Selected OECD Activities on Asset Recovery, Illicit Flows and Financial Crime

Inter-Governmental Working Group on Asset Recovery

25-26 August, Vienna
PART 1
DAC/GOVNET/ACTT


1. Reinvigorating AC efforts at country level
   - joint analysis
   - common benchmarks
   - joint responses and consistent messages

2. Tackle the global incentive environment for corruption
   - understand the international drivers of corruption
   - supply side of corruption: ie: bribery, asset recovery, illicit flows
   - work across institutions
1. **Reinvigorating AC efforts at country level**

Joint Assessments: principles on governance assessments

Uganda Case: Joint donor script, common country based actionable indicators (DTM), graduated response

Results: government action on commonwealth secretariat corruption case

Other countries: Zambia, Burundi, Sierra Leone, Kenya, Mozambique, Cameroon.
2. Tackle the global incentive environment for corruption

- International Drivers of Corruption: an analytical tool.
- Upcoming report on how OECD countries fight illicit flows

OECD countries that have frozen and/or returned assets to a foreign jurisdiction
OECD countries that have not frozen and/or returned assets to a foreign jurisdiction
Other countries

Assets Frozen:
- over $500 billion
- $100 billion
- $50 billion
- $10 billion
- under $5 billion

Assets Returned:
- over $200 billion
- $100 billion
- $50 billion
- $10 billion
- under $5 billion
Assets Frozen: 1,225 USD Millions

Assets Frozen ($mm)*

- United States: $412.2, 33.6%
- Luxembourg: $508.4, 41.5%
- United Kingdom: $229.6, 18.7%
- Switzerland: $66.6, 5.4%
- Australia: $6.9, 0.6%

Total Assets Frozen = $1,225mm
Assets Returned: 227 USD Millions

Assets Returned ($mm)*

- United States: $120.2, 43.5%
- Switzerland: $146.3, 53.0%
- United Kingdom: $2.2, 0.8%
- Australia: $7.6, 2.8%

Total Assets Returned = $277mm
Findings

• There is a scarcity of data on international corruption and asset recovery cases.
• Many donor countries have no criminal convictions for foreign bribery.
• Few donor countries have taken steps to trace, freeze and return the proceeds of corruption to a foreign jurisdiction.
• Strong and sustained political leadership backed by necessary laws is directly linked to actual progress on foreign corruption and asset recovery.
• Adopt and implement comprehensive strategic policies.
• Ensure that laws effectively target corruption and asset recovery, in particular have the capacity to rapidly trace and freeze assets.
• Implement institutional reforms that build capacity in pursuing cases and improve trust and cooperation with foreign counterparts.
• Ensure adequate funding for domestic law enforcement efforts and foster international cooperation in kleptocracy cases.
• Collect statistics to measure results
How can ACTT help implement the UNCAC? And in particular Chapter V

- Suggestions?
- What OECD does: policy development, monitoring of commitments by OECD countries
- Future asset recovery agenda: based on working group members’ experiences, elaborate clear and measurable commitments at HLF4 on asset recovery - and then measure them?
PART 2
The Tax and Whole of Government Dimension in fighting financial Crime

- Unlocking the potential that tax administrations can bring to the table
- Improving inter-agency and international cooperation
Unlocking tax administration potential –
Anti bribery tax provisions

- UN and OECD anti-bribery tax provisions disallow the tax deductibility of bribes to foreign public officials

- OECD 2009 Recommendation on Tax Measures for further Combating Bribery of Foreign Public Officials
  - Requires explicit legislation to prohibit the deductibility of bribes;
  - Tax authorities should establish an effective system to facilitate reporting of suspicions of serious crimes to the appropriate domestic law enforcement authorities;
  - Tax authorities should allow the information provided by a treaty partner for tax purposes to be used to combat serious crimes such as corruption (also provided in Multilateral Convention on Mutual Administrative Assistance in Tax Matters)
• Tax examiners check the books and records of taxpayers and can detect suspicious transactions and patterns of such transactions
• Tax auditors are well placed to identify suspicions of bribery and money laundering
• OECD Bribery awareness handbook translated into 17 languages (see oecd.org/ctpa/nobribes)
• Money laundering awareness handbook (see oecd.org/ctpa/laundering)
• International training programme covering both issues
OVERVIEW OF MONEY LAUNDERING

PLACEMENT
GOAL: DEPOSIT CRIMINAL PROCEEDS INTO FINANCIAL SYSTEM
- CHANGE OF CURRENCY
- CHANGE OF DENOMINATIONS
- TRANSPORTATION OF CASH
- CASH DEPOSITS

SOURCE OF INCOME
- TAX CRIMES
- FRAUD
- EMBEZZLEMENT
- DRUGS
- THEFT
- BRIBERY
- CORRUPTION

LAYERING
GOAL: CONCEAL THE CRIMINAL ORIGIN OF PROCEEDS
- WIRE TRANSFERS
- WITHDRAWALS IN CASH
- CASH DEPOSITS IN OTHER BANK ACCOUNTS
- SPLIT AND MERGE BETWEEN BANK ACCOUNTS

INTEGRATION
JUSTIFICATION
GOAL: CREATE AN APPARENT LEGAL ORIGIN FOR CRIMINAL PROCEEDS
- CREATING FICTITIOUS LOANS, TURNOVER/SALES, CAPITAL GAINS, DEEDS, CONTRACTS, FINANCIAL STATEMENTS
- DISGUISE OWNERSHIP OF ASSETS
- CRIMINAL FUNDS USED IN THIRD PARTY TRANSACTIONS

INTEGRATION
INVESTMENT
GOAL: USE CRIMINAL PROCEEDS FOR PERSONAL BENEFIT
- LIQUIDITY - CASH AT HAND
- CONSUMPTION
- INVESTMENTS
Improving Domestic Cooperation

• Reduce silo approach and duplication
• Joint task force
  – Australia’s Wickenby project
• Explore and improve cooperation between tax administrations, FIUs, other law enforcement agencies
• Best practices in cooperative methods
  – Use of multi-agency units
  – Data fusion centres
Improving Domestic Cooperation

- Range of instruments to enable international information sharing
  - Bilateral Tax treaties
  - Multilateral tax convention
  - MLATs
  - FIU MOUs
- Mapping how best to use these and ensure effective use of information on tax crimes, corruption, money laundering and other crimes
OSLO
CAPITAL OF CULTURE AND NATURE

Tax and Crime Conference
Oslo 21–23 March 2011
Where we are at

- Task Force on Tax Crimes and Other Crime – TFTC
- Oslo Tax and Crime conference, March 2011
  - See http://www.oecd.org/dataoecd/14/0/47425987.pdf
- Business, NGOs, developing and developed countries
- Called for increased cooperation between agencies in tackling financial crime domestically (whole of government) and internationally with particular focus on developing countries.