



### WORKSHOP REPORT FORM

Number and title of workshop

4.1 Breaking the link between banking and corruption

**Date and time** of workshop

01 November 2008, 11:00-13:00

**Moderator** (Name and Institution)

Jeremy Carver, Director Transparency International UK

**Rapporteur** (Name and Institution)

Tobias Bock, TI-Secretariat, Global Corruption Report Team (Policy and Research Department)

**Panellists** (Name, institution, title)

Anthea Lawson, Researcher (Global Witness)

Jeremy Carver, Director (Transparency International UK)

Raymond Baker, Director (Global Financial Integrity); Guest Scholar (The Brookings Institution, and Senior Fellow, Center for International Policy)

Patrick Moulette, Head of Anti-Corruption (OECD)

### **Main Issues Covered**

The workshop started with recent research carried out by Global Witness into the role of banks in facilitating corruption. The presentations provided an overview of countries rich in resources but where corrupt leaders spend incredible amounts of money while the vast majority of the population suffers; Western states where banks fall short of ensuring that they do not work with illicit money from abroad; and offshore banking "paradises". The workshop then focused on how financial institutions could potentially fight against corrupt customer and act as effective gatekeepers. The panelists suggested policy recommendations for banks, states, and the international community. The workshop was characterized by a strong agreement of the panelists as well as contributors in the audience that what is ultimately needed to ensure the role of banks as effective gatekeepers is a change of culture in the banking sector and especially political will of all actors involved.



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### Main Outcomes

See “Main outputs” below.

### Main Outputs

It is important to point out that e.g. passing legislation as outlined below and creating a different culture within the financial community is by no means expensive. It depends on the political will to act and ensure the gatekeeper function of financial entities. This process may take time to realize but it is not impossible. Transparency of different sorts as is currently (to some degree) illustrated by the ongoing financial crisis is essential for a functioning economic system as well as for civil society to play its role in pushing financial intermediaries, states, and the international community to ensure that the necessary actions are taken. Civil society can act as an independent third party scrutiny which is vital to ensure transparency and accountability. The current financial crisis should be seen as an opportunity to push for these changes.

### Recommendations, Follow-up Actions

It is essential that **banks** openly communicate a policy of not working with corrupt individuals and organizations, and they have to cancel “hold-all-mail”-accounts. They have to actively ensure that account holders obey the bank’s standards. **States** need to communicate the same anti-corruption policy and pass legislation that makes it illegal for banks to work with illicit money, also if it has been obtained abroad. An example would be know-your-customer regulation. The **international community** (G8, EU, OECD etc.) needs to develop standards for unlawful activities that go beyond checklists. It should e.g. ensure that multinational corporations publicize records according to the different jurisdictions where they are active. An example for international cooperation would be the strengthening of the EU Savings and Tax Directive. The FSA report on PEPs is a step in the right direction but banks need to move away from only refusing to work with money that constitutes a reputational risk while at times money that has been obtained illicitly or through corruption is accepted as long as it does not result in a scandal.



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### **Workshop Highlights (including interesting quotes)**

Many people in resource-rich countries such as Angola which should be amongst the richest nations of the world live on less than 1 US \$ a day because their leaders loot the nation's income, often with the (implicit) support of Western banks.

The son of the president of Equatorial Guinea had over 200 different bank accounts all around the world.

The cross-border transfer of money from the developing world to banks in the developed world was 500 billion per year in 2005.

Features essential for a positive development towards adequate gatekeeping are political will and a change of culture in the banking world. Actions to break the link between corruption and the banking sector are by no means as expensive and complex as those critical of moving in this direction want to make us believe.

**Signed**

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