



IMF STI Webinar Series 2020

Combating Money Laundering and Terrorism Financing During the Pandemic

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The views expressed in this presentation are those of the author and should not be attributed to the IMF, its executive board, or its management



IMF Responses to the COVID-19 Pandemic

IMF is providing policy advice on many areas touched by the pandemic including:

- How governments can support households and businesses
- The role of central banks
- Public debt management

IMF has also provided assistance to more than 80 member countries through a range of its lending programs – USD88 billion as at 10/8/20. USD250 billion has been allocated for COVID-19 related financial assistance. IMF is also working with member countries on debt relief.



Theme #1

Prevention is better than cure



IMF Responses to the COVID-19 Pandemic

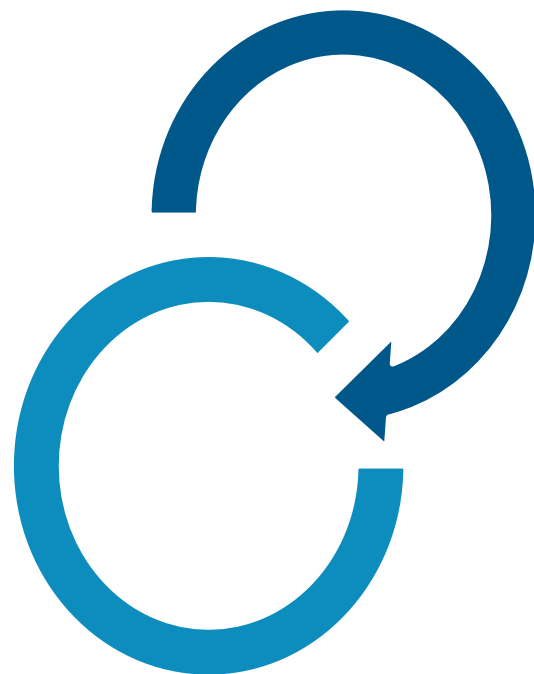
IMF works against corruption and financial crimes that impede national development efforts, including those linked with COVID-19. This work includes:

- The Article IV surveillance process which now includes components that analyze corruption and governance issues and provides policy advice to address vulnerabilities;
- Fund-supported programs have specific conditionality related to governance and anti-corruption reforms, with governance improvements a core objective of many programs;
- Capacity development on fiscal governance, financial sector supervision, central bank governance, AML measures and anti-corruption frameworks; and
- Research on governance and the development of diagnostic tools



2018 Framework for Enhanced Fund Engagement on Governance

IMF responses to corruption and governance challenges faced by its members are guided by the *2018 Framework for Enhanced Fund Engagement on Governance*



Corruption has a pernicious effect on a country's ability to achieve sustainable, inclusive economic growth

Governance weaknesses and corruption fuel public discontent, potentially leading to civil conflict and serious economic consequences



The Framework for Enhanced Fund Engagement on Governance focuses on 6 state functions and anti-corruption:



Fiscal Governance



Central Bank Governance and Operations



Financial Sector Oversight



Market Regulation



Rule of Law (e.g., property rights and investor protection)



AML/CFT



Anti Corruption



Practical, Short Term, Good Governance Measures:

IMF members protect IMF assistance through financial management, AML and anti-corruption measures that protect funds as they move through expenditure or procurement processes. These include:

- Enhanced reporting on expenditure
- Undertaking and publishing ex-post audits of crisis related spending
- Procurement transparency through publishing of contracts, and
- Preventing conflicts of interest by publishing beneficial ownership information on firms awarded procurement contracts
- Transparent budgeting and the use of a single treasury account



In the Longer Term: Boost the Effectiveness of Key State Functions and Anti-Corruption Programs

The assessment of COVID-19 related emerging ML/TF risks will probably suggest that greater resources and focus should be applied using a risk-based approach in the following areas:

- Anti-corruption frameworks
- AML/CFT preventative measures
- Financial investigations/prosecutions
- Asset recovery
- International cooperation



Theme #2

Respond Actively to COVID related
Corruption and ML/TF



FATF reports emerging, COVID related ML/TF threats

- CDD measures bypassed
- Increased misuse of online financial services and VAs to move and conceal illicit funds
- Exploitation of stimulus/support schemes
- Increased use of unregulated financial sectors
- Misuse of domestic/international assistance
- Criminal moves into cash intensive businesses



The Mafia plunders Italy's Public Health System

Financial Times, 9 July 2020

Yet even among such lucrative criminal activities, the riches on offer from plundering Italy's public health system stood out as a golden opportunity. By corrupting local officials, organised criminals have been able to make vast profits from contracts given to their own front companies, establishing monopolies on services ranging from delivering patients in faulty ambulances to transporting blood to taking away the dead.



Increased vulnerability to these threats exacerbates the problem

- Reduced levels of AML/CFT supervision?
- Reduced FIU analysis operations?
- Reduced capacity for financial investigations/prosecutions?
- Slowed international cooperation efforts?



National AML/CFT Coordinating Bodies Should Assess and Respond to Changes in the Threat/Vulnerability Environments

1. Assess changes to ML/TF risks:
 - Supervisors, FIU, LEAs and senior policy makers should coordinate to monitor emerging risks
 - Supervisors/FIU should engage with private sector to discuss threats/problems/trends

2. Devise appropriate responses to new threats/vulnerabilities



Some possible responses to new threats/vulnerabilities

- Establish task-forces to deal with COVID-19 related crime
- Prioritize investigation/prosecution of crimes linked to emerging threats
- Prioritize FIU intelligence gathering and dissemination
- Adapt AML/CFT preventative measures and financial supervision to new threat environment

Some useful links:

- [Open Contracting Partnership: Guide to COVID-19 Procurement Data Collection, Publication and Visualization](#)
- [How the IMF is Promoting Transparent and Accountable Use of COVID-19 Financial Assistance](#)
- [FATF: COVID-19 Related ML and TF Risks and Policy Responses](#)



Thank You