

From Anti-Money Laundering to Global Governance: Consequences and Outlook of 25 Years of Financial Action Taskforce Activities

Report

AP Jakobi & E Tsingou

March 2015

A. Report of Workshop

B. Future Plans

C. Budget

D. Documents

16:00-18:00 Panel III: FATF as an Institution of Global Governance

Chair: Mark Nance (North Carolina State University, US)

Discussant: Peter Andreas (Brown University, US)

Global Networks Against Crime: Using the Financial Action Taskforce as a Model?

Anja P. Jakobi (Royal Holloway, University of London, UK)

Left outside – Informal Economies and Global Financial Governance

William Vlcek (University of St. Andrews, UK)

Concluding Discussion and Ways ahead

Chairs: Anja P. Jakobi (Royal Holloway, University of London, UK)

Eleni Tsingou (Copenhagen Business School, Denmark)

18:00 End of Workshop

Workshop Minutes

Attendants

see list above

(Sharman absent due to cancelled flight in NY, submitted comments via email and joined us later)

plus 2 non-presenting guests

Anthony Amicelle, Montreal

Annette Idler, Oxford

plus 1 observer

Vincent Dreher, FU Berlin

Opening remarks

- Welcome
- Round of Introductions: programme participants and observers (Anthony Amicelle, Montreal; Annette Idler, Oxford; Vincent Dreher, FUB)
- Presentation of project and discussion of outputs

Panel I

Paper 1: Mark Nance

The paper takes a historical perspective on the AML regime by asking why money laundering was addressed and how? The paper proceeds with a three-stage analysis focusing on (i) sequence and

timing in the institutional set-up; (ii) how agents affect structures and the impact of norm entrepreneurs; and (iii) how the structure is affecting agents and the socialisation and experimentalist governance dynamics at play in the work of FATF. These three elements together explain FATF's success in constructing AML as worthy and necessary.

Paper 2: Patrick Cottrell and Chip Poncy

The paper focuses on the evolution of FATF as an institution of higher importance, relevance and visibility than originally conceived and asks why and how that has happened. FATF became a focal institution for discussions of collective security, financial governance and financial crime. The paper argues that in order to understand the FATF's success, three principles associated with FATF's work must be taken into account: (i) political legitimacy; (ii) market credibility; and (iii) progressivity.

Discussion

Comments by Tom Biersteker focused on the following themes:

- Insights from public choice theory
- FATF within the wider regime
- Issue framing
- Developing the definitive account of FATF's history
- Implications of institutional choices: task force vs. international organisation

Q&A focused on the following themes:

- Effectiveness as the survival and evolution of the institution vs. effectiveness with reference to mandate
- The role of technical expertise and related inclusion/exclusion dynamics
- Comparisons with other task forces

Panel II

Paper 1: Karin Svedberg Helgesson & Ulrika Moerth

The paper analyses the implementation of FATF regulations by lawyers in a comparative study of Sweden and the UK. Both countries have different regulatory frameworks in which lawyers operate, diverge with respect to the significance of the financial sector and the implementation of FATF regulations. Focussing on the practice of lawyers in dealing with AML/CTF regulations, the paper shows a range of differences in both countries: For instance, UK lawyers are more likely to report clients as being suspicious than their Swedish counterparts who would aim to avoid these clients in the first place. UK lawyers phrase existing conflicts more as a business problem, while Swedish lawyers phrase it as a problem related to professional identity. The paper shows that even a similar level of AML/CTF implementation across countries leads to very different implementation practices.

Paper 2: Eleni Tsingou

The paper is based on a forthcoming book and elaborates on the professionalization of compliance officers and their work. Based on interviews and other field research, it is shown that due to

AML/CTF, a new profession has emerged which implements the international regulations. Compliance officers are on the way to become a fully certified profession, show a distinct career pattern and distinct activities. At the same time, their work produces paradoxes, as they monitor and administering doubt about clients and activities, while at the same time being the ones that need to eradicate all doubts about the legal status of financial activities.

Paper 3: Shahar Hameiri & Lee Jones

The paper focuses on whether we can assess that the FATF is an effective institution. It offers a critique of existing explanations for the FATF, also showing that implementation has not been addressed so far. A case study of Myanmar shows that the adoption of FATF principles is better conceptualized as the outcome of a local power struggle than as the internalization of FATF principles.

Discussion

Comments by Jason Sharman sent via email (due to NY flight cancellation).

Comments by Anja P. Jakobi focused on the following themes:

- Karin & Eleni:
- Role of Professionalization and De-professionalization: Can we say that some professions as lawyers or banking professionals get de-professionalized while new professions arise?
- Karin: Is it only the regulatory environment that can explain the differences? What else can?
- Eleni: Does certification make a difference or is it a ritual? Is there a qualitative difference in how the profession develops?
- Lee & Shahar: Is the paper doing justice to the different theoretical accounts that so far exist with regard to the FATF?
- Is it astonishing that local power shapes implementation?
- Is this paper more about a case of implementation than one of theory-criticism and building?
- Q&A focused on the following themes:
 - Existing theories that explain the FATF and their possible shortcomings
 - How would we expect successful implementation to look like?
 - The role of local forces in shaping AML/CTF implementation

Panel III

Paper 1: Anja Jakobi

The paper looks at FATF as a model for the governance of crime as well as in the context of layering and new functions for the institution itself. It analyses commitment and initiation problems of global networks, and how the FATF overcame these.

Paper 2: William Vlcek

The paper focuses on how the focus of FATF recommendations has evolved with respect to informal economies. It offers account of displacement and how methods and techniques used for a formal economy are applied to informal economies with the consequence of forcing some out of the formal financial system.

Discussion

Comments by Peter Andreas focused on the following themes:

- Effectiveness: mandate shortcomings but successful international cooperation
- Displacement: is it happening and is it a positive or negative development?
- Should the informal economy be more regulated?
- The importance of great power initiative behind prohibition regimes
- Should FATF be replicated?

Q&A focused on the following themes:

- Benefits of regulating the informal economy
- The role of technology
- Institutional design: task forces v. treaties

Summary discussion and ways forward

Discussion on:

- 2-step publication approach: Special Issue and later, reference volume
- Onward funding for 2-day workshop

Themes:

- Journal selection (global governance focus or crime focus)
- Definition of the global governance landscape / definition of key concepts of effectiveness and compliance
- Different open questions related to FATF contextualization, development and effects
- 'Why does the regime work even though it is not effective?' – papers offer different answers

B. Follow-up

The organizers aim to pursue a two-stage strategy:

- Submission of Papers to Journal for special issue (Crime, Law and Social Change as first choice)
- Set of papers plus additional papers to be presented on a follow-up conference (organization in 2016), with a view to publish edited volume on FATF and the governance of illicit finance

C. Budget

Last Name	First Name	Per diem	Hotel	Total
Sharman	Jason	No reimbursement requested		
Biersteker	Thomas	75	195.8	270.80
Andreas	Peter	No reimbursement requested		
Eckert	Sue			Absent
Poncy	Chip			co-author
Cottrell	M. Patrick	75	195.8	270.80
Nance	Mark	75	195.8	270.80
Kerwer	Dieter			Absent
Oliveira	Ines			Absent
Vlcek	William	75	195.8	270.80
Jones	Lee	75	195.8	270.80
Hameiri	Shahar		co-author	co-author
Svedberg Helgesson	Karin	75	195.8	270.80
Jakobi	Anja P.	75	195.8	270.80
Tsingou	Eleni	75	195.8	270.80
Total				2166.4

Budget & Expenses

Items	Budget in \$	Budget Details
Room Rental	200.00	ISA price
Coffee Breaks	324.00	Two coffee breaks, 1.5 gallons each, @ \$108 per gallon (2x1.5x108) = 324, ISA price
Audio-Visual	350.00	LCD, screen, netbook. No additional AV needed, ISA price
Hotel*	1,566.40	8 authors @ 1 night each \$195.80, ISA Guideline
Lunches	403.00	13 participants @ \$31/person for boxed lunch = \$403, ISA price
Per diem	600.00	8 authors @\$75, ISA Guideline
Research Assistance	[550.00]	One research assistant at £10/hour * 35 hours = £350 = ca. \$550, External Funds by Royal Holloway
Totals	3443.40 [3993.40]	