

National Actions to Help Professional Services Ensure Financial System Integrity

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Open
Government
Partnership



Introduction

Protecting the integrity of the financial system is essential to national security, democratic peace, development, and controlling corruption. Ensuring that rich-country financial systems do not continue to be the destination of choice for dictators and organized crime is an essential challenge for our time. Money from developing countries is illegally siphoned into wealthy countries where “enablers”—providers of professional services—facilitate money laundering through financial secrecy. This has the effect of lowering the tax base in developing countries, emboldening repressive regimes, and encouraging strategic corruption. In the worst such cases, it also facilitates international aggression.

Ensuring that gatekeepers of the global financial system do not become enablers of corruption is central to the objectives of the Summit for Democracy (S4D), which include strengthening democracy and countering authoritarianism, fighting corruption, and promoting respect for human rights. This note seeks to inform members of the Financial Transparency and Integrity Cohort on how they can take action to ensure that professional services support growth and integrity.

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Checklist: High-Risk Professional Services

An emerging consensus suggests that regulating activities, rather than professions, is a more effective approach, reducing unnecessary paperwork and tax evasion. The following areas have been identified by OGP partners as high-risk services or activities that would benefit from additional Know Your-Customer (KYC) or Customer Due Diligence (CDD) regulations.

HIGH-RISK TRANSACTIONS

SOURCE

- Real estate: Buying, selling, transferring real estate ● ●
- Trade: Trade and customs services, including invoicing (especially for high-risk art, minerals, metals, metals) ●
- Tax preparation ● ●
- Art and antiquities: Transactions above certain amounts ●

FINANCE

- Wealth management: Management of client money, securities, or other assets ● ●
- Account management: Management of banks, savings, or securities accounts ●

LEGAL SERVICES

- Assisting in the opening of shell companies or bank accounts under names, including those of other legal persons, that obscure their ownership
- Creation, operation, or management of companies ●
 - This includes referral services for cross-border structures ●
- Creation, operation or legal management of legal persons or arrangements ●
- Buying and selling of business entities ●
- Creation of bearer shares and other opaque shareholder vehicles ●
- “Golden visa” and other Residence-by-Investment services ●

DATA MANAGEMENT

- Managing custody of incriminating data ●

SOURCE KEY

- Covered by FATF Recommendation 28
- OECD’s [“Ending the Shell Game”](#) Recommendations
- CMI | U4 [Enablers Help Desk](#)
- Transparency International chapters (see below)
- Identified as particularly high-risk and essential to oligarchic networks, according to [Chang et al.](#)

Analysis of Major Illicit Financial Flow Destinations

Wealthy countries are often the destination for ill-gotten gains. An analysis of major jurisdictions in the table below shows where gaps can be plugged in the global financial system. A number of other services and jurisdictions are not included at this time. Improving reporting requirements can complement public transparency efforts, including corporate reporting standards and beneficial ownership data. The analysis below was done by Transparency International, with the graph recreated from [Up to the task? The state of play in countries committed to freezing and seizing Russian dirty money.](#)

Overview of Anti-Money Laundering (AML) Requirements for Key Gatekeeper Professions

Country	Real estate agents	Lawyers	Trust + corporate service providers	Investment fund managers	Luxury goods dealers
Australia			*	† ‡	†
Canada			**		†
France					
Germany					
Italy					
Netherlands					
United Kingdom					
United States			***		

KEY



Yes



No

* Partial: only trust service providers who are considered to be financial institutions are covered.

** Trust service providers have AML obligations but lawyers, who can set up trusts, are excluded.



*** Only trust companies that are considered to be providing the services of financial institutions are covered; many trust service providers are excluded from AML obligations.

† Only jewelers and dealers in precious metals and stones have AML obligations.

‡ AUSTRAC regularly issues exemptions for investment managers.



General Recommendations for Action

The following recommendations are a short list of concrete actions that governments can take to limit the role their financial systems play in laundering ill-gotten gains. Recommendations should be adapted to the individual national context. Such reforms can be part of a broader open government approach, engaging the public and watchdogs with transparency, participation, and accountability.

BASIC

- **Supervision:** Establish an independent authority with the ability to refer potential criminal cases to law enforcement and sanction non-compliance with reporting.
- **Beneficial ownership transparency:** Establish a public beneficial ownership register.
- **Reporting procedures:** Establish customer due diligence/know your customer regulations, Unexplained Wealth Orders (UWOs) and other processes to identify high-risk transactions.

INTERMEDIATE

- **Verification:** Establish systems of verification and adequacy for beneficial ownership and politically exposed persons (PEPs)¹ information submitted.
- **Capacity:** Ensure adequate jurisdiction, supervision, and resourcing for financial intelligence units (FIUs) and other supervisory authorities.
- **Establish risk-based screening and prioritization processes:** Prioritize investigations and supervision on suspicious activity reports (SARs), UWOs, and other matters of concern.
- **Geographic loopholes:** Identify subnational entities and dependencies with weaker reporting regulations and close geographic loopholes.

ADVANCED

- **Offshore entities:** Establish requirements for offshore entities holding property or interests in the country.
- **High-risk jurisdictions:** Identify countries with high levels of risk of being origin countries for money laundering. Apply this filter in prioritizing investigative and law enforcement actions.
- **Real estate ownership transparency:** Establish public land beneficial ownership registers.
- **Politically Exposed Persons:** Create public, complete, and interoperable PEPs databases.

To read more about open government efforts to protect the integrity of the financial system, please consult *Committing to Combat Kleptocracy: A Guide for OGP Members*, a forthcoming publication from the National Democratic Institute (NDI) authored by Jodi Vittori.

¹ Politically exposed persons are usually defined as elected officials and major appointees, as well as their immediate family members.