

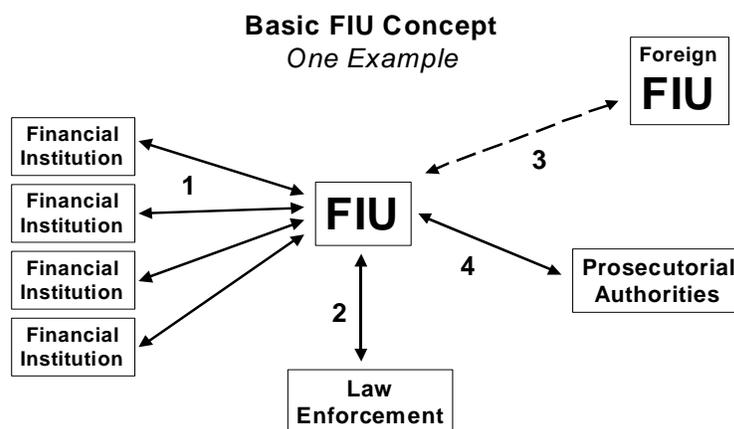


Information Paper on Financial Intelligence Units and the Egmont Group

Background

The fight against money laundering is an essential part of the overall struggle to combat and prevent financial crimes ranging from illegal narcotics trafficking to the funding of terrorist activity. Governments around the world recognize the corrosive dangers that unchecked financial crimes pose to their economic and political systems. The key issue involved in the anti-money laundering effort is ensuring that the critical piece or pieces of information reach the investigators and prosecutors charged with putting criminals behind bars and taking their illegally obtained wealth away.

The information needed to support anti-money laundering investigations and combat and prevent the financing of terrorism often involves a wide range of human activity beyond that based purely on criminal motivation. Countering money laundering and other financial crimes effectively requires not only knowledge of laws and regulations, investigations, and analysis, but also of banking, finance, accounting and other related economic activities. Financial crimes of all types are after all an economic phenomenon; launderers rely to a certain extent on already existing financial and business practices as a way of hiding illegally obtained funds or using legally obtained funds for terrorist acts and related criminal activity.



1. Disclosures transmitted to FIU.
2. FIU receives additional information from law enforcement.
3. Possible exchange with foreign counterpart FIU.
4. After analysis, FIU provides case to prosecutor for action.

Financial crime investigations conceivably touch a number of law enforcement agencies within a particular jurisdiction. This means that a completely effective, multi-disciplined approach for combating and preventing financial crime is often beyond the reach of any single law enforcement or prosecutorial authority. Since money may transfer hands in a matter of seconds or be relocated to the other side of the world at the speed of an electronic wire transfer, law enforcement and prosecutorial agencies that investigate financial crimes must be able to count on a virtually immediate exchange of information. This information exchange must also be at an early point after possible detection of a crime -- the so-called "pre-investigative" or intelligence stage. At the same time, the information on innocent individuals and businesses must at all times be protected.

The Creation of FIUs

Over the past years, specialized governmental agencies have been created as countries develop systems to deal with the problem of money laundering and other financial crimes. These entities are commonly referred to as "financial intelligence units" or "FIUs". They offer law enforcement agencies around the world an important avenue for information exchange. A FIU, quite simply, is a central office that obtains financial reports information, processes it in some way and then discloses it to an appropriate government authority in support of a national anti-money laundering effort. FIUs have attracted increasing attention with their ever more important role in anti-money laundering programs. They are able to provide a rapid exchange of information (between financial institutions and law enforcement / prosecutorial authorities, as well as between jurisdictions), while protecting the interests of the innocent individuals contained in their data.

Two major influences shape the creation of the FIUs: implementing anti-money laundering measures alongside already existing law enforcement systems (the Judicial, Law Enforcement and Hybrid models) or providing a single office for centralizing the receipt and assessment of financial information and sending the resulting disclosures to competent authorities (the Administrative and Hybrid models).

- The Judicial Model is established within the judicial branch of government wherein "disclosures" of suspicious financial activity are received by the investigative agencies of a country from its financial sector such that the judiciary powers can be brought into play e.g. seizing funds, freezing accounts, conducting interrogations, detaining people, conducting searches, etc.
- The Law Enforcement Model implements anti-money laundering measures alongside already existing law enforcement systems, supporting the efforts of multiple law enforcement or judicial authorities with concurrent or sometimes competing jurisdictional authority to investigate money laundering.
- The Administrative Model is a centralized, independent, administrative authority, which receives and processes information from the financial sector and transmits disclosures to judicial or law enforcement authorities for prosecution. It functions as a "buffer" between the financial and the law enforcement communities.
- The Hybrid Model serves as a disclosure intermediary and a link to both judicial and law enforcement authorities. It combines elements of at least two of the FIU models.

Beginning of the Egmont Group

Despite the fact that FIUs were created in several jurisdictions throughout the world during the first years of the 1990s, their creation was still seen as isolated phenomena related to the specific needs of those jurisdictions establishing them. Since 1995, a number of FIUs began working together in an informal organization known as the Egmont Group (named for the location of the first meeting at the Egmont-Arenberg Palace in Brussels on 9 June 1995).

The Egmont Group has approved the following definition of a FIU as of June 2004:

*“ A central, national agency responsible for receiving (and, as permitted, requesting), analyzing and disseminating to the competent authorities, disclosures of financial information:
(i) concerning suspected proceeds of crime and potential financing of terrorism, or
(ii) required by national legislation or regulation,
in order to counter money laundering and terrorism financing.”*

Although the definition states that the activities performed by an FIU include “receiving, analysing, and disseminating” information, it does not exclude other activities that may be performed on the basis of this material. Therefore, an FIU could conceivably perform the activities mentioned in the definition *and* investigate and / or prosecute violations indicated by the disclosures.

Organizational Structure of the Egmont Group

The goal of the Egmont Group is to provide a forum for FIUs to improve support to their respective national anti-money laundering programs. This support includes expanding and systematizing the exchange of financial intelligence information, improving expertise and capabilities of personnel of such organizations, and fostering better communication among FIUs through application of technology. In order to accomplish its mission of development, cooperation, and sharing of expertise, the Group has developed five working groups and an Egmont Committee. The working groups and their functions are listed below:

- The Legal Working Group (LWG) reviews the candidacy of potential members and handles all legal aspects and matters of principle within Egmont, including cooperation between FIUs.
- The Outreach Working Group (OWG) works to create a global network of FIUs by identifying candidates for membership and working with those countries to ensure that they meet international standards.
- The Training Working Group (TWG) identifies training needs and opportunities for FIU personnel, and conducts training seminars for Egmont members as well as for non-Egmont jurisdictions.
- The Operational Working Group (OpWG) seeks to bring FIUs together on typologies development and long-term strategic analytical projects.

- The IT Working Group (ITWG) provides advice and technical assistance to new and existing FIUs to develop, enhance, or redesign their IT systems, and examines new software applications that might facilitate analytical work.

The Egmont Committee serves as the consultation and coordination mechanism for the Heads of FIUs and the five Working Groups. Among its primary functions are to assist the Egmont Group in a range of activities from internal coordination and administrative consultation to representation at other international fora. The Committee is composed of a Chair, two co-vice Chairs, the Chairs of the above-mentioned five Working Groups, and regional representation from Africa, Asia, Europe, the Americas, and Oceania. The regional representation reflects the strength of Egmont membership in each part of the world. The Committee and the Working Groups meet three times a year, including the annual plenary during which the Egmont Group meets as a whole. Since the Egmont Group is not a formal organization, there is no permanent secretariat. Administrative functions are shared on a rotating basis. Aside from the Egmont Support position, the above-listed Working Groups and Egmont Committee are used to conduct common business.



The [Statement of Purpose](#) adopted at the 5th Egmont Group Plenary held in Madrid in 1997 called for a formal articulation of the process by which a financial intelligence unit is recognized as meeting the Egmont FIU definition in order to become an Egmont Group member. This process is now delineated in the document [Procedure for Being Recognised as an FIU by the Egmont Group](#).

Information Exchange

It is the exchange of information that is central to the Egmont Group. The two documents [*Principles for Information Exchange*](#) (June 2001) and [*Best Practices for the Exchange of Information*](#), have been adopted in order to enhance information exchange and to provide guidelines in terms of best practices for the exchange of information between FIUs.

The *Principles* provide in part that FIUs should be able to exchange information freely with other FIUs on the basis of reciprocity or mutual agreement and consistent with procedures understood by the requested and requesting party. Furthermore, the Egmont members have agreed that information exchanged between FIUs may be used only for the specific purpose for which the information was sought or provided. The requesting FIU may not transfer information shared by a disclosing FIU to a third party, nor make use of the information in an administrative, investigative, prosecutorial, or judicial purpose without the prior consent of the FIU that disclosed the information. Along these lines, the Egmont Group members have agreed that all information exchanged by FIUs must be subjected to strict controls and safeguards to ensure that it is used only in an authorized manner, consistent with national provisions on privacy and data protection.

Money laundering and terrorist financing are international issues that can only be effectively addressed through international cooperation and coordination, to which the Egmont Group is firmly committed.