking information. In this sense, the synergies between the tax administration, the FIU and BO registries are yet to be exploited.



Challenges. Among the main challenges faced by authorities to cooperate with each other is the work in silos, the lack of trust or absence of legal frameworks (e.g. MoUs) to share information among local authorities, even if international exchanges through Egmont or the exchange of information standard is expanding.



Opportunities. Participants highly valued the opportunity to engage in networking and develop personal relationships with their local counterparts, as well as to learn from best practices of other countries. The use of new technologies, including AI and anonymised systems to share information can have a big potential to improve Latin America's work against money laundering and tax evasion.



Next Steps

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- Based on the success of the conference and the interest by participants, countries will be able to learn and engage with several capacity training opportunities and tools offered during the conference.
- The organisers will convene another conference in 2024 to continue the work, synergies, cooperation and trust among local and regional authorities, while being inspired from more best practices and learning about new tools and technologies.

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