

Session 3: Financial institutions & Corruption Involving Vast Quantities of Assets

UNODC Expert Group Meeting
Lima, Peru

Sol Krause

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Role of FI

FI = conduit/facilitator	<i>Passive</i>	No knowledge of the crime; FI generally follows reporting obligations
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Very common; vulnerability = part of the nature of services FIs provide

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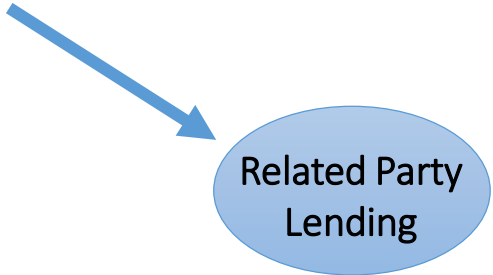
FI = conspirator/catalyst	<i>(Partially) Active</i>	Some knowledge of the crime within some parts of the FI
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Often there's an information barrier btw compliance dept and client relationship managers.
e.g. Goldman Sachs (1MDB bond sales) , Danske Bank (Estonian branch)

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FI = controlled by conspirators /PEPs	<i>Active</i>	Controllers of FI are orchestrating the crime
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- e.g.
- Moldovan Bank Fraud
 - Kabul Bank
 - Meinl Bank - Antigua branch (Lava Jato)
 - Falcon Private Bank AG (1MDB)



Level of complicity

Innocent

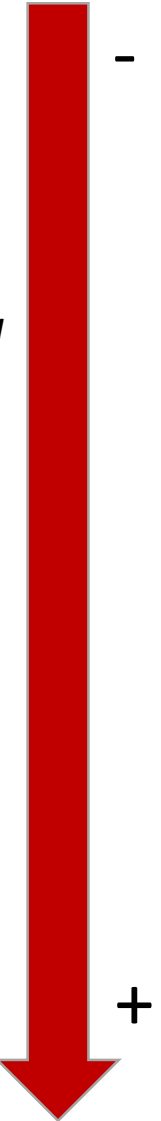
Unwitting

Willfully blind

Complicit

Catalyst

Directing corrupt acts



Role of FI

Policy Responses & Tools to Combat Abuse?

Level of complicity

1

FI = conduit/facilitator

- AML regulations & enforcement
- *BO Transparency of Corporate Vehicles*
- *Correspondent Banking*
- Internal compliance procedures
- Better technological tools for monitoring + detecting suspicious transactions
- FI employees' incentive structures

Innocent -

Unwitting

Willfully blind

2

FI = conspirator/catalyst

- AML regulations & enforcement
- *BO Transparency of Corporate Vehicles*
- *Correspondent Banking*
- FI employees' incentive structures
- *High-profile prosecutions of complicit fin intermediaries w/ criminal fines*
- *Civil Litigation by affected parties*

Complicit

Catalyst

3

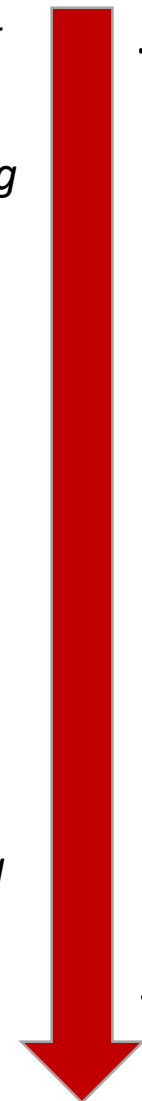
FI = controlled by conspirators /PEPs

- Independent & competent supervision
- Ownership/Shareholder Transparency
- Corporate Governance
- DD processes for acquiring controlling interest in FIs
- Enforcement of Basel Principle 20
- *BO Transparency of Corporate Vehicles*
- *International sanctions & aid conditionality*

Directing corrupt acts

+

Blue font – more international levers available



Questions:

- Which category presents the highest risks in terms of facilitating grand corruption cases?
- In practical terms, what policy levers are there to prevent and combat these different categories of abuse of FIs for corrupt purposes?
 - National-level responses vs. international-level responses

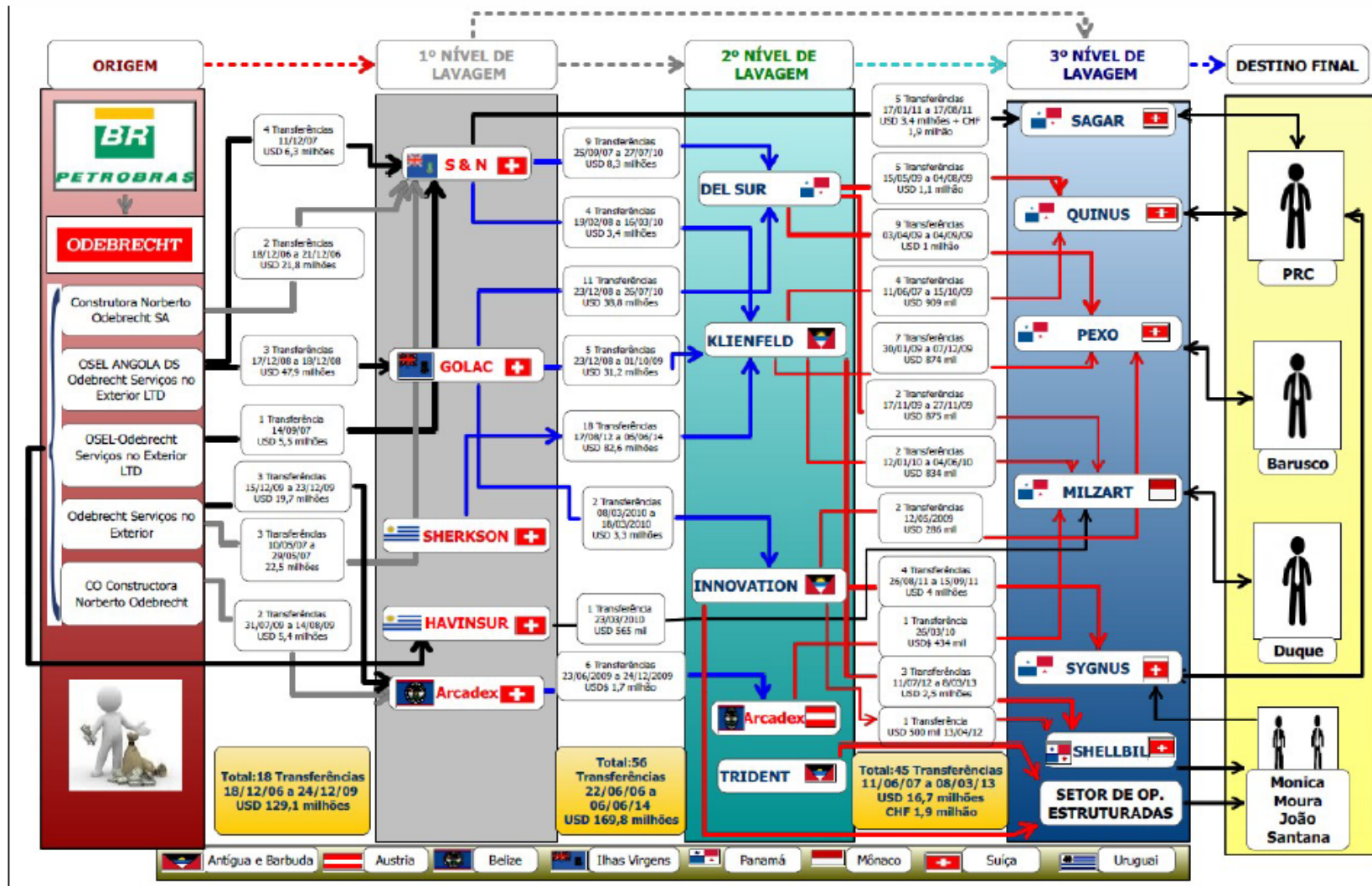


Image source: Complaint against Antonio Filho, Marcelo Odebrecht, et. al. Ministério Público Federal (MPF) Brazil (28-03-2016)

Lava Jato example (category 3): After another favored bank in Antigua faced liquidity problems, conspirators acquired a controlling interest in a small, largely inactive Antigua branch of Austrian Meindl Bank in 2010 for \$4m. After the acquisition, over 70 corporate accounts of Odebrecht subsidiaries were moved to this bank, which served as an important nexus in Odebrecht's money laundering scheme. The Austrian bank said they had no control over and no operational insight into bank operations at this branch after the 2010 acquisition.