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INTERNATIONAL CENTRE FOR
ASSET RECOVERY



Stolen Asset Recovery Initiative

The World Bank • UNODC



XIth Edition of the Lausanne Seminar

Boosting Co-operation in Asset Recovery

Exploring the Potential of
Private Sector Engagement and
Public-Private Collaboration

2–3 September 2021

Summary Report

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1. Introduction

1.1. The Lausanne Seminars – Background

Since 2001, Switzerland has been organizing asset recovery expert seminars in Lausanne (Lausanne Seminars) with a view to facilitating an exchange between asset recovery practitioners on emerging issues as well as practical and legal challenges related to asset recovery. The Lausanne Seminars also provide an excellent platform to strengthen international cooperation in combatting corruption and recovering stolen assets.

In its latest editions, the Lausanne Seminars have focused on the implementation of two United Nations' mandates to develop Guidelines for the Efficient Recovery of Stolen Assets¹ and a Step-by-step Guide² which were finalised in 2014 and 2017 respectively. Both mandates arose from discussions during the Lausanne Seminars and the participants' recognition that more practical guidance on asset recovery, beyond legislative guidance, is required to reduce hurdles faced by the actors involved in particular in international cases.

1.2. The XIth edition of the Lausanne Seminar

Looking beyond traditional methods of working and building bridges between stakeholders are core missions of the Lausanne Seminars and hence have been the basis for the topic addressed in the 2021 online edition. The XIth edition looked at emerging practices for strengthening cooperation and information flow between the public and private sectors, in line with the United Nations General Assembly resolution A/RES/74/206³ (para. 20).

While the private sector potentially plays a role in most phases of the asset recovery process, the XIth edition's focus was on how law enforcement, financial intelligence units (FIUs) and private sector actors can make use of complementary expertise, information and capacities to enhance detection of economic crimes and facilitate tracing of assets.

1 https://www.unodc.org/documents/treaties/UNCAC/WorkingGroups/workinggroup2/2014-September-11-12/CacCosp-Wg2-2014-CRP4_combined.pdf

2 <https://guidelines.assetrecovery.org/>

3 <https://www.undocs.org/A/RES/74/206>

The Seminar drew heavily on first-hand experience of the 150 participants (from all continents, more than 40 States and both the public and private sectors) with a view to examining how cooperation between the public and private sectors can be strengthened in order to make the asset recovery process more effective.

It was found that a growing number of States are testing different models of public-private cooperation for the sharing of information to identify illicit assets and illegal financial flows. Some of these were presented at the Seminar in order to learn from, and discuss the experiences made so far, and to analyze challenges and success factors. The Seminar looked at different approaches in both civil and common law States.

The program of the Seminar is attached to the present Summary Report (see page 19). The Seminar was held under the Chatham House Rule⁴.

1.3. The purpose of the present Summary Report

The XIth Lausanne Seminar raised awareness of recent innovations with regard to the use of public-private collaboration to achieve asset recovery outcomes, providing participants with insights and tools for the development of public-private financial information-sharing partnerships (FISPs) in their respective jurisdictions.

In this Summary Report, the Swiss Confederation together with the International Centre for Asset Recovery (ICAR) of the Basel Institute on Governance and the World Bank/UNODC Stolen Asset Recovery (StAR) Initiative, and with the support of the Royal United Services Institute (RUSI) 'Future of Financial Intelligence Sharing' (FFIS) research program, summarize the discussions of the Seminar as a formal output.

This summary also compiles insights on how to address or resolve challenges to effective cross-border asset identification, freeze and confiscation, leveraging advances in public-private collaboration and opportunities for greater cooperation between FISPs identified during the Seminar.

4 <https://www.chathamhouse.org/about-us/chatham-house-rule>

2. What are FISPs?

FISPs are generally understood to be a partnership of financial institutions (major reporting entities in the private sector), FIUs and Law Enforcement Agencies (LEAs).

FISPs can operate at different levels:

- At the strategic level, public and private actors share information for instance in order to develop financial crime typologies (what are the new ‘criminal trends’?) and to co-develop, test and refine risk indicators to improve suspicious activity reports (SARs) by the private sector. Typically, strategic information does not contain confidential identifying information about specific suspects or clients of financial institutions and, as such do not require generally enabling legislation. Some FISPs publish the product of their collaboration, others share them only with financial institutions. The exchange of information between public and private sector with regard to risks and threats also corresponds to international standards (see Recommendation 1 “assessing risks and applying a risk based approach” and Recommendation 2 “national cooperation and coordination” of the FATF).
- At the tactical level, public and private actors share information to enhance law enforcement investigations in specific cases. Tactical information can include the names of suspects or other identifying information relevant to the investigation. The sharing of such information may require enabling legislation. Participating private actors can use the information received from public actors to search their systems for suspicious activities. They can then share sensitive information back with public actors either through SARs or dynamically within the FISP.

Since 2015, there has been a steady development in the creation of FISPs with more than 20 FISPs having emerged in some 18 States (in both common and civil law jurisdictions). Most of these are national-level FISPs, but some trans-national, cross-border FISPs are developing. 20 out of the top 30 global financial centers are covered by a FISP.

3. What are the benefits of FISPs?

FISPs, to varying degrees, demonstrate benefits for both participating private and public actors. Private actors are often at the frontline to detect crime and benefit from FISPs in particular as follows:

- Private entities can find it challenging to identify potential criminality without guidance from public agencies about patterns and trends in criminal behavior. Shared information may help them optimize compliance with the anti-crime legal framework, their risk assessment, better target searches and analysis, and thus use their resources more efficiently;
- FISPs may help improve prevention and early detection of crime, which are key elements to protect the integrity and reputation of private actors;
- FISPs may increase understanding in the public sector about complex financial issues and their vulnerabilities, and more generally foster a more collaborative and constructive relationship between public and private actors; and
- FISPs may help private actors protect their clients and thus increase the level of security. For example, participating private actors may receive information about a specific account known to be used by a scammer to receive payments obtained by fraud. Such information allows participating financial institutions to block payment orders to this account, and thus protect their clients.

Participating public actors also benefit from FISPs in terms of:

- An increase in the number of SARs addressing threats prioritized by the respective FISP;
- More timely and relevant reporting in response to active investigations or live incidents; less “false positive signals”;
- Improved quality and utility of SARs;
- Improved expertise related to current trends, typologies and risk indicators; and
- Improved law enforcement outcomes supporting investigations, prosecutions, asset recovery or other disruption of criminal networks.

In practice, FISPs are successful as quantitative indicators of impact demonstrate.

From February 2015 to June 2020 the Joint Money Laundering Intelligence Taskforce (JMLIT; United Kingdom) handled 750 cases, seized and restrained assets in the amount of GBP 56 million (approx. USD 75 million) and identified over 5'000 suspect accounts that were previously not known to law enforcement.

In the Hong Kong Special Administrative Region of the People's Republic of China, from May 2017 to May 2020, 108 cases were presented to the Hong Kong Fraud and Money Laundering Intelligence Taskforce (FMLIT), leading to the identification of 8'162 accounts, 379 persons and 513 companies relevant to investigations (previously unknown to police). HKD 646.8 million (approx. USD 83 million) of assets were frozen, restrained or confiscated. HKD 105.6 million (approx. USD 13.5 million) of loss to fraud were actively prevented. 250 persons were arrested and 16 prosecution cases were achieved as a result of FMLIT information-sharing.

Since the end of 2019, the Netherlands Serious Crime Taskforce (SCTF) has investigated five cases, which has led to around 195 unusual transaction reports, of which 189 have been declared suspicious by the FIU. In addition, the cases and reports by the SCTF have offered insight into criminal networks and modus operandi.

(Source: RUSI/FFIS report 'Five years of growth in public-private financial information-sharing partnerships to tackle crime'⁵)

5 <https://www.gcffc.org/survey-report-five-years-of-growth-in-public-private-financial-information-sharing-to-tackle-crime/>

4. Can FISPs support asset recovery outcomes?

The World Bank/UNODC StAR Initiative groups obstacles to asset recovery under three headings:

- *General or institutional barriers*, including (i) the lack of a comprehensive, sustained and concerted policy or strategy to identify asset recovery as a priority and to ensure alignment of objectives, tools, and resources to this end, (ii) as well as the lack of adherence to and enforcement of anti-money laundering measures as a means to prevent and detect the proceeds of corruption.
- *Legal barriers*, including (i) onerous requirements for mutual legal assistance, (ii) excessive banking secrecy and (iii) overly burdensome procedural and evidentiary laws.
- *Operational barriers*, including (i) the lack of expertise and resources to effectively trace and tackle the sophisticated schemes used by criminals to launder money, (ii) the difficulty in having access to the widest possible range of sources of information during the pre- and investigation stage, (iii) the difficulty in identifying contact points in other States, (iv) as well as the lack of cross-border cooperation and information exchange and (v) the difficulty in managing and preserving assets that have been restrained during the recovery process.

While they may not help overcome legal barriers as such, FISPs can contribute significantly in addressing general and operational barriers and thus in promoting asset recovery outcomes. To mention just a few:

- Timing being essential in asset recovery cases (e.g. identifying or freezing assets before they disappear), FISPs can speed up processes by generating timely, credible and actionable intelligence and providing it to LEAs.
- Within the framework of FISPs, private actors can share their specialized expertise with public actors and facilitate a better understanding of the complexity of financial products, current risks and criminal patterns.

- A constructive dialogue between private actors holding assets and public actors restraining them may facilitate the sound management of frozen assets.
- This cooperation leads to a better understanding of risks and crimes and as a consequence crimes are more difficult to commit (preventive effect).

The potential of FISPs in supporting asset recovery outcomes exists, but needs to be further explored and developed.

The purpose of the South African Anti-Money Laundering Integrated Task Force (SAMLIT), a FISP between the private (banking community) and the public sector, is to generate timely and credible intelligence to LEAs and ultimately provide admissible evidence to facilitate effective law enforcement action.

Since its establishment in 2019, SAMLIT has provided significant support to South African LEAs by sharing 4'536 high quality financial intelligence reports, blocking ZAR 712.1 million (approx. USD 45 million) being the proceeds of crime in bank accounts and providing financial intelligence that enabled the recovery of criminal proceeds to the value of ZAR 1.749 billion (approx. USD 111 million).

Through data mining, operational analysis and targeted scanning by its partners of the private sector, SAMLIT has facilitated a more comprehensive view of transactions and customer behavior when it came to the identifying of assets for their preservation and recovery.

(Source: 'SAMLIT Annual Review | 2020'⁶)

⁶ <https://www.sabrc.co.za/industry-information/samlit/>

5. The importance of cross-border information-sharing

Corruption and money laundering are global threats and require an international collective response. Classical cross-border information-sharing between LEAs of different States exists, but can be slow and often paved with difficulties. Mutual legal assistance is the formal procedure of providing assistance between States and it is often a time-consuming exercise.

Even if these classical formal processes are cumbersome, they are necessary to safeguard the sovereign rights of each State and the principles of the rule of law. Under these conditions, it is all the more important to think of ways to support them and make them as efficient as possible. One avenue is police to police and FIU to FIU or diagonal (police to FIU and FIU to police) cooperation. Such cooperation is faster and less time consuming. Another avenue are FISPs.

On the private side, many actors are internationally active. Through their networks, they hold extensive knowledge of cross-border financial activities. On the public side, international cooperation exists between LEAs and between FIUs within the framework of the Egmont Group, which brings together 167 FIUs. Joining these private and public components into cross-border FISPs would strengthen asset recovery on a global scale.

The following example illustrates a weakness of the present global framework and the need for cross-border FISPs: Some financial institutions with subsidiaries in different States may have a global picture of cross-border criminal behaviors (full 'puzzle'). But, in order to comply with domestic limitations, they may have to break the 'puzzle' into pieces and give only partial information to the FIUs, respectively LEAs of each State concerned. Such fragmentation makes the transmitted information of little use for FIUs and LEAs. Public private information-sharing at the international level, such as in the context of the Europol Financial Intelligence Public Private Partnership (EFIPPP), might help improving the situation.

The Egmont Business Email Compromise (BEC) project is an example of an efficient FISP at the international level. BEC fraud involves schemes in which criminals compromise the e-mail accounts of victims either (i) to send fraudulent payment instructions to financial institutions in order to misappropriate funds or (ii) to cause data to be transmitted fraudulently to conduct financial fraud.

To address the increasing and serious threat posed by BEC to financial institutions and their customers, 11 FIUs launched the ‘Egmont BEC Project Team’, which is focused on analyzing BEC trends, indicators and methodologies, as well as to share key findings with FIUs.

To ensure that stolen assets can be recovered, the ‘Egmont BEC Project Team’ defined a procedure to speed up cooperation between different FIUs: (i) A financial institution detects a red-flag indicator of a suspected BEC on the account of a victim or an offender; (ii) the financial institution immediately files a SAR to its national FIU and flags it as BEC-fraud related; (iii) the national FIU addresses a ‘rapid response’ request to the destination State’s FIU and asks it to take immediate action to recover the stolen assets.

Such an approach was successful in the case of a transnational syndicate operating a BEC, which targeted several US residents purchasing a property. The US Financial Crimes Enforcement Network (FinCEN) filed a request to South Africa’s Financial Intelligence Centre (FIC). Upon receipt of the request, on the same day, the FIC contacted the local banks mentioned in the request to verify the transactions and block the funds in the accounts. The immediate actions taken by the FIC resulted in a total of about USD 453’600 being secured and refunded to the victims.

(Source: ‘Best Egmont Cases – Financial Analysis, Cases 2014–2020’)

7 <https://egmontgroup.org/en/document-library/11>

6. Key findings

6.1. “Start small”

Bearing in mind that a collaboration between public and private actors might represent a paradigm shift and might necessitate breaking down silos and legacy cultures, actors wishing to establish FISPs should ‘start small’:

- Consider starting (i) with informal cooperation between few actors, (ii) with strategic information-sharing (as this type of FISP might be easier to set up within the existing legal framework) and (iii) with one-way information-sharing (before developing two-way information-sharing);
- Consider starting with what is already feasible (what is not prohibited) within the existing legal framework, so as to be able to progress, build trust and show ‘proof of concept’, in other words generate evidence to support legislative amendments that might be necessary down the road;
- Consider identifying, and focusing on, (i) the most relevant issues in the context of money laundering (e.g. the most prevalent predicate offenses) and in the most exposed sectors, (ii) specific outcomes with measurable targets and (iii) on areas in which successful outcomes are most likely to happen (‘low-hanging fruit’);
- Consider communicating on success stories (FISP promotion);
- Consider (i) the need for developing understanding in both the private and public sectors on the benefits of setting up a FISP, (ii) the need for training of the participating private and public actors, as well as (iii) budget and resource constraints.

6.2. No “one-size-fits-all”

The analysis of existing mechanisms shows that FISPs should reflect the reality on the ground and meet the specific institutional set-up and the needs of each context. In other words, there is no ‘one-size-fits-all’:

- Consider that public and private actors can exchange information at the strategic level or at the tactical level or both (see page 6);
- Consider that three main types of format for FISPs exist:
 - *Co-location of analysts / Secondment model*: Public and private sector analysts sit side by side and work collaboratively in real-time to support FISP objectives;
 - *Convened meetings with non-permanent membership, at the direction of the FIU*: The FIU convenes the FISP on an irregular basis with no permanent membership from the private sector. Meetings typically focus on specific cases or financial crime threats, and membership for each meeting or project is chosen in response to the case at hand;
 - *Regularly convened meetings*: FISP members convene on a regular basis, but do not co-locate for a prolonged amount of time.
- Consider that there is no unique ‘universal’ solution and that the best solution for a specific context might not be a copy-paste of one existing model but a pick-and-choose from different aspects of successful models;
- Consider that flexibility is key, that FISPs are at the beginning of a long journey and are devoted to evolve in line with the development of the context, and that flexibility should guide the setting up of FISPs, including when amending the legal framework;
- Consider that FIUs can act as ‘interpreters’ between private and public actors who do not always ‘speak the same language’ and that, as such, FIUs have been placed at the center of different existing FISPs.

6.3. Communication and information exchange

Effective communication and exchange of information is crucial in FISPs:

- Consider that information exchange should be open, simple and – as soon as the established collaboration is ready to move beyond one-way exchange – mutual (both public-to-private and private-to-public; ‘two-way street’);
- Consider that communication should be continuous and that regular follow-up is necessary (‘don’t just share information, ask for feedback’; ‘don’t just receive information, provide feedback’);
- Consider that information exchange and communication should ideally develop into a real dialogue, in which the participating public or private actors can articulate a threat and define together what optimal support the other side should offer;
- Consider that each actor – be it private or public – should ‘translate’ its communications into the language of the receiving entity, to make sure that the message will be understood;
- Consider giving – to the extent necessary/possible – access to significant systems and databases, taking into account the importance of keeping data secure and be compliant with data protection provisions;
- Consider that mainstreaming FISPs within Anti-Money Laundering (AML) / Combating the Financing of Terrorism (CFT) regimes would support greater private sector resourcing to be available for FISPs activities.

6.4. Building and maintaining trust

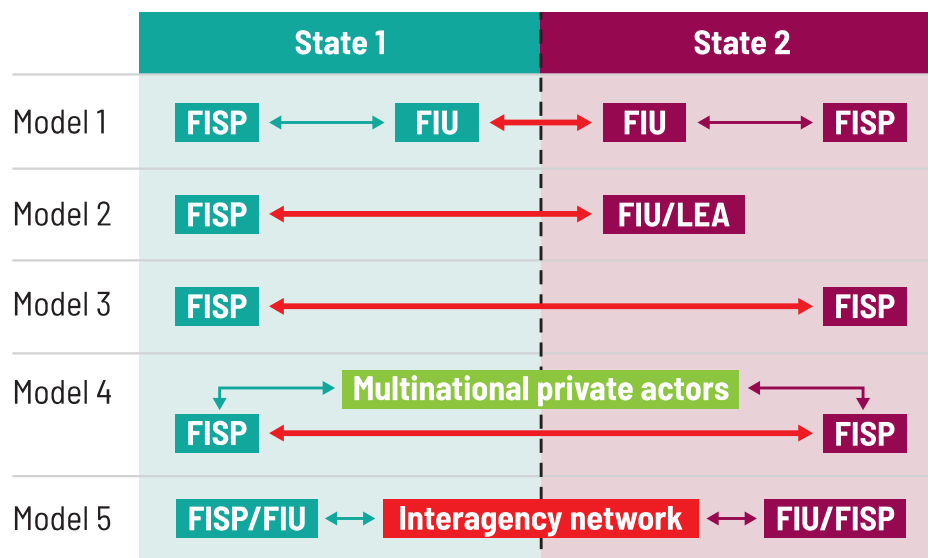
Building and maintaining trust is key to ensuring in the long term the proper functioning of any FISP. In addition to the points mentioned in the previous section ('6.3. Communication and information exchange'), the following elements might promote trust:

- Consider defining clearly and from the outset the 'rules of the game' and clarifying the role of each participating actor, by jointly developing guidelines and collecting best practices;
- Consider the importance that the right person be at the right position and that vetting processes might be necessary;
- Consider that personal (including informal) contact and continuity in relation to participating actors and their representatives is likely to build up trust;
- Consider ensuring a similarity in terms of hierarchy of participating representatives, so that everyone feels comfortable and equally 'allowed' to actively participate and share information;
- Consider that information should be shared only with the participating actors who need it (balancing security and information control against wider reach of information exchange);
- Consider that – for the exchange of tactical information on specific cases or persons – the legal framework might need to be established or amended, as both private and public actors might need to be legally covered before sharing such information. In establishing legal frameworks, specific attention should be paid on protecting privacy rights and on information obtained or used in the context of investigative or judicial processes.

6.5. Cross-border information-sharing

Asset recovery being in many cases a cross-border endeavor, it is necessary to explore what FISPs can offer in that respect:

- Consider how FISPs can be used as tools that facilitate cross-border information-sharing (like the Egmont Group's BEC project);
- Consider defining a procedure to speed up the cooperation between different national FIUs ('rapid response', spontaneous disclosure) and establish points of contact within the FIUs and LEAs;
- Consider thinking about the development of possible cross-border FISP models, for example:



- Consider enabling foreign LEAs to engage in domestic FISPs operations;
- Consider involving multinational private actors in FISPs operations;
- Consider using existing interagency networks (such as the Egmont Group, the Camden Asset Recovery Inter-agency Network (CARIN), the International Anti-Corruption Coordination Centre (IACCC) and the newly formed Global Operational Network of Anti-Corruption Law Enforcement Authorities (Globe Network)) to facilitate cross-border cooperation;
- Consider exploring how new technologies can enhance manually conducted existing information-sharing mechanisms (e.g. legal requests to disclose information to law enforcement) while safeguarding and upholding personally identifiable information (Privacy Enhancing Technologies).

7. Conclusion and next steps

The XIth edition of the Lausanne Seminar provided an excellent first glance on the various existing public-private collaboration models and on how they can contribute to achieve asset recovery outcomes. The presentations and discussions during the Seminar raised awareness with regard to recent innovations and to areas where there is a need for further development. There is a promising potential for development on a wider scale and deepening of public-private cooperation in the field of asset recovery.

The reflections around this theme will be pursued. The next edition of the Lausanne Seminar could be an opportunity to continue the fruitful exchanges on FISPs in the field of asset recovery initiated in September 2021.

Annex – Program of the XIth Edition

1. Thursday, 2 September 2021

1.1. Introductory session, welcome and objectives

Public-private financial information-sharing partnerships (FISP) in general

1.2. Introductory presentation: What are public-private financial information-sharing partnerships?

The general concept of public-private financial information-sharing partnerships and recent developments

1.3. Panel: Country experiences in establishing public-private financial information-sharing partnerships

Public-private financial information-sharing partnerships in the field of asset recovery at the domestic level

1.4. Round table: Experiences in delivering asset identification, freeze and confiscation outcomes through public-private financial information-sharing partnerships

1.5. Organizational remarks for breakout groups: Breaking down the contribution of public-private financial information-sharing partnerships for asset recovery and explainer for breakout groups

Current understanding of phases of the asset recovery process (identification, freeze, confiscation, return)

Typical information-sharing requirements and challenges

Administrative remarks and launch for breakout groups

1.6. Break-out groups: Each group discusses the relevance of public-private financial information-sharing partnerships in the field of asset recovery, on the basis of a scenario (case analysis to launch the discussion).

How public-private financial information-sharing partnerships are being used to recover assets – Understanding the conditions for successful cases.

Breakout group 1) *The use of public-private partnership in support of international investigation benefitting from compromised criminal communication devices*

Breakout group 2) *The use of public-private partnership to achieve asset recovery outcomes in a human trafficking example*

Breakout Group 3) *How governance and cross-government collaboration links to public-private partnerships to achieve asset recovery outcomes – Understanding governance and structures that can support asset recovery outcomes*

Breakout Group 4) *How partnerships produce typologies of financial crime and their role in supporting the asset recovery process – Understanding the value and limits of non-operational public-private information-sharing*

Breakout Group 5) *How private sector participants are contributing through public-private partnerships to enable collaboration to freeze suspect accounts*

1.7. Wrap-up session: A rapporteur from each break-out group presents the outcome of the discussions.

2. Friday, 3 September 2021

2.1. Welcome and organizational remarks

Challenges in cross-border information-sharing to support asset recovery outcomes

2.2. Round table: *What challenges are holding back the effectiveness of cross-border collaboration in the asset recovery process? In this context, what are the challenges faced by cross-border information-sharing?*

Initiatives to improve cross-border information-sharing to support asset recovery outcomes

2.3. Panel: *What innovations in cross-border information-sharing are being explored or developed? How are public-private partnerships collaborating across borders?*

Opportunities to address challenges to cross-border collaboration in the field of asset recovery, leveraging public-private financial information-sharing partnerships

2.4. Organizational remarks

2.5. Break-out groups: Each group discusses the key elements necessary to address challenges to cross-border collaboration in the field of asset recovery, leveraging public-private financial information-sharing partnerships.

Breakout group 1) *Learning from success in public-private cross-border collaboration*

Breakout group 2) *A private sector view on how to cooperate across borders more quickly to stop the flight of stolen funds*

Breakout group 3) *Tackling corruption cross-border with public-public information-sharing and public-private information-sharing*

Breakout group 4) *Exploring how national AML/CFT public-private partnerships can support cross-border asset recovery investigations*

Breakout group 5) *Utilising advances in privacy enhancing technology to support greater cross-border information-sharing - How can privacy enhancing technology help support information-sharing within a financial group to understand financial crime risk across borders?*

2.6. Wrap-up session: A rapporteur from each break-out group presents the outcome of the discussions.

2.7. Concluding remarks and the asset recovery and public-private partnership agenda moving forward

2.8. Close and thanks by the organisers

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