



Session Report

Please know you may design the structure of this report to better suit the session. It's important to capture the key outcomes and solutions proposed for the future.

Session Title: At Your Service: How Western Enablers Facilitate Global Corruption and How to Stop it

Date & Time: Tuesday, 06.12.2022, 5:00 pm – 6:30 pm GMT -5

Report prepared by: Peter Munro, Senior Coalition Coordinator, UK Anti-Corruption Coalition

Moderated by: Juanita Oloya Garcia, Impact Tools

Panellists:

- Rachel Davies - Advocacy Director, Transparency International-UK
- Florindo U. Chivucute - Founder and Exec. Director of Friends of Angola
- Tutu Alicante - Executive Director, EG Justice
- Katherine Marshall - Professor, Georgetown University
- Roland Papp - Senior Policy Officer, Transparency International EU
- Scott Greytak - Director of Advocacy, Transparency International US

Share the thematic focus of the session, it's purpose and corruption risks?

The invasion of Ukraine shone a spotlight on the dirty money flowing through western economies.

At the centre of the problem are those professionals who help corrupt people launder their money and reputations. This reaches beyond just banks, lawyers and accountants. It touches institutions like schools, universities, charities, and even political institutions. These organisations may unwittingly provide a veneer of legitimacy to those who have stolen from their people.

Political and private sector leaders in the EU, US and UK were coordinated in their

response to the movement of assets in light of the Russian invasion. Now that same energy needs to be channelled towards tackling the enablers problem.

Who are the enablers and their impact?

What are the perspectives from the private sector and non-state actors?

What are the policy options and responses to the problems enablers represent?

Summary of panellists' contributions & discussion points (please be as detailed as possible)

Florindo U. Chivucute - Founder and Exec. Director of Friends of Angola, opened the session by discussing the impacts of corruption on the ground in Angola - the consequences are visible. He emphasised that people have been robbed of their future as a result of money leaving the country via the assistance of enablers, leaving high unemployment and limited opportunity for education. Young people are fighting over trash in the hope to find food. Florindo made a separate point that the Russian invasion is likely part-funded by Russian involvement in Angolan mining companies.

"You cannot just take a suitcase of cash out of Angola to a different location. You need people to help you in the robbery of Angolans."

There is a combination of people with political power, corporations, and global banks who understand the loopholes to launder and clean the money once it is in Europe.

Tutu Alicante - Executive Director, EG Justice, discussed similar issues in Equatorial Guinea, noting that whilst the country has had the highest income per capita in Africa, it ranks very low for humanitarian issues. There is little running water and electricity in hospitals – and every family has a horror story of a loved one who has suffered as a result of this poverty, such as maternal mortality.

Tutu then moved on to discuss the enablers, informing the audience about a particular case where 2 lawyers and 2 estate agents were testifying in USA about laundering \$300m out of EG, but they simply pled the 5th Amendment to protect themselves. There is so much money walking out the door and nothing the citizens can do about it. He made comparisons between enablers and the quote: "The best trick the Devil ever pulled was convincing people he didn't exist." Enablers use their legitimate practices as a veneer to cover their own activity in assisting economic crime.

He then went on to list the various types of enablers: IFIS & UN, real estate agents, accountants, lawyers, art dealers, PR marketing firms, bankers, and investment advisory firms. Art is a key place where people hide their money, and PR firms help political leaders with their public image, such as the President of EG, which can buy access and suggests legitimacy. He concluded that leaders in rule of law nations

often give legitimacy to corrupt leaders, by being pictured with them, shoulder to shoulder, at summits.

Rachel Davies - Advocacy Director at Transparency International-UK, opened with a case study of embezzlement and corruption. By the time this individual was convicted, they had bought 3 properties, had multiple bank accounts, and set up various companies. People cannot do this by themselves and need assistance from the enablers. Research from TI-UK found some obvious issues with this individual which should have raised suspicion. The enablers do have due diligence requirements, but for some reason, in this case, they progressed their services, leaving the question: did they do no due diligence, or did they submit a SAR (Suspicious Activity Report) and carry on with their services?

She then went on to discuss the situation in the UK, noting that the country has long rolled out the red carpet for corrupt individuals. It is an attractive place for legitimate business, but also for corrupt practice.

TI-UK analysed over 400 corruption cases spanning 116 countries amounting to economic damage in excess of £325 billion. With the data available, they identified 582 firms and individuals offering services in the UK – often unwittingly – to corrupt individuals. This included UK professionals from a wide range of sectors. There is a sliding scale of complicity for enablers: active compliance, unwitting involvement, wilfully blind, corrupt, and complicit in corruption. In the UK, the enablers are regulated and there are many positive outputs, but there are too many vulnerabilities, and it needs to be reformed:

- 1) Conflicts of interest. Representative bodies for the services also act as regulators. 92% of accountancy regulators raised concerns about imposing fines on their members for fear of losing their business. This is a clear conflict of interest.
- 2) Consistency. There are 25 different regulating bodies (13 for accountancy sectors for example). Regulation is very inconsistent across even the same sectors, resulting in different levels of fines etc. OBPA are the group that oversee these regulators, but they don't have powers to compel, only advise.

In advice to American allies, Rachel noted that the US can learn from the issues of regulating enablers in the UK in its forthcoming potential legislation, the ENABLERS Bill. She ended on a positive note by informing the audience that the UK Government does recognise issues with the British system, and we expect consultations on how to reform this in 2023.

Scott Graytek - Director of Advocacy for Transparency International US, opened by announcing that the Biden Administration officially supports the American legislation to regulate enablers: the ENABLERS Bill.

Banks do have due diligence requirements, but the new Bill gives authorities the power to require those who provide financial services to clients to adopt anti-money laundering safeguards that can help detect, flag, and prevent the laundering of

corrupt and other criminal funds into the US.

Despite opposition from the American Bar Association, there is an incredibly cross partisan coalition to support these measures. In response to a question, Scott told the audience that whilst the US does not have all the required legislation it needs to target the problem, they are effective at enforcing the laws that do exist – unlike other countries. He then went on to emphasise that it would be a serious undermining of the potential legislation if law enforcement and supervisory bodies were not properly resourced.

Roland Papp - Senior Policy Officer at Transparency International EU, opened by discussing the Danske Bank Scandal and the role enablers played in laundering 230billion in a period of 8 years. The EU is a good body, but there is an inconsistency of the implementation of policy as member states have to conduct their own enforcement. Additionally, member states do not like to point the finger at each other on these issues, resulting in the European Banking Authority not investigating the Danish and Estonian Supervisory authorities after the scandal.

When more funding was put into supervision, the number of Suspicious Transaction Reports (STRs) grew by more than 15 times between 2018 – 2021, from 597 reports to 8187.

Main outcomes of session (include quotes/highlights and interesting questions from the floor)

Comment from TI Kazakhstan: Domestic kleptocrats often go to enablers abroad for help, for confidentiality reasons.

Comment from ACT international + U of Ottawa re Customer due diligence for lawyers. Canada is a little brother jurisdiction (compared with the USA). Canadian clients are usually a subsidiary from the USA or overseas. If a client is a Canadian subsidiary, how far do you go/can you go for due diligence? Many of these individuals are also not asking for anything illegal, which blurs line between ethics and legal issues.

Q from Franz Wild (Bureau of Investigative Journalists): **In the UK we have rules, but they're not well enforced. Will enablers act be resourced?**

Answer from Scott Graytak: We don't have all the laws on the books that we should, but we enforce the ones that exist well. But yes, need to make sure there is funding for this Bill specifically.

Q from public (Devil's advocate): **Why should someone local/western care about this if money is coming to their country and being invested?**

Answer from Rachel Davies: Arthur story. Often, the local economy is undermined by this illicit finance, which eventually destroys the community. Local housing, flats, shops, business, etc. are often driven out by massive skyscrapers which are often fronted as apartment complexes or offices. The local economy gets uprooted which is especially damaging due to housing shortages.

Comment from Helen Taylor (Spotlight on Corruption): The debate on enablers is shifting in the UK due to the Russian invasion. The remark, “Why should we care if its legal?”, has become less powerful due to the visible impact of corruption and illicit finance. The US should pre-empt the UKs blind spots with its new Bill. The Bar Association fought the change in the US, and the Law Society in UK has the potential to do the same. Collaboration between private sector and law enforcement can be very fruitful.

Comment from Georgia Garrod (University of Sussex): We are conducting research based on poor Anti-Money Laundering (AML) supervision, with a report due in May on this. We need to focus on ethics, culture, and legal education too.

Key recommendations for the future and concrete follow-up actions

One of the key recommendations is that the United States must learn from the United Kingdom’s missteps regarding anti-money laundering supervision of enablers. The UK system is very disjointed, and the US has a golden opportunity to create a better regulatory system via the ENABLERS Bill.

Another key recommendation is that this work on enablers cannot be done without proper engagement with the professions themselves. There needs to be improved collaboration if any real change is going to occur, whether it be direct legislation or normative culture shifts within sectors.

Further, the UK Government will be holding consultations on reform of the AML system in 2023, which is a huge opportunity for reform.

Rapporteur’s name and date submitted

Peter Munro, 07.12.2022