

Global Dialog Series

Consolidating Cooperation for the Implementation of Efficient Financial System Abuse Control Systems

(Algeria, Morocco, Tunisia)

Brief Report

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1- Preliminary Observations

- All participants emphasized the issues facing each country and the International Community in matters of money laundering control (MLC) and terrorism financing (TF). They also underlined the necessity for each and every jurisdiction to establish an MLC/TF mechanism that meets international standards;
- The three participating countries worked very hard to implement effective legal tools to combat financial system abuse. In this regard, the discussions allowed participants to assess and to welcome progress made by Algeria, Morocco, and Tunisia;
- Participants have acknowledged that, given the risks incurred, further progress needs to be made. In this regard, three factors should guarantee success: the strong political will to combat financial system abuse, the acknowledgment by liable parties, especially the private sector and banks, of the need and relevancy of new MLC/TF standards, and finally a deep-rooted tradition of internal control in both public (for example, exchange control) and private practices. All these positive factors should lead to the efficient implementation of the new MLC/TF provisions.

2-Challenges to be met

All participants agreed on the need of identifying overall regulatory, institutional, and operational consequences of the new texts pertaining to financial system abuse recently adopted by the three participant countries or currently being drafted. The biggest challenge facing those three countries is certainly the implementation of the operational phase, meaning the implementation of legal tools to combat money laundering and terrorism financing. Algeria, Morocco and Tunisia have now entered a crucial transitory phase during which multiple challenges will have to be met, both in the public and private sectors.

2-1 The private sector is confronted to many issues:

Public authorities must pursue the implementation of new texts.

The need for local authorities to closely monitor the implementation of the new MLC/TF standards was clearly stated during discussions. Liable parties had many legitimate questions about the new texts and local authorities will have to reduce any legal insecurity by clarifying some concepts or by clarifying the scope of some specific provisions. Many participants were unsure of the suspicion concept, of the definition of suspicious operations, of the extent of the criminal liability of the reporting person, or of the actual authority of financial information units (regular administrative structures or structures invested with jurisdictional powers?) One participant stated that the distinction between the role of the banker and that of the financial information was somewhat unclear and that, if not duly supervised, the obligation to report suspicious operations could adversely affect the trusting relationship between banker and client.

Authorities are also responsible for making professionals aware of money laundering issues. Although the banking sector is generally more aware of the dire consequences of financial system abuse on both the overall banking environment and the overall national environment, awareness is much less in other occupations that are less familiar with incurred risks (for example, insurance, manual changers, legal trade and accounting).

According to discussions, public authorities must also proceed as follows to support the implementation of new MLC/TF standards:

- **Establish a dialog policy with the private sector.** Participants proposed many avenues:
 - Holding regular information and exchange meetings;
 - Involving the private sector, particularly banks, in the drafting of legal and regulatory texts;
 - Setting up workgroups, including through partnerships with professional organizations;
 - Establishing a National Intersectorial Co-ordination Committee, responsible for overseeing the implementation of new texts.

Participants stressed the need for such a dialog policy to better understand difficulties encountered by professionals, to establish a climate of mutual trust, and to instil a co-operation culture between authorities and all participants concerned with the MLC/TF mechanism.

- **Enact concise application standards to better define the scope of the law.** For example, the supervisor must indicate through specific instructions the expected requirements of banks in regards to client identification, reporting, awareness of clients, etc. This must be part of a “dynamic” process of adaptation through time, based not only on lessons learned from text implementation but also on the emergence of new criminal practices. The Financial Information Unit (FIU) must also develop a typical suspicion report form and make it available to liable parties.

In this regard, many participants noted the lack of uniform practices and the lack of information on the nature of data to be transmitted to FIUs. The disclosure of typical money laundering schemes was also deemed useful.

- **Promoting an ambitious training policy.** Deeming it the only way to ensure efficient implementation of the law, participants unanimously stressed the need to establish, a partnership training strategy at the public level, involving the private sector as well as international (World Bank/IMF) or regional (BAD) institutions, Several individuals stated that banks would only be able to meet their obligations if personnel of all echelons, was properly trained.
- **Consolidating international cooperation.** Given the obvious transborder nature of money laundering and terrorism financing, the need for international cooperation between public institutions (supervisor, FIU) was duly noted, for example through information exchange protocols.

During discussions, some participants also stressed the need for all concerned countries to take the necessary measures to discourage the informal economy, conducive to the emergence of tortious or criminal operations. In this regard, promotion and the development of payment modes such as checks or bank cards should help increase the number of bank account holders within the public at large and thus, reduce the use of cash. Generally speaking, the fight against money laundering and terrorism financing could be integrated into the process of greater transparency (particularly financial transparency) and consolidation of general and corporate governance.

2-2 Within the private sector, the main challenge is to identify both operational and legal consequences of the new texts. The recently adopted new standards, or those on the verge of being adopted, will have an impact on the private sector, which will then have to adapt quickly, for example by implementing an adapted risk prevention mechanism. In this regard, it was noted that the banking context was far from uniform. Some banks have already adopted MLC/TF standards, disclaiming any internal responsibility in matters of client knowledge, either regular or sporadic, of account and operation monitoring, of data archiving, etc. On the other hand, others are only now initiating the process and are in dire need of guidance.

Participants stressed the need for banks to study additional human and technological means necessary to meet their new obligations. In this regard, many raised the issue of suspicious operation monitoring and detection, especially the costs of such activities. Representatives of all three countries unanimously stress the need for increased training and awareness of personnel, at all levels of responsibility.

Moreover, the role of statutory auditors and external auditors was discussed. They too play an important role in the fight against financial system abuse by ensuring that banks have implemented adequate internal control mechanisms and that their supervision meets regulatory standards. The issue of creating specific MLC/TF obligations for external

auditors was also raised (for example, the obligation to report any failure to competent authorities).

Finally, the three delegations expressed the importance of obtaining the support of international and regional institutions to define and implement customized training programs in order to improve the “learning curve”. As for the World Bank and the IMF, they announced that they were ready to help and provide the required technical support both to the private and public sector public (Central Banks, monitoring organizations, and FIUs).