



global witness

For immediate release: 28 September 2009

## **G20 takes welcome step to stop banks fuelling corruption**

### **Summit communiqué calls for stronger anti-money laundering standards to help curb illicit flows of looted state funds**

The G20 has urged an international watchdog on anti-money laundering laws to prioritise the fight against corrupt funds, a move warmly welcomed by anti-corruption group Global Witness today. Anti-money laundering laws, which should prevent banks accepting illegally-earned funds, are the key defence against the movement of state funds that have been looted by corrupt government officials. So they are vital in tackling poverty in developing countries.

The inter-governmental body that sets the standard for anti-money laundering laws, and evaluates each country to check if its laws are up to scratch, is the Financial Action Task Force (FATF). Since 2001 it has been heavily focused on using the anti-money laundering laws as a bulwark against the movement of terrorist finance. This has largely been effective: banks are now checking to ensure their customers are not on terrorist watch lists. But until now there has been little comparable political will to ensure that banks avoid the proceeds of corruption.

"The G20's call for a focus on corruption provides some of the necessary political will that has been lacking. Our investigations have shown that banks do not always take this seriously enough, and one reason is that they are not hearing a strong message from governments that they must do so. The taskforce meets in Paris next month; that meeting will be a decisive next step in this process, as it will now have to decide how to make the anti-money laundering laws more effective," said Anthea Lawson, a campaigner for Global Witness.

"State looting has a devastating effect on developing countries. Efforts to lift people out of poverty and lessen dependence on aid are undermined by banks' keenness to do business with corrupt officials. Let's be clear: corruption could not occur without the help of the international financial system - the amounts being stolen are too big to keep under the mattress," Lawson added.

**/ Ends**

Contact: Amy Barry on +44 (0)7980 664397 or Anthea Lawson on +44 (0)7872 620 855

Notes to editors:

1. The **G20's communiqué** from its Pittsburgh summit on Friday said: "We ask the FATF to help detect and deter the proceeds of corruption by prioritizing work to strengthen standards on customer due diligence, beneficial ownership and transparency." (Paragraph 42 of main text)
2. 'Customer due diligence' is the process that banks must undertake to identify who they are dealing with and the source of their funds. 'Beneficial ownership' refers to the need for banks to identify the ultimate owner of the funds, as opposed to the shell companies and/or trusts which may be used to obscure the owner's identity. 'Transparency' refers to the need for more information to be made available about the beneficial ownership of such corporate vehicles, which are used to hide all forms of illicit money, whether they be corrupt, evading tax, or the proceeds of other forms of criminal activity.
3. Earlier this year a Global Witness report, **Undue Diligence: How banks do business with corrupt regimes**, detailed how major banks including Barclays, HSBC, Deutsche Bank and Citibank were facilitating corruption through doing business with dubious customers in corrupt, natural resource-rich states. It showed how the current laws are ambiguous about how far banks must go to identify the real person behind a series of front companies and trusts; fail to be explicit about how banks should handle natural resource revenues when they may be fuelling corruption; and may permit a bank to fulfil the letter of its legal obligations, yet still do business with dubious customers.

**Global Witness investigates and campaigns to prevent natural resource-related conflict and corruption and associated environmental and human rights abuses.**