Anti-Money Laundering and Combating the Financing of Terrorism

Regional Videoconference: Latin America and Caribbean Region—Brazil, Colombia, Guatemala, Jamaica, and Mexico

Sponsored by the World Bank Financial Sector and the World Bank Institute in partnership with the International Monetary Fund and Latin America and Caribbean Region of the World Bank
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A Worldwide Challenge…

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Director, Monetary and Exchange Affairs Department, International Monetary Fund

In recent years, and especially since the events of September 11, 2001, worldwide efforts to combat money laundering and the financing of terrorism have assumed heightened importance. Money laundering and the financing of terrorism are global problems that not only threaten security, but also compromise the stability, transparency, and efficiency of financial systems, thus undermining economic prosperity.

James D. Wolfensohn, president of the World Bank Group, has declared that the global community should act “where it really matters”—and, economically, money laundering really matters. At least US$1 trillion is laundered annually using increasingly sophisticated methods of moving funds across borders.

The success of a criminal enterprise is based on its ability to sanitize its ill-gotten gains by moving them through lax or corrupt national financial systems. The laundering allows criminals and terrorists to operate freely, using their financial gains to expand their criminal pursuits and fostering illegal activities such as corruption, drug trafficking, arms trafficking, smuggling, and financing of terrorism.

Money laundering and the financing of terrorism can have devastating economic and social consequences for countries, especially those in...
the process of development and those with fragile financial systems. The economy, society, and ultimately the security of countries used as money-laundering platforms are all imperiled. Here are just a few examples of how illicit financial flows can affect the economy and institutions of the host country:

- Financial institutions that accept illegal funds cannot rely on those funds as a stable deposit base. Large amounts of laundered funds are likely to be suddenly wired out to other financial markets as part of the laundering process, threatening the institution's liquidity and solvency. A financial institution's reputation and integrity can be irrevocably harmed if involved in money laundering or financing terrorism.

- Local merchants and businesses may find that they cannot compete with front companies organized to launder and conceal illicit funds. Many such front companies offer their services and goods at below-market rates and even at a loss. Because their primary objective is the laundering of money, they do not need to compete in the marketplace and make a profit for their owners.

- Money laundering may also distort some economic sectors and create instability in their markets. Money launderers may channel funds to sectors or areas where funds are unlikely to be discovered whether or not investment is needed or real returns are offered. The often sudden departure of investments from those sectors may impair the industries involved.

- Currencies and interest rates can be distorted by money launderers' investment practices, based as they are upon factors other than market returns.

- Money laundering and terrorist financing do nothing for the reputation of the host country. The loss of investor confidence that follows revelations of large-scale involvement in such activities can sharply diminish opportunities for growth. Once a country’s reputation is tarnished, it takes years to repair.

The global agenda to curb money laundering and the financing of terrorism calls for a cooperative approach among many different international bodies. Efforts to establish an international standard against both problems have been led by the 29-member Financial Action Task
Force (FATF), which has come forth with its “40 + 8” recommendations—the original 40 in the area of money laundering, and now 8 more related to the financing of terrorism.

The boards of the World Bank and the International Monetary Fund have recognized these recommendations as the appropriate standard for combating money laundering and the financing of terrorism and, in consequence, have intensified their work in this area. Both institutions are working with FATF to develop a comprehensive global methodology for assessing country compliance with FATF’s international standards. They are also cooperating to provide training and technical assistance to client countries and to coordinate efforts with other international organizations, including FATF, the FATF-style regional bodies, the United Nations, the Egmont Group, regional development banks, and other donors.

The videoconferences of the Global Dialogue Series, which bring international experts together with those charged with planning or administering national systems to curb money laundering, are an excellent example of collaborative international work in a critical area.

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The Second Videoconference in the Global Dialogue Series on Anti-Money Laundering and Combating the Financing of Terrorism

Margery Waxman  
Director, Financial Market Integrity, World Bank

Daniel Kaufmann  
Director, Global Governance and Regional Learning (LCR), World Bank Institute

R. Barry Johnston  
Chief, Special Financial Supervisory Issues Division, International Monetary Fund

“Anti–Money Laundering and Combating the Financing of Terrorism,” a World Bank Global Dialogue Series, was inaugurated in January 2002. The first dialogue in the series covered several countries from the World Bank’s Europe and Central Asia (ECA) region. This second dialogue in the series covered the Bank’s Latin America and the Caribbean (LAC) region. Held on April 3, 2002, it featured experts from Brazil, Colombia, Guatemala, Jamaica, and Mexico.

The Global Dialogue was a live videoconference conducted over the World Bank’s Global Distance Learning Network. Three hours in length, it involved more than 46 participants from financial intelligence units, central banks, ministries of finance, ministries of justice, ministries of external affairs, state securities commissions, presidential administrations, and other institutions.

The event provided a unique opportunity for five LAC countries, the World Bank, the International Monetary Fund (IMF), GAFISUD (the FATF-style body for South America), the Caribbean Financial Action Task Force (CFATF), the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD), and the Inter-American Development Bank (IDB) to discuss the challenges they face in combating money laundering and the financing of terrorism. The
participants learned about the progress of each country and identified the type of assistance they need to make further progress. Moreover, they recognized the paramount importance of framing and addressing the challenge of money laundering within the broader context of improving governance and combating corruption and fraud in the private financial and public sectors. Anti-Money laundering and Combating the Financing of Terrorism efforts cannot be effective in isolation from national and transnational governance, or by merely adopting conventions and declarations.

The first videoconference set the stage for this and future regional dialogues that will expand the international knowledge base on money laundering and terrorist financing. Important issues emerging from the dialogue and areas for future international assistance are summarized in the report that follows.
Videoconference Agenda—April 3, 2002

Danny M. Leipziger, Moderator  
Director, Finance, Private and Infrastructure Sector, Latin America and Caribbean  
Region, World Bank

Margery Waxman, Moderator  
Director, Banking and Financial Restructuring Department, Financial Sector, World Bank

The World Bank/IMF Response to Money Laundering and Terrorist Financing
  • Cesare Calari, Vice President, Financial Sector, World Bank  
  • Barry Johnston, Chief, Special Financial Supervisory Issues Division, International Monetary Fund

Governance in the Financial Sector: The Broader Context of Money Laundering and Terrorist Financing
  • Daniel Kaufmann, Senior Manager, Governance, Regulation, and Finance Division, World Bank Institute

Country Presentations—How Have Governments Responded?
  • Adrienne Senna, President, Council for Financial Activities Control, and Counsel, National Treasury, Brazil  
  • Rodolfo Uribe, General Director, Financial Analysis and Information Unit (FIU), Ministry of Finance, Colombia.  
  • Edgar Baltazar Barquin Durán, Director of Technical Coordination, Office of Bank Supervision, Guatemala.  
  • Audrey Anderson, Deputy Governor, Central Bank of Jamaica and Deputy Supervisor of Banks and Financial Institutions  
  • Carlos Rochin, Director of Policies and Regulation for Money Laundering Issues, General Directorate for Banking and Savings
The representatives from Brazil, Colombia, Guatemala, Jamaica, and Mexico were asked to address the following issues:

• What are the country's responses to money laundering and terrorist financing?
• What institutional arrangements have been made to detect, investigate, and prosecute suspicious transactions?
• What are the key challenges for the country in combating money laundering or terrorist financing?
• What types of assistance does the country need from international organizations to fight money laundering and terrorist financing?

The Urgency of Regional Collaboration—Practitioners' Views of Implementation Challenges for Regulators

• Fernando Rosado, Executive Secretary, Grupo de Acción Financiera de Sudamérica (GAFISUD) Secretariat
• Calvin E.J. Wilson, Executive Director, Caribbean Financial Action Task Force Secretariat
• Rafael Franzini, Chief, Anti-Money Laundering Unit, Organization of American States
• James Spinner, General Counsel, Inter-American Development Bank

Speakers focused on regional collaboration and discussed:

• Their organization's mission
• Urgent needs for regional and international collaboration against money laundering and terrorist financing
• Past achievements and future challenges.

Open Discussions on Future Challenges for Implementation

• Rapporteur: John McDowell, Consultant, World Bank, Former Senior Policy Advisor, United States Department of State, Bureau for International Narcotics and Law Enforcement
Key Issues Raised in the Dialogue

John McDowell, Rapporteur

The dialogue provided an opportunity for the participating countries to inform the group of the status of their anti-money laundering regimes and efforts to combat the financing of terrorism. Participants raised the following issues, needs, and possibilities:

Issues raised by country representatives:

• Keeping up with new money-laundering techniques

• The desirability of registering underground banking (alternative remittance systems) through central banks

• The importance of assisting neighbor countries

• The need for computer hardware and software for financial intelligence units (FIUs)

• Assistance and advice on FIU operating systems

• Training for bankers, specifically in reporting suspicious transactions

• Training for judges, prosecutors, and financial investigators.
• Reducing requests for data and other information from international organizations, which are often duplicative; converging data requests from FATF, UN, Basel, the International Organization of Securities Commissions

• A legal and regulatory framework on terrorist financing

• Advice on systems and operations used to fight money laundering and terrorist financing

• New technology to combat money laundering and terrorist financing

• Advice on processing legal and prosecutorial case work

• Forensic auditing, with a focus on terrorist financing

• Balancing bank secrecy and confidentiality

• Raising awareness of money laundering and terrorist financing in the public and private sectors, and among the general public

• Extending regulations to cover money exchangers and other non-bank financial institutions

• Increasing activity among nonfinancial institutions

Issues of concern to GAFISUD:

• Coordinating technical assistance among all donors and providers, establishing contact lists, compiling a procedural guide

• Providing horizontal technical assistance, particularly following typologies meetings

• Training in wire transfer technologies, especially with regard to terrorist financing

• Research into alternative remittance systems with a view to possible licensing

• More financial support for logistical needs, particularly language translation, from international financial institutions
**Issues of concern to CFATF**

- Coordination of training and technical assistance
- Understanding the supply of and demand for training
- The importance of public awareness and education campaigns
- Overcoming financial and resource constraints
- Converging data requests from FATF, UN, Basel, IOSCO, and other international bodies
- Assisting neighbor countries

**Issues of concern to OAS (CICAD)**

- Coordination of training and technical assistance
- Understanding the supply of and demand for training
- Training bankers and judicial branch personnel

**Issues of concern to IDB**

- Coordination of technical assistance
- The importance of regional FATF bodies
- The importance of needs assessments, specifically for FIUs
- Establishing FIUs where they do not yet exist, strengthening existing FIUs
- Ensuring that funds from multilateral development banks and international financial institutions are getting to legitimate recipients; enhancing internal controls
Speaker Presentations

Welcome and Introduction

- **Danny Leipziger**, Director, Finance, Private and Infrastructure Sector, Latin America and Caribbean Region, World Bank
- **Margery Waxman**, Director, Banking and Financial Restructuring Department, Financial Sector, World Bank

Five countries are represented in today’s videoconference: Brazil, Colombia, Guatemala, Jamaica, and Mexico. We also have representatives from the Inter-American Development Bank (IDB), the Organization of American States (OAS), and two task forces—the Caribbean Financial Action Task Force (CFATF) and the South American Financial Action Task Force (GAFISUD), regional bodies similar in mission and methods to the 29-member international Financial Action Task Force.

This discussion has certainly been prompted by the events of September 11, but many of the people in this room, and many of those online, have long been concerned about the risks to the financial system of money laundering and other illicit transactions. Our topic today therefore is pertinent to all supervisors in central banks and has been made more so by recent events.
The United States and Europe have adopted legislation that will oblige the other countries in the international system to review their own policies and actions in the area of money laundering and terrorist financing. The Financial Stability Forum declared in March 2002 that it would be much more aggressive in identifying countries that were not complying with international best practice. The joint Financial Sector Assessment Programs of the World Bank and IMF report that with respect to the principle of “know your customer”—one of the Basel Core Principles—only about a third of the countries in Latin America got glowing scores, compared to about 83 percent in the OECD countries. Much work remains to be done.

This global dialogue has been organized with the help of the World Bank Institute to bring together those whose expertise and ideas can guide us and help us work together to improve the financial system. We would like the exchanges to be candid.

Danny Leipziger is director for Infrastructure, Private Sector, and Finance in the World Bank’s Latin America and Caribbean region, where he manages groups responsible for projects and services in the areas of transport, urban development, water and sanitation, energy, regulation, entrepreneurship, banking, and finance. He previously held managerial positions at the World Bank Institute and in the East Asia region. Career highlights include leading the Bank’s financial relief efforts in Korea, managing the program of bank restructuring in Argentina, and opening the economic dialogue with Vietnam.

Dr. Leipziger, earned a PhD in economics from Brown University. He has written extensively on development economics and finance, and lectured widely on industrial policy, financial crisis management, and development experience. He has authored several books, including Lessons from East Asia (1997), Preventing Banking Crisis (1998), and Chile: Policy Lessons (1999). Recent published work has dealt with Argentina’s currency board, industrial policies in Mercosur, privatization of infrastructure services, and moral hazard behavior in international lending. Dr. Leipziger previously served in the Economic Bureau and the Office of Policy and Planning of the U.S. Department of State, as well as in USAID.

Margery Waxman heads the World Bank’s program to promote financial market integrity, with particular emphasis on global efforts to combat money laundering and the financing of terrorism. A U.S. national, Ms. Waxman joined the Bank’s Legal Department in 1997. She led the Bank’s technical assistance efforts in banking law reform, legal aspects of bank restructuring, and the establishment of asset management corporations in East Asia after the financial crisis there. In August 2000 she was appointed director of the Banking and Financial Restructuring Department in the World Bank’s Financial Anti-Money Laundering and Combating the Financing of Terrorism
The World Bank/IMF Response to Money Laundering and Terrorist Financing

- **Cesare Calari**, Vice President, Financial Sector, World Bank

I will be brief in deference to our distinguished panelists, particularly those from the International Monetary Fund, who are outnumbered today by their Bank colleagues.

We do not look at the issue of financial integrity in isolation but rather as a key part of our broader work on governance and on supervision and regulation of financial systems. Integrity is what makes a financial system stable and keeps it solvent. Financial systems that are affected by abuse, including money laundering, are weakened by those abuses. Lax financial systems sustain and perpetuate corruption and create problems of governance that extend well beyond the financial system.

**Cesare Calari**, an Italian national, holds degrees in law and international economics from the University of Bologna (Italy) and Johns Hopkins University (United States). After practicing law and serving with the Bank of Italy, he joined the International Finance Corporation (IFC) in 1982. His appointments there include director of the IFC's Africa Region and director of the IFC Global Financial Markets Group. He held the latter position until his recent appointment as vice president of the Financial Sector of the World Bank in July 2001. In his current position, Mr. Calari is responsible for the Bank’s policy, advisory, and lending work on financial sector development and stability.

Mr. Calari is a member of the Financial Stability Forum and serves on the Board of Directors of Moneda Asset Management (Santiago, Chile). He has also been a director of Zinonestenska Banka (Prague), Nomura Hungary (Budapest), and International Bank in Poland (Warsaw).

- **Barry Johnston**, Chief, Special Financial Supervisory Issues Division, International Monetary Fund

The World Bank and the International Monetary Fund have stepped up their plans of action against money laundering and combating the...
financing of terrorism. In the IMF we have set up a new division specifically to deal with these matters and have recruited new staff and experts. I believe the Bank is doing the same.

The two institutions are working jointly with the Financial Action Task Force to develop global standards and methodology to assess anti-money laundering efforts based on the principles that we apply in our other standard assessments. Those principles are cooperative, voluntary, and uniform. We are making very good progress with the Financial Action Task Force and hope to have our joint standards completed by the Autumn of this year.

The joint Fund/Bank Financial Sector Assessment Program has intensified its assessments of the adequacy of members’ anti-money laundering regimes and accelerated the Off-Shore Financial Sector Assessment Program. This year we will be assessing 20 jurisdictions, and anti-money laundering systems will be one of the core elements of those assessments.

At the Fund we have canvassed 38 members for information on their anti-money laundering regimes. All members will be canvassed over the next two years.

To help members address weaknesses identified through assessments, the Fund and Bank have considerably intensified technical assistance on legislation and institutional structures.

The issue will remain important. I believe the governing bodies of both the Bank and the Fund will continue to emphasize it.

*R. Barry Johnston’s* division leads the IMF’s fight against money laundering and the financing of terrorism. In previous positions during his 17 years with the Fund Mr. Johnston headed the Monetary and Exchange Policy Analysis Division, responsible for financial sector policy, analysis, and research, and the Exchange Regimes and Market Operations Division, responsible for members’ foreign exchange systems and the liberalization of capital movements.

Before joining the IMF, Mr. Johnston, worked at the Bank of England, the British Treasury, and the Bank for International Settlements on monetary and financial sector policy. He has published extensively on financial sector issues. He is a graduate of Queens University Belfast and Manchester University.
Governance in the Financial Sector: The Broader Context of Money Laundering and Terrorist Financing

Daniel Kaufmann, Director, Global Governance and Regional Learning (LAC), World Bank Institute

My intention is to put on the table a few elements of a framework for discussion and debate. With that in mind my unit prepared this chart—a first cut at a framework for discussion: what are the approaches to address money laundering within an comprehensive governance framework? It by no means is intended to include all aspects but to illustrate the main hypothesis which challenges some myths and orthodoxies about money laundering and financing of terrorism. At the outset let us state that the challenges in each country’s financial sector are unique depending on the country conditions—another reason for looking at this issue in all its complexity.

The rows in the chart illustrate the stages of the developmental and governance framework. The first row (stage 1) refers to the various types of activity and sources of profits and funds, which may be legal or illegal. The funds may or may not be channeled through money-laundering transactions. The second row (stage 2) refers to the types of financial transactions and intermediaries. The third row (stage 3) shows the uses to which funds are put. The last row (stage 4) indicates the ultimate impact of the activity—does it favor development or discourage it?

The illegal and extralegal activities that generate funds for laundering (stage 1 on the chart) vary from country to country and from region to region. The ‘egg’ on the left side is the legal side and the rest of the ‘eggs’ on the right side are all illegal types of activities which include insider trading in the stock market, transfer pricing through multinationals, drug trafficking, arms trade, corruption in government and in the political classes, and corruption in procurement. Here it is clear that we need to assess the links between misgovernance in the public/private sectors and money laundering.

The second row (stage) illustrates the types of financial institutions involved. There are two basic types of money laundering. The first type occurs through banks and other formal financial institutions. It is the most common type, or at least the most commonly covered in the press. Funds are placed, layered, and integrated. Electronic funds
Anti-Money Laundering and Combating the Financing of Terrorism

Misgovernance, Money Laundering, and Terrorism

Good Governance

Misgovernance and Corruption in the Public Sector and Corporate/Financial Sector

Stage 1:
Type of Business Activity and Source of Profit
ML Process

Stage 2:
Type of Financial Transaction/Intermediary
Legal Financial Transaction through Bonafide Financial Institution

Stage 3:
Use of Funds/Profits

Stage 4:
Development?

Money Laundering #1
A) Through Banks
i) 'Placement'
ii) 'Layering'
iii) 'Integration'
iv) e-banking

Money Laundering #2
B) Through NBFIs
i) Real Estate
ii) Securities Brokers/Derivatives/X-Rate Market
iii) Leasing/Insurance Companies
iv) Others

Source A

Source B

Source C

Misgovernance and Corruption in the Public Sector and Corporate/Financial Sector

Governance Setting

Drug Trafficking/Arms Trade/Prostitution

Legal Business Concern

Legitimate Consumption/Investment/Developmental Use of Funds

Corruption by Country Leaders/

Leadership/Politicians

Corrupt Public Officials/Procurement

Organized Crime/Racketeering/Extortion/Gambling

Informal Financial and Other Institutions:
• Hawalas
• Exchange Rate Market (peso)
• Commodities (gems, etc.)
• Cash
• Others

Transfer Pricing/Tax Evasion

'Charities' and Other Front Companies

Insider Trading, Stock Market

X-Rate and Trade Prices Manipulation

Regulatory/State Capture by Corporates/Banks

Illegal Political/Campaign Funding

Terrorist Activity

Other Criminal Activities

Luxury Consumption

Pro-development Anti-Development and Global Public 'Bad' Money Laundering #2

Source(s) B (B1, B2)

Source C

Regulatory/State Capture by Corporates/Banks

Illegal Political/Campaign Funding

Terrorist Activity

Other Criminal Activities

Luxury Consumption

Pro-development Anti-Development and Global Public 'Bad' Money Laundering #2

Source(s) B (B1, B2)

Source C
transfer, or e-banking, plays an important role in money laundering and terrorist financing activities. Growing in importance is money laundering through nonbanking financial institutions (NBFIs)—through real estate transactions, security brokers, derivatives, the exchange rate market, leasing insurance companies, and others.

The second type occurs through hawalas and other informal financial institutions, which in some parts of the world play a very important financial role. As we enhance enforcement, supervision, and institutional development, we must remember that there are substitutes for the formal financial sector. If the holes represented by those substitutes are not plugged, they will grow in importance.

Laundered money is put to many uses (stage 3)—among them terrorist activity, where laundered funds supplement financing received from legal commercial activities and from state sources. A similar pattern can be seen in illegal political campaign funding. Funds that may well have been generated legally go through a laundering transaction.

When financial activity is legal it is quite likely to contribute to growth and development. The opposite is true of illicit activity, which usually compromises growth and development. Money laundering and other types of illegal activities have significant socio-economic developmental and financial costs. In addition, the complex links among grand corruption, money laundering and terrorist financing needs to be better understood. They varies from setting to setting.

In addition to his role as WBI's Director for global governance, Daniel Kaufmann directs the institute's capacity building and learning efforts in Latin America. A leading expert in the field of governance, he has pioneered new empirical and survey methodologies with colleagues at the World Bank. Dr. Kaufmann's team supports countries that request good governance and anticorruption assistance in their efforts to improve governance through a rigorous empirical, systemic, and strategy-driven approach. He frequently advises leaders, governments and civil society.

Before joining WBI in 1998 as manager, Dr. Kaufmann was lead economist in the Development Economics Group and Chief of Mission in Ukraine. He was a member of the team that produced the 1991 World Development Report on distilling the key lessons from development experience.

Dr. Kaufmann has published extensively on issues of economic development, privatization, governance, the unofficial economy, industrial and trade restructuring, corruption, transparency, and urban and labor economics. A Chilean national, he received his mas-
The Urgency of Regional Collaboration—Practitioners’ Views of Implementation Challenges for Regulators

- **Fernando Rosado**, Executive Secretary, GAFISUD

Created in December 2000, the South American financial action task force known as GAFISUD is modeled on the international Financial Action Task Force (FATF) and the regional groups that have followed FATF’s lead. In December 2001, at our last general meeting in Santiago, Chile, we widened GAFISUD’s mission to include the fight against terrorist financing and endorsed the eight most recent FATF recommendations. We agreed that members should ratify and implement the relevant United Nations instruments and apply FATF’s special recommendations at the regional level.

Our regional work must focus on the need to deepen regional awareness of the threats posed by money laundering and terrorism, both to societies and economies, and on the development of common policies for the enforcement of effective measures. GAFISUD’s work on the legislative level is excellent, but we need to find ways to tighten collaboration among the actors involved in national anti-money laundering systems—ministries of justice, central banks, drug departments, financial intelligence units, and law enforcement agencies.

Training activities and meetings for experts in different countries help identify regional needs and weaknesses and allow participants and experts to exchange experiences. The World Bank is well positioned to support the necessary training.

The outlook for international collaboration is good—and it could easily be made even better. Additional financial support would allow experts from more countries to contribute their knowledge. If translation and interpretation were provided, international anti-money laundering forums and workshops could take advantage of the vast expertise and varied experiences of Spanish speakers in the 22 nations of the region. By coordinating support for and progress of initiatives against money laundering and terrorist financing we can avoid duplication of content.
and cover more ground. With these goals in mind, GAFISUD will include the World Bank and IMF at its next general meeting in Buenos Aires next May.

In its short life, GAFISUD has tackled the need for an anti-money laundering system based on the FATF 40 recommendations. The first two mutual evaluation reports, for Uruguay and Colombia, will be presented for approval at GAFISUD’s next meeting. We expect to complete the first round of mutual evaluations for the nine GAFISUD members in May 2003.

GAFISUD will hold a seminar on the 40 Recommendations next July. FATF’s recent revision of its recommendations to include nonfinancial institutions and eligible professionals make this effort particularly important.

In addition to delivering its own training programs, GAFISUD has agreed to act as the coordinating platform for training activities in the region. Our upcoming report on supply and demand for training in the region will allow us to propose training programs to donors and to guide GAFISUD members in planning their own training activities. For new staff, in particular, international collaboration is very important, because many countries lack expertise and resources for the fight against terrorist activities. GAFISUD coordinating work and our search for new funds are intended to help remedy such deficiencies.

By the time of our next meeting in May we will have a report on the state of implementation of FATF’s eight recommendations on terrorist financing in every country of the region. In this exercise GAFISUD is using the FATF assessment questionnaire.


In 1999 he was transferred to the Treasury Department as deputy director for inspection and control of capital movements. In this position he dealt with general aspects of money laundering and was a delegate to meetings of FATF, GAFISUD, and the Caribbean regional financial action task force.

He earned his law degree at the Universidad de Sevilla, Spain, in 1987. His specialty was corporate law.
Calvin Wilson, Executive Director, Caribbean Financial Action Task Force

The Caribbean Financial Action Task Force (CFATF) is an organization of 26 states that have agreed to implement common countermeasures, in compliance with international standards, against drug trafficking, money laundering, and now terrorist financing. We continue to achieve significant organizational and administrative milestones in strengthening the regional anti-money laundering infrastructure.

Last year CFATF admitted Haiti to membership; this year we anticipate adding another three members. One member suspended last year has signaled a strong intention to reengage fully within the organization.

The mutual evaluation program is the principal mechanism by which the regional anti-money laundering infrastructure is monitored, and this program is seeing considerable progress. We completed the first round on schedule. In the second round, five countries have been examined already.

Financial investigators are increasing in number. Financial intelligence units are being established across the region. Legislation is being modernized, in keeping with international benchmarks. Regulators, supervisors, and private sector actors in the regional financial system are being exposed to modern techniques. We continue to play a role in global efforts to advance anti-money laundering efforts through outreach efforts to nonmember countries and by sharing our experiences and expertise with the recently formed GAFISUD and the Eastern and Southern African anti-money laundering group.

We have several challenges for the future. One is to remove Dominica, Grenada, St. Kitts and Nevis, and St. Vincent and the Grenadines from the list of noncooperative countries and territories list. Another is to ensure that all pertinent information on the regional state of preparedness against money laundering and terrorist financing is readily available to the international community. A third is to prepare by April 30 of this year a regional technical assistance and training needs analysis on anti-money laundering and anti–terrorist financing issues and to present that analysis to donor countries and donor organizations at a proposed donor conference tentatively scheduled for May or June of this year.
A fourth challenge is to protect our ability to coordinate and deliver multilateral and bilateral technical assistance and training programs so as to avoid duplication of effort, and to undertake a sustained regional communications campaign on the dangers to regional peace and security of international organized crime, money laundering, and terrorist financing activity. The task is to reach beyond the public sector to private-sector professionals such as attorneys, accountants, real estate agents, stock brokers, currency exchange operators, and the general public.

A related and equally ambitious task is to erase the persistently negative picture of the Caribbean Basin by emphasizing, in an international public relations campaign, the forthright measures being taken across the region to construct adequate defenses through modern legislation and programs.

Our fifth challenge is to monitor global anti-money laundering developments and trends that may be inimical to the best interests of regional economies and to sensitize the international community to our particular difficulties. One of those difficulties is the growing fatigue and frustration of many countries, particularly the small ones, with the demands of various international initiatives, which generate unceasing requests to provide information—to many different organizations that do not appear to have coordinated their efforts.

Our limited human and financial resources are severely strained, which militates against timely and full compliance with international standards. The various international initiatives have required the CFATF secretariat to attend several meetings that were not anticipated and for which no budgetary provisions were made, straining our core work—the mutual evaluation program.

The construction of robust global defenses against money laundering and the financing of terrorist activities requires that the operations of regional FATF-style secretariats remain on a solid and confident footing. The G-7 countries have launched international initiatives to redesign the international financial architecture. They should not be adverse to providing necessary financial support where it is urgently needed.

The countries of the Caribbean Basin view international financial development as a viable complement to the traditional revenue sources of agriculture and tourism. However, the various listings and
financial advisories over the past three years have had serious economic impact on some of our member countries. It is crucial that a Caribbean dialogue with international partners be initiated so as to secure sustained, long-term economic development for the Caribbean Basin region.


Mr. Wilson joined the staff of the Bank of Commerce Trinidad & Tobago Ltd. in 1977. During his seven-year tenure with that institution he held a number of supervisory and management positions.

Mr. Wilson obtained his Bachelor of Laws at the University of London and his Masters of Laws from the London School of Economics, where he specialized in corporate law, international finance and intellectual property. He was called to the bar at Lincoln’s Inn, London, in 1988 and admitted as an attorney-at-law in Port of Spain, Trinidad, in 1989. In 1988 he joined the Crown Prosecution Service of England and Wales as Senior Crown Prosecutor and was later promoted to principal crown prosecutor designate. During Mr. Wilson’s eight years with the Prosecution Service he prosecuted a wide range of criminal offences, while providing legal support and advice to crown prosecuting teams, Scotland Yard, and the metropolitan police forces on commercial and banking fraud, money laundering, and drug trafficking cases.

Rafael Franzini, Chief, Anti-Money Laundering Unit, OAS/CICAD

The model regulations of CICAD, the Inter-American Drug Abuse Control Commission, are based on those of the 1988 United Nations Convention and the 40 recommendations of the international Financial Action Task Force. The model regulations are a tool in preparing national legislation on various predicate offenses, proving that a unified alliance is possible even in the presence of different legal systems. New standards to combat terrorism will be added to our model regulations in Mexico in July.

Mechanisms created under the umbrella of the Summit of the Americas enable us to monitor anti-money laundering developments in the hemisphere and to identify countries in need of training, technical assistance, or other support.

CICAD itself provides training and technical assistance in collaboration with Canada, France, Spain, the United States, and the Inter-American Development Bank (IDB).
Providing training and technical assistance requires good coordination. By way of example, we are working with CFATF on technical assistance and will share with CFATF some of the Spanish-language courses CICAD developed with IDB.

We are a member of GAFISUD and are participating in its effort to assess the supply and demand of training. We also have been working with IDB to help Guatemala and Paraguay establish and use financial intelligence units and to develop training courses for bankers, financial regulators, judges, and prosecutors.

Rafael Franzini Batlle is a lawyer from Uruguay who has worked for the OAS since 1995. After graduating in law from the Universidad de la República Oriental del Uruguay (1985), he studied business law at the Centro de Estudios de Montevideo (1987) and obtained his master's degree in public administration from American University in 1996.

While living in Montevideo he worked for the newspaper El Dia, rising to the position of editor in chief. Between 1989 and 1990 he worked as an editorial writer for Diario Lea in Montevideo. From 1989 to 1994 he wrote for Guía Financiera, where he was a member of the editorial board. He taught journalism and communication at St. Patrick’s College in Montevideo (1992–93) and practiced law (1985–1993).

From 1995 to 1998 Mr. Franzini worked in the field of money laundering and arms for the Legal Development Division of the Inter-American Drug Abuse Control Commission (CICAD). Since 1999 he has headed CICAD’s anti-money Laundering Unit.

• James Spinner, General Counsel, Inter-American Development Bank

The Inter-American Development Bank joined the fight against money laundering in 1998 when, in the context of our annual meeting in Colombia, we cosponsored, with the banking authorities of Colombia, a conference on the need to strengthen international efforts to support our member countries in the struggle against money laundering.

That conference—attended by representatives from the International Monetary Fund, the Organization of American States, and the United Nations—strengthened our resolve to start work on money laundering for two reasons. The first was to support our members in their struggle against corruption, which we view as part of an overall attempt at
improving governance. The second was to strengthen banking supervision and financial sector reform. We currently have a mandate from the Summit of the Americas to work in this area jointly with the Organization of American States.

Our work is done through partner organizations, entities with a mandate and the expertise to work on money-laundering issues. In 1999 we began financing a program of training for banking supervisors and employees of supervised financial entities in detecting money laundering. This successful program was implemented in seven countries through CICAD. We have worked with CICAD for several years—and will continue to work with them—to identify ways to support the establishment or strengthening of financial intelligence units in our member countries.

We are now seeking to strengthen our cooperation with the GAFISUD and the Caribbean Financial Action Task Force. For example, we are examining the possibility of financing training exercises for the mutual evaluations that GAFISUD will be performing. With CFATF, we are providing some support for consultants who are helping CFATF conduct the needs assessment that Calvin Wilson mentioned. We are particularly interested in working with CFATF in several countries in Central America.

IDB’s regional departments are mandated to consider money-laundering issues when preparing any type of financial-sector reform program. What is the status of anti-money laundering regimes? What can be done to strengthen or support them? In several countries we are working with the authorities to design anti-money laundering programs that emphasize training and interagency coordination.

IDB believes strongly that, with CICAD and subregional entities such as CFATF and GAFISUD, we have an important role to play in fighting money laundering. We welcome collaboration with the other entities participating in this dialogue.

With regard to anti-terrorism activities, our efforts so far have been to ensure that IDB resources are properly channeled to legitimate recipients and that IDB funds are not either inadvertently or inappropriately used to fund entities identified as supporters of terrorism by the United Nations. Through our offices in our member countries we are working with authorities to ensure that our funding is appropriately used and
that our internal controls are effective. We look forward to working even more specifically on anti–terrorist funding activities.

**J. James Spinner**, was appointed general counsel of the Inter-American Development Bank in January 2000. Prior to his appointment, he served as deputy general counsel (1993–99). Mr. Spinner’s career in the Bank’s Legal Department included assignments as an attorney in the Operational Division, specializing in Central America; in the Institutional Office, attending to Bank procurement of goods and services, tax matters, and the Bank’s privileges and immunities; and in the Financial Office, working on the Bank’s issuance of securities, its financial operations, and its periodic capital increases. He has been appointed by the president of the Bank to serve on several task forces or working groups, including, most recently, the working group on the Bank’s anti-corruption strategy.

Before joining the Bank, Mr. Spinner practiced law in Washington, D.C. He grew up in Barranquilla, Colombia. He holds a juris doctorate degree from the Georgetown University Law Center and a BA, with highest honors, in history from Lehigh University.

### Wrap-up


I will summarize some of the highlights of two hours of discussion, focusing on the needs for technical assistance and some of the challenges it faces.

One thing that I heard over and over was that international cooperation was essential. Money laundering and terrorist financing are highly technical. Only a limited number of experts are available to provide training, and funds to pay them are scarce. It is indeed fortunate that the World Bank and IMF will be able to work together to coordinate global training and technical assistance activities and work toward avoiding duplication in these areas. One of the spin-offs from such an endeavor is the likelihood of identifying gaps and donors—bilateral or multilateral—to fill them.

Another important issue is the underground banking system or alternative remittance system, which probably should be the subject of a workshop or seminar for the region. In Colombia and surrounding countries the black market peso exchange runs into the billions of dollars per year.
I heard requests for assistance for financial intelligence units, which are essential to anti-money laundering regimes. What do you need for an FIU? You need complex software, you need a lot of hardware, and you need a lot of expertise on how to operate the system.

Another important issue is the training of judges and prosecutors. You can have the best system in the world, but if you have a judge or prosecutor that has never seen a money-laundering case, then you are going to have difficulty getting convictions.

There is a tremendous need for forensic accountants. All anti-money laundering regimes require judges and prosecutors, trained to deal with cases. They require trained bankers and bank regulators. They require a functioning FIU. But they also need law enforcement officers who can use their knowledge of forensic accounting to follow the money trail.

There is definitely a need for a better legislative and regulatory framework. Most participants already have very good frameworks or are in the process of developing a good anti-money laundering regime. But some need help in developing or refining regulations that meet international standards.

Information sharing—domestically and across borders—is another important area.

Workshops and seminars with law enforcement officials, bankers, and regulators should allow time for the participants to get to know each other so they can share information comfortably. Follow-up workshops should be held in each area—law enforcement, banking, bank regulation, and the judiciary.

It was very interesting to hear about plans for public-information campaigns. Although money laundering is illegal in many countries it is important for the public to become aware of the mechanisms used and how they could be used to finance terrorism.

In the face of scarce resources, it is critical, particularly at the regional level, that countries assist their neighbors. Many of the participants in this dialogue have advanced systems or are members of the international Financial Action Task Force. Others are still developing their systems and FIUs, as well as polishing laws and regulations. If you
already have an AML system, you could assist your neighbors to develop theirs and benefit from your experience. That would alleviate some of the pressures and gaps in training.

Before joining the World Bank as a consultant at the beginning of 2002, John McDowell served as senior policy advisor for the U.S. Department of the State, where he was responsible for developing policy on global financial crime related to money laundering, terrorist financing, and bank regulation. His responsibilities also included the global technical assistance program for financial crime.

Mr. McDowell was formerly an executive with the Department of Treasury’s Office of the Comptroller of the Currency. He has extensive experience in bank regulatory compliance and safety and soundness issues, and in conducting seminars and training programs for state, national, and foreign groups in financial crime, money laundering, bank regulatory and compliance matters.

Mr. McDowell holds an MPA in business and government from Harvard University and a bachelor’s in business administration from the University of Florida.
Biographies of Country Speakers

Adrienne Senna, Brazil
Adrienne Senna is president of the Council for Financial Activities Control (COAF) and an attorney with the National Treasury of Brazil. She served as deputy attorney general of the National Treasury from 1995 to 1998.

At COAF, Mrs. Senna represents Brazil in international negotiations and conferences on money laundering issues, including the Egmont Group, the South American financial action task force (GAFISUD), and the Financial Action Task Force, where she heads the ad hoc group for the Americas.

Rodolfo Uribe, Colombia
Rodolfo Uribe is general director of Financial Analysis and Information Unit in Colombia. He previously served at the United Nations Development Programme, where he managed the Capital Market Development Program, and in the Financial Intelligence Unit for Combating Money Laundering in Colombia’s Ministry of Finance (1998–2000). Prior to that he was a project manager with Uribe Blanco & Cia. From 1990 to 1994 he was general director of the National Statistics Department. Earlier he served in the office of the

Mr. Uribe earned a bachelor’s degree in industrial economics from Universidad de Los Andes (Colombia) in 1968; an M.S. in industrial and systems engineering from Ohio University (United States) in 1975, and a postgraduate diploma in management and planning from ESAP (Colombia) in 1976.

Edgar Barquín, Guatemala
Edgar Baltazar Barquin Durán is director of technical coordination for Guatemala’s Office of Bank Supervision, where he has worked for the last 18 years. In earlier positions there he was director of financial analysis and a banking and insurance supervisor. Previously he served as a risk analyst credit manager for Banco de Occidente.

Mr. Barquín is a certified public accountant and auditor. He has a degree in law from San Carlos University and master’s degrees in industrial administration and economic law from Rafael Landívar University.

Audrey Anderson, Jamaica
Audrey Anderson is deputy governor of the Central Bank of Jamaica, where she is responsible for Bank supervision. She also holds the statutory post of deputy supervisor of banks and financial institutions. Her supervisory purview covers the country’s commercial banks, merchant banks, and building societies. Her scope of responsibility was recently widened to include the credit union sector after those entities were designated as financial institutions.

Mrs. Anderson spearheaded a major strengthening of the Central Bank’s supervisory capacities and was an integral contributor to major reviews of banking legislation in 1992 and 1997. She is now a member of the Legislative Task Force established by the Minister of Finance to review banking legislation and recommend legislative changes. She was one of the original directors of the Financial Sector Adjustment Company (FINSAC) during that corporation’s major intervention phase.

As chair of the Caribbean Group of Banking Supervisors, Mrs. Anderson was regional representative to the Basel Committee on
Banking Supervision. A frequent lecturer at annual training programs for Caribbean Bank Examiners, Mrs. Anderson has presented at several regional and international bank supervisory conferences. She chaired the Workshop on Banking Insolvency at the 11th International Conference of Banking Supervisors hosted by the Bank for International Settlements in September 2000.

Carlos Rochín, Mexico
Carlos Rochín is director of Policies and Regulation for Money Laundering Issues, in the General Directorate for Banking and Savings Institutions of the Mexican Ministry of Finance and Credit. There he is responsible for preparing and promulgating anti-money laundering regulations for financial institutions. He also represents the Ministry of Finance before international organizations such as the Financial Action Task Force.

In addition, Mr. Rochín is responsible for working with other financial and regulatory communities, as well as law enforcement agencies, to coordinate anti-money laundering initiatives.

Before entering the Ministry of Finance, Mr. Rochín occupied several positions in the Public Prosecutor’s Office, the last of which was director of analysis in criminal procedures control.
For further information on the Global Dialogue Series, please contact

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