
Speech to the Florida International Bankers Association, 15th Anti-Money Laundering Compliance Conference

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By
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Corruption – Crises, Context, Solutions.

Focus points – money laundering, Latin America.

Introduction



Viktor Yanukovich, former president of Ukraine



Vladimir Putin, president of Russia

Kleptocrats, stealing staggering sums of cash from the people that they should serve and wielding enormous power are just one part of the multiple corruption crises gripping the world today.

These crises are contributing to global insecurity, financial and economic instability – they are challenging freedom and democracy in many countries. Moreover, corruption is a prime cause of entrenched poverty in many parts of the world. Many of you are from Latin America, or work with institutions in the region, and one facet of the crisis of corruption today is that the leaders of such important economies and democracies as Argentina, Brazil, Chile and Mexico are right now enmeshed in scandals.

A central argument that I will make today is that there can be no sustainable solutions to corruption and money laundering without civil society leadership. This consideration is inadequately understood by governments, development institutions, corporations including banks, and by many in academia. Transparency International, the global anti-corruption organization, is determined to increase its leadership efforts in this area. We are waging campaigns to unmask the corrupt, to say “**No Impunity**,” and to press hard for enforcement of anti-money laundering laws and regulations.

In a recent newspaper Mexican president Enrique Pena Nieto said, “Today there is, without doubt, a sensation of incredulity and distrust... there has been a loss of confidence and this has sown suspicion and doubt.”¹

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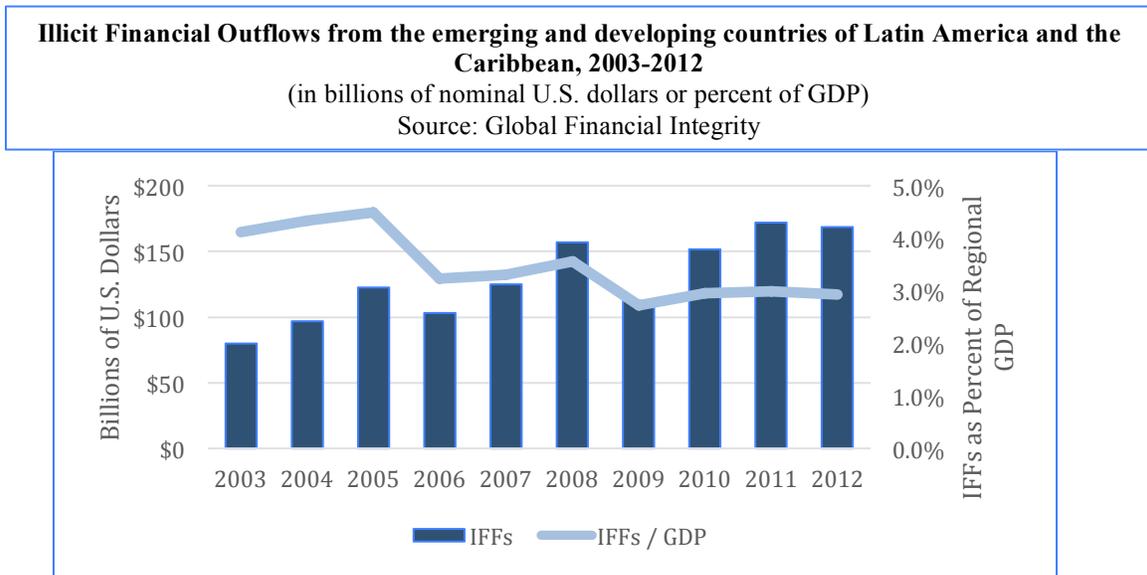
Rarely before have the crises of corruption been as widely reported by the media as they are today. Nevertheless, the responses by most governments and most multilateral official institutions are far from satisfactory. Pledges are repeatedly made at the highest international official levels to combat money laundering, to unmask corrupt practices, and to call a halt to the rampant impunity that so many corrupt politicians and their cronies enjoy. But the enforcement actions on these pledges repeatedly fall short.

A number of major banks have lost public confidence because of their failures to implement anti-money laundering regulations. The recent public disclosures about the activities at HSBC demonstrate the yawning gap between the public rhetoric of some top bankers and the practices of their institutions. It was widely reported, based on leaks to the media, that 100,000 people had accounts at the bank's Swiss branch in 2005-2007, and that there was evidence suggesting that the bank assisted tax evaders.

CRISIS

For many years, I was a newspaper reporter and when it came to scandals in business and politics the order always was: "Follow the money." Here today our focus is anti-money laundering (AML) with particular emphasis on Latin America. Far, far too much money is fleeing the region – illicitly.

The volume of illicit financial flows from Latin America, in excess of \$160 billion a year, approximately three percent of GDP, according to Global Financial Integrity GFI). This may be a conservative estimate. But, consider how absolutely crucial this is when noting that real GDP in the region was just an estimated 0.4% last year and may be a mere 0.2% this year, according to forecasts by the Institute of International Finance.ⁱ



The growth years for the region from 2000 onwards created a stage for a major decline in poverty. The percentage of very poor people in Latin America fell from 42% to 25%.ⁱⁱ But the region is now stagnating, the prospects for growth are bleak and the risks of increased poverty are significant. The economy of the largest country in the region, Brazil, is, as *The Economist* magazine reported last week, “in its worst mess since the early 1990s.”ⁱⁱⁱ

Just consider how much brighter prospects would be for tens of millions of Latin Americans if instead of vast sums of cash flowing illicitly abroad, these sums were instead invested at home.

Illicit financial flows represent a criminal tax on the citizens of scores of countries. They are the product of organized crime. They result from many transactions pursued by executives at business corporations who personally gain from illegal activities. Most importantly, the illicit outflows of cash from many countries are the means by which politicians, top civil servants and their cronies, transform the funds gained from abusing their public offices into foreign investments.

\$1 trillion -- Business and Money Laundering

Illicit financial flows – estimated to be close to one trillion dollars, according to Global Financial Integrity (GFI)^{iv}, are helped on their way by professional launderers into shell companies registered in countries where the rule is “no questions asked.” The cash then flows into the world’s most attractive investment centers, from Dubai to New York and Miami, London, Paris, Geneva and other locations. And, from there the money travels onwards into corporate investments, fine art, expensive real estate and a host of valuable assets that can be bought and sold in major national and international markets.

The participants at this FIBA conference are deluged with offers by all manner of consultants to acquire new, ever-more sophisticated AML compliance tools and technologies. Businesses are seeing their expenses rise and rise as they strive to ensure sound AML compliance. It would be an enormous benefit to everyone if these costs could be sharply cut. The answer does not rest in new compliance technologies, but in smashing the money-laundering rackets themselves and curbing corruption and this is the prime focus of my presentation today.



A flavor of how the system operates was recently detailed in a five-part series of articles in *The New York Times* by reporters Louise Story and Stephanie Saul, where the first article splashed the following headline across the front page: “Hidden wealth flows to elite News York condos.”^v

The beneficial ownership of these assets is masked by sophisticated schemes designed by high-priced armies of consultants, accountants, lawyers and bankers. They have no shame as they aid and abet crooks.

A new study by [Transparency-UK](#) has found that 36,342 London properties covering a total of 2.25 square miles are held by hidden companies registered in offshore havens says new research from Transparency International, published today.

The research – analyzing data from the Land Registry and Metropolitan Police Proceeds of Corruption Unit – found that 75% of properties whose owners are under investigation for corruption made use of offshore corporate secrecy to hide their identities.

Let us be clear about who we are talking about. Examples:

- Last July, BNP Paribas pleaded guilty and paid a \$9 billion fine under an agreement with the U.S. Department of Justice that arose from the bank's violations of U.S. sanctions with regard to its clients in Sudan, Iran and Cuba. BNP allegedly undertook financial transactions between 2002 and 2009 in the United States totaling around \$30 billion on behalf of countries. This is the largest sum involved in a U.S. case of this kind. To bring these funds into the U.S., the bank devised schemes in its Geneva office to hide the real owners of the cash. These included public officials in Sudan – a country whose president, Omar Hassan Ahmad al-Bashir, has allegedly accumulated more than nine billion dollars^{vi}. In March 2009, the International Criminal Court issued an arrest warrant as it accused Sudan's leader of crimes against humanity.
- While BNP Paribas was laundering money for Sudan's criminals, HSBC was serving the laundering needs of a host of gangsters, including Mexican drug cartels, according to documents relating to its \$1.92 billion fine and money laundering settlement with the U.S. Department of Justice and details on the account-holders at its private bank in Geneva as reported by the International Consortium of Investigative Journalists.^{vii}



Beyond Compliance, Partnering with Civil Society – Transparency International

The solutions to the crises of corruption and money laundering demand far more than corporate compliance. Many of you in this audience count among the world's most influential and effective AML compliance officers and experts. You have to think beyond compliance.

You need to find ways to work with civil society and to understand, and support its constructive approaches. There will not be major change in efforts to curtail money laundering, to end the secrecy of shell companies, and to bring the rogues and their accomplices to justice, without leadership by civil society activists. Only they can build the public pressures on a consistent and sustained basis that can influence major governments, central banks and official multilateral organizations to create new laws, rules and regulations and, most importantly, enforce them effectively in the public interest.

In this endeavor Transparency International (www.transparency.org) is and will continue to be a vigorous leader at international and national levels. Many people know us for our annual Corruption Perceptions Index (CPI), which ranks countries. This is one part of our research activities. Research is crucial to building effective anticorruption campaigns and plays an important role for the 100 TI national chapters and our secretariat in Berlin.

TI's work includes building public awareness about the crimes of corruption; campaigning for reforms in government and in business and finance; pursuing and promoting research; assisting individual victims of corruption to secure redress; fighting impunity and promoting justice. We started in 1993 and we are proud of having built a substantial record of achievement, yet we are the first to acknowledge that the anticorruption journey is long and that we have many more miles to travel before we can talk about victory.

We need to recognize today's crises, the context in which corruption and money laundering are thriving, and the pragmatic solutions, reaching beyond compliance programs that need to be promoted.

Trade, Finance, Business and Banking.

Trade: Illicit financial outflows impact the economic growth of many nations, while doing grave damage to trade. Raymond Baker, GFI's founder and President, told me recently that, "Mis invoicing – the deliberate misrepresentation of the value of goods being shipped - is not a source of black money; it is the mechanism through which black money leaves a country. Recent data shows that on average (on a global basis), close to 80% of all cross-border illicit flows move through this method."

Corporate Bribing: Increasing cross-border cooperation between public prosecutors and rising efforts by the U.S. Department of Justice have come together to investigate, and in many cases, bring to justice an array of vast enterprises that have used bribery as part of their business models. The bribes they have paid have gone to officials that have often hidden the black cash by laundering it abroad.



For example, the most recent major case involved the largest fine ever imposed by the U.S. department of Justice on a corporation for bringing foreign government officials. Alstom, a French headquartered global engineering firm, agreed to plead guilty and to pay \$722 million. The Justice Department's statement noted that Alstom paid bribes in a number of countries around the world, including Indonesia, Saudi Arabia, Egypt and the Bahamas. In addition, a further series of investigations are currently underway in several countries, including the UK and Poland.

Deputy Attorney General James M. Cole stated, "Alstom's corruption scheme was sustained over more than a decade and across several continents. It was astounding in its breadth, its brazenness and its worldwide consequences. And it is both my expectation – and my intention – that the comprehensive resolution we are announcing today will send an unmistakable message to other companies around the world: that this Department of Justice will be relentless in rooting out and punishing corruption to the fullest extent of the law, no matter how sweeping its scale or how daunting its prosecution."¹

Investments: Another aspect of the crisis for business relates to investment assets themselves. The last few years have seen an astonishing rise in the values of many "top luxury" assets. These range from luxury properties in major cities across the world, precious jewelry, vast leisure yachts, and fine art works – many of which are stored in Monaco and Geneva and other locations beyond public view.^{viii}

Banks: Moreover, the rising stream of scandals involving banks in money laundering is having a crippling impact on the banking sector. Many top executives complain that they are devoting enormous amounts of time to putting out fires and wrestling with the mounting regulation that is resulting from increased public distrust of the banks. Too many banks have replaced traditional cultural values that placed the customer first, with short-term profit-maximization. Poor risk management, inadequate reputational risk oversight and pervasive unethical behavior have got too many banks into trouble. There has been a huge cost to economies as a result.

Economic Threats: The gravest national economic crises currently unfolding in terms of their potential international impact are in Greece and in Ukraine. Corruption in both countries contributed to the crises. Greek voters rejected the mainstream political parties at recent elections in a clear statement that they want to see an end to the corruption where an establishment elite of big businesses has operated in secrecy for years with politicians and civil servants to obtain public sector contracts and refrain from paying taxes.

In Ukraine, in February 2014, massive public protests ousted the most corrupt regime in the country's recent history. The scale of thefts by the government had brought the country to the edge of bankruptcy, where it finds itself today. The bitterness about public sector corruption provided fuel to Russian nationalists and to Moscow to launch a vicious insurgency in the country.

Security and Terrorism and Human Costs.

It is not difficult to see the intense linkages between corruption and the crises in Afghanistan, Iraq, Ukraine and Nigeria, where every day people are being killed, and vast amounts of cash are being stolen from the government. In each case we find extremist groups have exploited the widespread sense of hopelessness among youth, who see the police and other public officials openly extorting the poor, who see criminal syndicates in control of major businesses and who see no future for themselves.

The failure of governments to demonstrate honesty and to promote justice that all citizens can respect, has created openings for the Taliban in Afghanistan and Pakistan, for ISIS in the Middle East, and for Boko Haram in Nigeria. When citizens sense that not only do their governments seek to enrich themselves at the expense of the people that they should be serving, and that these governments are ruthless with critics and opponents, then the attractiveness of radical movements rises.

Some 60% of the population of sub-Saharan Africa is below the age of 25, and 60% of this youthful population today is without jobs or decent job prospects. So many of these young people are easy prey for radical organizations in search of new recruits. And, time and again, we find that the employment opportunities for young people do not exist because national economies have been undermined by corrupt governments; that productive investments are not being made because national assets are being stolen; and that good educational institutions have been demolished by the plundering of national budgets.

More than one billion people in the world today survive on less than just a couple of dollars a day. Many millions of these people live in countries that have enormous reserves of oil and other natural resources, from Nigeria to Venezuela. The wealth is not being shared. Rather, those in positions of power are looting the treasuries of their nations for their own purposes, so schools are not being built, services



for the poor are not being supplied and massive poverty persists.

When there is corruption, there are victims. In many countries, corruption is a prime cause of absolute poverty. We cannot discuss the massive trafficking in women across the world without recognizing that this exists because officials in

many places are taking bribes from organized crime. We should never forget the children in dozens of countries who do not get decent schooling or medical care because of corruption.

Indeed, in many respects corruption is a crime against humanity.

Context

These multiple crises, stimulated in large measure by corruption, need to be understood in a broader context. The key point is that too many governments, including those in North America and Western Europe, are too complacent about money laundering and corruption.

Time and again our governments have been more interested in doing deals with corrupt regimes to solidify short-term strategic and diplomatic relationships, than to look a little further ahead and recognize that such actions add confidence to foreign corrupt regimes and fuel corruption.

The United States has spent over \$100 billion in foreign and military aid in Afghanistan. We have little to show for it. We have many reports from the office of the U.S. Special Inspector General for Afghanistan that show that vast sums are unaccounted for.^{ix}

Vast numbers of projects funded by the U.S. taxpayer in Afghanistan have never been completed. Many Afghans have become rich as a result of our foreign aid. The same story was true in Iraq and is true in Pakistan.

The U.S. and its allies have provided aid to many regimes to build friendships only to discover that the money has been stolen and our relationships have worsened. Moreover, we are seen by the citizens of these countries – from Afghanistan to Egypt - as being a prime source of increasing corruption and this damages America's longer-term interests and the cause of global security.

We have considered it undiplomatic to confront regimes that have captured their states so that they can plunder their own citizens at will. We have turned a blind eye to the money laundering on behalf of top government officials that have stolen our aid. We have ignored the money laundering by close business associates of foreign leaders with whom U.S. and other Western governments have wanted friendly relations. And, our complicity has added to corruption, added to money laundering and damaged global security.

Widespread Perceived Corruption Across Most of Latin America

Central to understanding the context of today's crises is recognition of just how pervasive corruption is across the emerging and developing world economies. Let us focus, for example, on Latin America, where the results of the 21014 Transparency International Corruption Perceptions Index are disturbing.

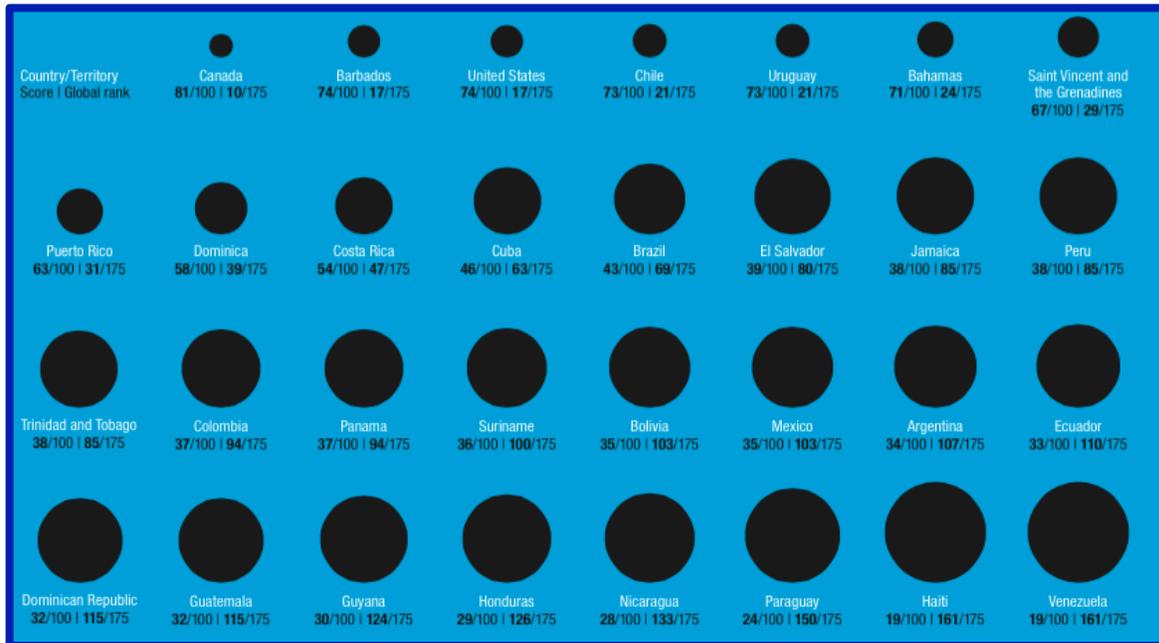
“In Putin’s Kleptocracy – Who Owns Russia?”¹ scholar Karen Dawisha details the ways in which the Kremlin leadership has established a ruthless and totally corrupt network, where the members are vastly wealthy and enjoy impunity, where enemies are bullied and imprisoned, and where the state as a whole has been plundered on a massive scale. We saw exactly the same kind of system in operation in Ukraine under former president Viktor Yanukovich.

And, as Putin and Yanukovich and many others like them robbed their countries and deposited hundreds of billions of dollars in Western banks and investments, our government here in the U.S., as well as West European governments, did nothing and said nothing. Our silence added confidence to Mr. Putin and we see the result today in Ukraine.

Sarah Chayes, in her new book “Thieves of State – Why Corruption Threatens Global Security,”¹ expands on the story with first person accounts from years in Afghanistan and traveling in the Middle East and North Africa. She convincingly adds to a narrative that I sought to promote in my own book on corruption three years ago that the linkages between corruption, peace and security demand far greater attention.

Transparency International – Corruption Perceptions Index 2014 – Western Hemisphere

Country rankings out of a total of 175 countries. Scores – close to 100 denotes very clean of corruption. Close to 0 denotes extremely corrupt. 100



On our index a score of close to 100 indicates that the country is widely perceived to have virtually no corruption, while the opposite is true for countries with scores close to zero on our scale. We had survey results for 175 countries. In the Western hemisphere, the cleanest in terms of corruption were Canada with a global ranking of 10th and a score of 81, and then both Barbados and the United States, each in 17th place with a score of 74.^x

However, out of 31 countries in the region in the survey fully 21 had a score below 50. Those to be ranked as perceived as the most corrupt Haiti and Venezuela tied for 161st place in the world with a score of just 19. Just notches better were Guyana, Honduras, Nicaragua and Paraguay.

Another crucial part of the overall context of today's corruption and money laundering relates to bribe-takers, their partners, and state capture

Crony Capitalism

The Economist
cover May 15, 2014

Part of the context of our discussion embraces business people who have forged tight ties to governments, officials and politicians. A universe has emerged that *The Economist* magazine called in a cover story last year, “The New Age of Crony Capitalism.” It argued that, “Governments need to be more assiduous in regulating monopolies, in promoting competition, in ensuring that public tenders and asset sales are transparent and in prosecuting bribe-takers.”



The problem in part is that we have seen, and continue to see, a massive accumulation of wealth in the hands of very few people. Most of these people may well have earned their fortunes honestly. Some, however, have not. And as they accumulate more and more wealth, so the legions of billionaires seek ever greater political influence – mostly

honestly to be sure, but some less than honestly. Just consider if you have a really good imagination the estimate by Mercedes Benz, according to a report in *The Wall Street Journal*, that by 2019, “250,000 people in the world will own \$40 trillion in assets.”^{xi}

We are seeing threats to state capture as the “crony capitalists,” corporations, criminal networks and government officials conspire together. For example, my friends at Transparencia Colombia note that we are talking about state capture by illegal actors. “Some of the biggest corruption - and probably money laundering - scandals are related to the payments and bribery of multinational oil and mining companies to local authorities and the guerrilla groups – to secure contracts from the former and to buy security from the latter.”

The bottom line in Colombia and in many other countries is the relationship between (very big) companies, many of them multinationals, organized crime (including the guerrillas in Colombia’s case) and, criminal and corrupt activities involving local authorities. In other words, big money nurtures violence and terrorism in Colombia.

Or, consider the unfolding Petrobras scandal in Brazil serves as another example. Here we find a largely state owned giant enterprise that has close ties to top politicians and to business leaders and that has misallocated contracts on a vast scale. The massive bribes and kick-backs paid for contracts were not exclusively made by Brazilians. On February 16, for example, *The Financial Times* ran a headline that read: “Rolls Royce accused of bribery in \$100 million contract.”^{xii}



Secrecy

The lack of transparency in crucial areas of government serves as yet another part of the context. Governmental secrecy takes various forms that explicitly relate to our anti-money laundering concerns. In quite a number of countries, for example Argentina, there is no such thing as a freedom of information law. The citizens have limited scope for discovering just how the government spends public sector revenues, how it awards contracts, where and how it manages state funds. Many key aspects of the budget are even withheld from elected members of the parliament.



Argentina’s President Cristina Kirchner, for example, is widely suspected according to the media for allegedly pocketing millions. The government secrecy, in fact, not only enables abuse, but it also creates rumors and distrust that can contribute to undermining government.

Military spending is a particular area of government outlays that in most nations is a black box as far as the public is concerned. Our research suggests that the arms trade is among the most corrupt international business sector.

No less opaque in many countries is political party financing, including the funding of elections. And, unquestionably, those businesses providing substantial sums to political parties believe in quid pro quo – they expect something in return.

Solutions

Let us now turn to viable solutions to the critical issues of corruption with a particular focus on anti-money laundering. There are a series of related approaches and considerations that are important, from the need for courageous leaders, to the recognition that the journey is long and there are no quick fixes, to the imperative of fighting impunity and proceeding with detailed global AML campaigns. And then, of course, we need to look at public sector procurement processes, and finally, we need to adopt values that can secure success.

Courage

The forces promoting bribery, corruption and money laundering are often powerful and resourceful. To make a difference in the long campaign to secure sustainable reforms demands courage. Few politicians or enforcement agencies have demonstrated the necessary courage on a sustained basis.

I am convinced that in many difficult and testing countries the reason for cautious optimism is, above all, the courage being seen by civil society leaders. People who have nothing personal to gain from the fight, except the well-being of their fellow citizens.

of Transparency International-Honduras, which has spearheaded a major initiative over the last decade to track down witnesses to murders and persuade them to cooperate with authorities in several municipalities.

Last year, the President of Honduras, Juan Orlando Hernández, signed an agreement with Carlos Hernández, chair of TI-Honduras, to work together to reduce crime. Our work in one country after another, as far as possible, is through constructive coalitions with government and business.



In Honduras, the joint effort has helped to reduce homicide rates by over 20% in the last two years. TI-Honduras, to take another example, working with TI-Chile and TI-USA, has played an important role in pressing for action by authorities and monitoring progress in a major corruption and money laundering case that involves the administration of the social services regime in Honduras. This project shows how civil society can play key roles in breaking the cycle of violence and impunity in the country.

More broadly, if I look across the world, at friends deeply engaged in the work of national chapters of Transparency International in many countries where the personal risks of speaking truth to power are considerable, and the personal risks of organizing anti-corruption activities are even greater. From Russia to Venezuela, from Guatemala to Kenya, we find professional, dedicated women and men willing to mobilize citizens to demand an end to impunity. We find people who are taking formidable risks to create debates in their countries about governmental transparency, accountability and corruption – debates that are essential if reforms are to be promoted effectively.

It is too easy to take this aspect of today's issue for granted. The forces of corruption, the promoters of laundering cash across the globe are sophisticated and ruthless. Unless they are confronted and their crimes more broadly understood, then they will only feel more empowered. Civil society, Transparency International, is striving to make a difference. The work being pursued

seeks to create a more civilized, more peaceful and better world. The beneficiaries include every one of you in this conference hall today.

And, it is important to recognize the intense risks that activists determined to campaign for open and honest government are taking. The murder in broad daylight in the heart of Moscow just a few days ago of Boris Nemtsov was horrendous. It is a desperately painful reminder of why we all must find ways to support those men and women in dangerous nations who are fighting for the very values that we deem as vital to our civilization.

Pragmatism

For AML work to have impact we must be pragmatic, whether we are activists or business people. We might desire that all countries embrace our values in terms of corruption, democracy, human rights – but this is unrealistic.

As business people you need to answer two questions:

1. How can we secure constructive changes to level the playing field and curb corruption?
2. How should we operate with integrity today in a world where dishonesty abounds?

Let me start with the first question by highlighting a few of the activities that transparency international is pursuing. Within Transparency International we have worked for years on an array of actions to level the playing field for business, so restoring the powers of the marketplace and the opportunities for honest businesses. For example:

Level Business Playing Field: Transparency International campaigned in the early and mid-1990s for an OECD Anti-Bribery Convention that was in line with the FCPA. Since its ratification in 1998 we have worked ceaselessly for its full enforcement. We have a long way to go, but we are making progress. The scale and success of recent U.S. FCPA actions, for example, would not have been possible without the level of international cooperation between public prosecutors that is now evident and that did not exist 20 years ago.

Integrity Pacts: For example, from Colombia to Latvia we have been promoting through our chapters what we call “integrity pacts” on major projects under public procurement that ensure that bidding is honest and subject to full inspection. In some cases, millions of dollars have been saved because of these transparent public contracting procedures.

Anti-Corruption Commissions: TI has also worked in many countries to try and strengthen governmental anti-corruption commissions and their ability to investigate honestly. This is never easy. But even in some of the toughest countries in Africa we find today that there are such commissions striving to expand the political space where they can do a good job. We applaud them and we encourage them.

Beneficial Ownership: And, further on public procurement, we are seeking today to address another uphill fight – pressing governments to require full beneficial ownership transparency for all public contracts. This is incredibly difficult. Just look at the many shell companies that are involved in Petrobras’s contracting in Brazil. We believe that progress on this front is possible. We shall keep at it.

Promoting AML

Our AML work combines specific efforts through international campaigns. Transparency International and many other civil society organizations are campaigning with success. In 2013, under the



chairmanship of UK prime Minister David Cameron, approved key principles on beneficial ownership; then we are now seeing new rules and regulations across the European Union; while Cameron was keen to lead the charge at a historic Group of 20 Summit in Brisbane, Australia last November, which concluded in part:

“We endorse the 2015-16 G20 Anti-Corruption Action Plan ... We commit to improve the transparency of the public and private sectors, and of beneficial ownership by implementing the G20 High-

Level Principles on Beneficial Ownership Transparency ... Improving the transparency of legal persons and arrangements is important to protect the integrity and transparency of the global financial system. Preventing the misuse of these entities for illicit purposes such as corruption, tax evasion and money laundering supports the G20 objectives of increasing growth through private sector investment.”^{xiii}

We all can – and should – build on this powerful summit statement to translate pledges into enforced actions. For us in Transparency International this means that we are campaigning for governments, for example, to:

1. Make information on beneficial ownership of companies freely and publicly accessible... As a first step towards full disclosure, all collected information should be shared with law enforcement bodies.
2. Strengthen and enforce PEP (politically exposed persons) and AML regulations.
3. Ensure all countries have FATF-compatible regulations that are enforced and monitored.
4. Adopt sanctions severe enough to act as deterrents.
5. End the impunity for banks, where the shareholders end up paying for the abuses by executives who ought to be responsible and accountable.

Nowhere to hide

The efforts that are underway on many fronts today are creating a world where the money launders and their agents have fewer and fewer places to operate in secrecy. Promoting transparency is crucial.

If anyone felt safe, then they should think again as they read the details of the leaked reports on HSBC. The scale of investigations and new enforcement actions in recent days as a result of the major publicity surrounding the HSBC files is a warning. There will be more such examples as the media and enforcement agencies continue to press for disclosure.

We are aiming for a world where life for the money launders involves far greater risks than currently exist. We are working tirelessly in one country after another to make corrupt officials and business people understand that the risks of their criminality being detected are rising. In today’s highly connected information age, we believe that the crooks will indeed have nowhere to hide. That is our goal.

Values

Ladies and gentlemen, no regulations, no compliance approaches, no amount of individual courage, can turn the tables on the core of corruption and money laundering unless there is recognition of the central importance of values. Values matter. They matter for businesses and for individuals.

In conclusion today, let me stress that as business people you all need to consider what values you and your corporations and business colleagues need to advance as components of the solution to the corruption-money laundering crisis.

I suggest that at a minimum you need to ensure that your business are operated with integrity; that your values are core to your corporate vision; that everyone in your business team shares the values and is willing to be an ethical role model; and that everyone is constantly sensitive that they should never do anything that would embarrass them if it was reported on the front page of *The New York Times*.

Creating and sustaining corporate cultures driven by integrity is essential, but not sufficient. The commitment to integrity must also be personal.

I want each of you as an individual, as a citizen of the world to make this personal. A good starting point would be to carry a small business card with you everywhere that is a **Declaration Against Corruption** and that states:

- I will not pay a bribe.
- I will not seek bribes.
- I will work with others to campaign against corruption.
- I will only support candidates for public office who say no to corruption and demonstrate transparency, integrity and accountability.

Thank you.

Endnotes on next page:

ⁱ Institute of International Finance, February 2015, Global Economic Monitor -

ⁱⁱ Research by Professor Nora Lustig, Tulane University, presented at the Center for Global Development on February 26, 2015. <http://www.cgdev.org/media/declining-inequality-latin-america-presentation>

ⁱⁱⁱ *The Economist*, editorial February 28, 2015 – “Latin America’s erstwhile star is in its worst mess since the early 1990s.”

^{iv} Global Financial Integrity, December 2014 report on illicit financial flows. <http://www.gfintegrity.org/report/2014-global-report-illicit-financial-flows-from-developing-countries-2003-2012/>

^v The New York Times, February 7, 2015 - http://www.nytimes.com/2015/02/08/nyregion/stream-of-foreign-wealth-flows-to-time-warner-condos.html?_r=0

^{vi} Wealth of Sudan’s president – Wikileaks cables - <http://www.theguardian.com/world/2010/dec/17/wikileaks-sudanese-president-cash-london>

^{vii} ICIJ - <http://www.icij.org/project/swiss-leaks>

^{viii} For example see *The Financial Times*, February 27, 2015. <http://www.ft.com/intl/cms/s/0/bd248468-bde7-11e4-8cf3-00144feab7de.html?siteedition=intl#axzz3SxYS1tyL>

^{ix} Audits by the U.S. Special Inspector general for Afghanistan. <http://www.sigar.mil/audits/>

^x Transparency International CPI. <http://www.transparency.org/whatwedo/publication/cpi2014>

^{xi} *The Wall Street Journal*, February 6, 2015, Dan Neil article. <http://www.wsj.com/articles/mercedes-maybach-s600-the-silence-is-deafening-1423249856?KEYWORDS=Maybach>

^{xii} *The Financial Times* on Rolls Royce and Petrobras, February 16, 2015. <http://video.ft.com/4059521357001/Rolls-Royce-accused-in-Petrobras-scandal/Companies>

^{xiii} See Brisbane 2014 Group of 20 Communiqué. https://g20.org/wp-content/uploads/2014/12/brisbane_g20_leaders_summit_communique1.pdf

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