

Enhancing International Information Exchange between FIUs

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Ladies and gentlemen,

I have an opportunity to conclude the session on the international cooperation by presentation that will be focused on enhancing international information exchange between financial intelligence units.

FIUs, in the process of analyzing suspicious transaction reports, need information on foreign subjects, foreign accounts. The Czech FIU cooperates with its foreign counterparts since its origin in 1996. During the time of our existence we made researches of experience of our analytical division in the field of receiving responses from foreign FIUs to our requests for information. Researches had been worked out in 2003, 2005, 2009 and 2011. The results were always the same. As the best responses as regards the quality, quantity and well-timing were evaluated responses from new EU countries, especially from Slovakia, Poland and Hungary. We are also satisfied with responses from Russia and Ukraine as well. Worse situation is with responses coming from some old EU member states, where the AML/CFT legislation is older, and maybe not so efficient. The biggest problem we have found, is obtaining financial information on the basis of foreign request. There is quite large number of countries, whose FIUs are not able to request financial information from their domestic sources on the basis of requests from their foreign counterparts. The consequence is that requesting FIU has to shelve the case ad acta, because it cannot continue its investigation without information on trace of the funds or information on owners of accounts. As the worst was the evaluation of non EU countries, especially so called tax heavens. Sometimes it is rather difficult to obtain basic information from their FIUs, for example information on beneficial owners of companies registered in these territories.

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The researches I was speaking detected and identified the most important problems of international information exchange. We consider as the biggest obstacles following facts:

- Existence of non-cooperative countries and territories
- Not sufficient access to financial information on the basis of foreign request
- Low quality and complexity of responses to foreign FIUs
- Delays in responding foreign requests

The Czech FIU tries to elaborate as much comprehensive responses as possible. Now I will show you how the template of our response looks:

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We start with information from our own database - we notify if subjects of foreign request have or have not records in the FIU database. If the matching is positive, we describe what the subject of STR was and how the case was finished - either we have submitted criminal complaint to the law enforcement authorities, or the case was shelved ad acta.

Then we continue with information from commercial databases. We provide our foreign counterparts with complete information on involvement of subjects of request in Czech companies - the name of the company and its address, identification number, subjects of business, information on executive heads/members of board, and finally information on beneficial owners.

On the basis of foreign request, the Czech FIU requests the Czech police services (including Alien Police). In case of positive matching we inform our colleagues abroad on investigations and prosecutions of persons that are subjects of their requests.

As regards information from financial sector, we obtain information from banks on owners of accounts, persons authorized to handle with the account - we receive this information also in form of photocopies of their ID. The certain matter for us is also to provide our foreign counterparts with accounts statements in electronic form for the period of time defined in the request. This information is being sent as annexes of our response.

If requested, we also provide with information from the Czech Property Register and information from databases of the tax administration.

In the framework of international information exchange we do not receive and sent only requests and responses, but we work very often with spontaneous information on foreign subjects - either companies or persons – or the relevant foreign FIUs.

Our spontaneous information contains:

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- Information on subjects of spontaneous information that are subjects of our STR
- Description of STR submitted by the Czech reporting entity
- Information on relations of subjects of spontaneous information to the country of recipient of the spontaneous information

In the end of this message we always state our consent with dissemination of information from this spontaneous information to the competent state authorities and occasionally to the relevant foreign FIUs, because when sending this information we definitely expect, that recipient of this information might start its own investigation.

Most of spontaneous information are accompanied by enclosures - where are ID copies, account statements, photocopies of contracts, swift reports, etc.

We do believe that the international information exchange should have following rules:

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All FIUs must have either direct or indirect access to the financial information to be able to provide their foreign counterparts with these kinds of information without any rogatory letters or permissions of prosecutors. The ideal situation in this relation would be the existence of central register of accounts, where the FIU would have direct access.

When FIU receives a request from abroad it should deal with the request in the same way as it deals with its own STR. It means that the FIU should use the same scale of information for responding foreign request as it uses for the investigation of its own STR. It is what we consider as the most important precondition of effective cooperation between FIUs.

Last, but not least, so called all crime approach should be accepted globally, Also all so called lists of predicate offences should be abolished and national legislations should accept the rule, that any crime having proceeds is the predicate offence for money laundering.

In this relation we can see following challenges for future:

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We all, who are involved in combating money laundering, terrorist financing and proliferation financing, either we work in FIUs or in EU structures, FATF, OSCE, IMF, WB or in national law enforcement services, should fully support revision of FATF standards and as much comprehensive revised AML/CFT EU directive as possible.

These important documents should take into consideration also the necessity of financial information exchange at the international level and all crime approach.

There is already one EU Directive - concretely it is the Council Directive 2011/16/EU on administrative cooperation in the field of taxation - where it is stated in article 6 point 3 that requested authority should deal with the foreign request in the same manners it deals in the framework of its own investigation.

Ladies and gentlemen, I am concluding my speech with the slogan - There is no efficient cooperation at the national level without efficient cooperation at the international level and opposite.

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Thank you for your attention, and now I am at your disposal in case you have any question regarding enhancement of the international information exchange between financial intelligence units.