

## Asset Recovery set to get a major Boost

At the FATF INTERPOL ROUNDTABLE ENGAGEMENT (FIRE) EVENT held in September in Singapore 2022, the FATF President T. Raja Kumar & Interpol Secretary General Juergen Stock, hosted experts from law enforcement, asset recovery, FIU's, prosecutors, policy makers, international organisations & private sector industry leaders to kick off a new initiative to drive forward global asset recovery.

According to the FATF President, T. Raja Kumar: *"Asset Recovery needs to be ingrained in the mindset of all relevant agencies as a core aspect of criminal investigations. Not ancillary, not a "nice to do" but a must do to disempower criminals by seizing their illicit assets."*

According to Interpol's Secretary General Juergen Stock: *"The magnitude of illicit profits, and the velocity at which billions are moving across borders, is deeply worrying. Organised crime groups are undermining global financial systems and inflicting huge losses on businesses and individuals alike. We must do more to deliver the significant operational impact that is needed today. By ambitiously pursuing every solution, every piece of actionable data, we will bring these illicit flows out of the dark and back to the legitimate economy."*



FATF member countries play a leadership role in setting FATF standards for the world, and also surely accept (as FATF members) that they must also lead by example. FATF member countries represent almost 90% of Global GDP. They are also countries that present the main financial crime and money laundering threats, both from a domestic, transit, and foreign financial crime perspective, as they are affected by the supply, transit and demand for the most generative illicit goods, as well as being the countries where most of the proceeds of these illicit trades are laundered. Results from the 4th round of FATF country evaluations, which have been published on 33/37 FATF member countries, (plus Indonesia as an observer, and UAE as a main GCC member), suggests that much more is required to improve effectiveness, particularly in relation to asset recovery. Improvements are required by all countries, and by all segments, both public and private, both independently and collectively.

FATF “Effectiveness” ratings are given at the date of publication of the FATF 4th Round Mutual Evaluation Report and do not yet take into account work carried out since, which should be taken into account when considering any comparison.

The renewed focus on asset recovery is an important one, with just 4 FATF member countries rated as “Highly Effective” for IO 8 (Confiscations) – being France, Israel, New Zealand and the United States, while 11 were rated as “Substantially Effective” being the UK, Italy, the Netherlands, Spain, Germany, China, Hong Kong, Russia, South Korea, Sweden and Indonesia (see chart below).

No countries are rated as “Highly Effective” for IO 7 (ML Investigations, Prosecutions & Confiscations), while 12 were rated as “Substantially Effective” being: France, Israel, the UK, New Zealand, the USA, Italy, the Netherlands, Spain Switzerland, Finland, Portugal and Sweden (see chart below).

For IO6 Financial Intelligence just 4 FATF member countries rated as “Highly Effective” – being Israel, the Netherlands, Russia & Spain, while 16 were rated as “Substantially Effective” being Singapore, Norway, Malaysia, Japan, Ireland, Indonesia, Belgium, Australia, South Korea, Hong Kong, Greece, Finland, Switzerland, Italy, the USA & New Zealand (see chart below).

Effectiveness Ratings for FATF Member Countries (plus Indonesia & UAE) IO 6/7/8				
IO 6	Financial Intelligence			
IO 7	ML Invest's, Pros's & Convictions etc	None		
IO 8	Asset Confis's			

FCN is now able to publish important research conducted that was carried out over 2 years (based on the latest available information) which reveals probably for the first time that whilst 9 FATF member countries (& one non-FATF member country) are reporting asset seizures in excess of 1% of estimated financial crime proceeds of crime & only 3 (and 1 non member country) are reporting asset confiscations above this frustratingly elusive 1% benchmark. Asset confiscations have risen from an estimate of less than 1% of GDP according to the UNODC's seminal report in 2011, or then **US\$3.1 billion** a year to approx **US\$20 billion** a year with just 5 FATF member countries, plus one non FATF member country together responsible for 95% of this total, of which just 4 are above the 1% threshold. Based on an average 2.75% of GDP representing estimated criminal proceeds and or money laundering funds, asset seizures for FATF member countries represent almost 2% of these estimates whereas asset confiscations are similar to the estimate a decade ago at around 0.1% on average across all FATF member countries based on publicly available data. The data ranges in each case from 2012 - 2022 and so is therefore likely to be an under representation when brought up to date if and when this is possible.

The standout country is Italy, where the threat from organised crime is not only very high but is recognised and acted upon as a true national security threat with a response and an approach which delivers results found nowhere else, at least when it comes to asset recoveries. Italy also scores high in understanding the financial crime risk it faces which are significant: Risk Policy & Co-ordination (IO1 = Substantially Effective), International Co operation (IO2 = Substantially Effective), Financial Intelligence (IO5 = Substantially Effective), ML Investigations, Prosecutions & Convictions (IO7 = Substantially Effective) & ML Confiscations (IO8 = Highly Effective).

Italy is one of only 8 FATF member countries (along with Israel, Spain, France, USA, the Netherlands, Malaysia & New Zealand) that scores positively (either at SE/HE) for each of

IO6 Financial Intelligence, IO7 ML investigations, Prosecutions & Convictions & IO 8 Asset Confiscations which are key data points indicating more positive anti money laundering outcomes.

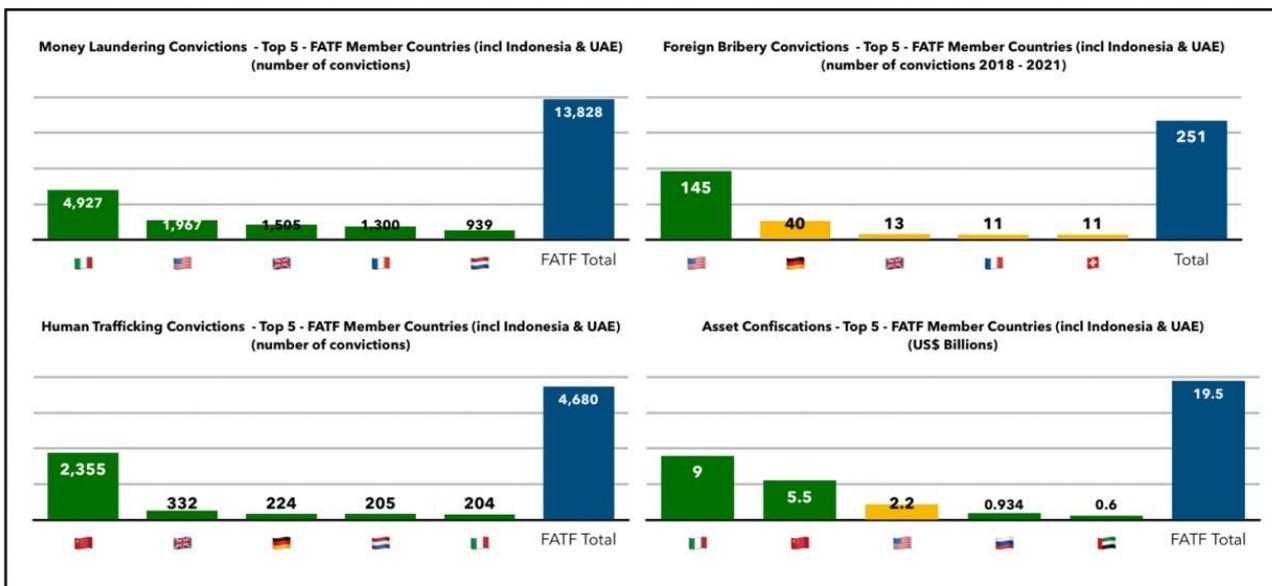
In each case Italy outperforms all FATF member countries in terms of higher **money laundering convictions** (4,927 reported in 2013) and asset confiscations (US\$9 billion in 2018), and even significantly outperforms second placed **USA** on money laundering convictions (1,967 in 2014) and **China** on **asset confiscations** (US\$5.1 billion in 2017) despite per capita and GDP differences, with the USA 10 times larger and China 8 times larger in GDP terms. Beyond the USA, Italy substantially outperforms other European peers such as the UK (1,505) France (1,300), the Netherlands (939) Germany (788) & Spain (111) on **money laundering convictions**.

When it comes to **asset confiscations**, after Italy and China, the USA (US\$2.2 billion in 2019), Russia (US\$934 million in 2018) and the UAE (US\$600 million in 2021). The UAE has made significant progress reporting the 5th highest results overall and 2nd as a percentage of estimated criminal proceeds for asset confiscations after Italy. The creation and leadership from the Executive Office for Money Laundering and Counter Terrorist Financing established in 2021, has accelerated the Emirates response to asset confiscation from what was approximately amounts recovered of US\$26 million a year (between 2013-2108) to the more than half a billion US dollars for the last year (2021). Other countries that have also made progress on asset seizures and/or recoveries in recent years include the UK, the Netherlands Australia, and New Zealand.

Asset seizures (of at least **US\$28 billion**) are naturally higher than asset confiscations (at approx **US\$20 billion** - though these are also not the same assets as it takes time to confiscate assets once seized) though some countries report seizures (or freezes) and others confiscations (or recoveries or forfeitures). Countries with high asset seizure rates but either low asset confiscation rates or no reported asset confiscation rates are:

- **Switzerland** (US\$5.9 billion in asset seizures in 2015 and US\$187 million in asset confiscations);
- the **UK** (US\$1.2 billion in asset seizures in 2021/22 and asset confiscations of US\$409 million);
- the **Netherlands** (US\$403 million in 2020 and asset confiscations of US\$85 million);
- **South Africa** (US\$300 million in 2021/22 and asset confiscations of US\$22 million);
- **South Korea** (US\$1.84 billion in asset seizures in 2018 and asset confiscations of US\$77.5 million);

- **France** (US\$573 million in asset seizures in 2020 and asset confiscations of US\$75 million (excluding recoveries from tax related cases);
- **Australia** (US\$160 million in asset seizures in 2019/20 and asset confiscations of US\$30 million in 2017/2018);
- **Denmark** (US\$90 million in asset seizures in 2016 and asset confiscations of US\$2.7 million);
- **Israel** (US\$224 million in asset seizures in 2017 and asset confiscations of US\$12 million);
- **Mexico** (US\$333 million in asset seizures in 2016 and asset confiscations of US\$2 million);
- **India** (US\$1.5 billion in asset seizures in 2022 and asset confiscations of less than US\$1million);
- **Portugal** (US\$54 million in asset seizures in 2016 and asset confiscations not reported);
- **Canada** (US\$32.5 million in asset seizures in 2014/15 and asset confiscations not reported);
- **Germany** (US\$529 million in asset seizures in 2020 and asset confiscations not reported); and
- **Luxembourg** (US\$225 in asset seizures in 2020 and asset confiscations not reported).



When it comes to **convictions for foreign bribery** only one country stands out. The **USA** investigates prosecutes and convicts this international economic crime at a level no other country comes close to at 145 convictions between 2018-2021). Foreign bribery was one of the original cause celebre's that led to the establishment of the FATF as an international task force in recognition that money laundering was an international phenomenon developed to support and facilitate foreign bribery as well as the laundering of organised criminal crimes particularly the proceeds of drug trafficking. After the USA, Germany convicts 40 for foreign bribery, the UK 13, France 11 & Switzerland 11. In aggregate all FATF member countries report convictions of just 251 for the 2018 -2021 period for foreign bribery.

When it comes to **human trafficking convictions**, FATF member countries represent just 49% of all convictions at 4,680 convictions with **China** at 2,355 convictions or 25% of the total, which is the country with the most convictions and convictions per capita and ahead of 6 countries with more than 200 convictions according to the most recently available reporting, namely: second placed UK (332), which is then followed by Germany (224), Netherlands (205), France (204) & USA (203).

## **Final Remarks**

There is no denying that investigating, prosecuting and convicting money launderers, foreign corrupt persons and human traffickers is no easy task and numerous real challenges are faced including in bringing those involved to justice as well as denying them the ability to benefit from the illicit funds generated. The FATF President and Interpol's Secretary General both believe more can and must be done, in particular on asset recovery, which is a timely intervention and a necessary focus to improve effectiveness. That Italy and more recently the UAE for example, can show how asset confiscations can be increased to meaningful levels, and others including the UK, the Netherlands, Australia and New Zealand can show recent improvements, particularly in asset seizure rates provide examples to learn from others as well as a roadmap for others to consider that could result in more effective outcomes.

An urgent focus should be on converting more of the assets seized into asset confiscations, especially in those countries where asset seizures are high but confiscations are either small or much reduced. Lessons can surely also be learned from the likes of Italy and the USA when it comes to money laundering convictions and of the USA when it comes to foreign bribery convictions and of China and the UK when it comes to convictions for human trafficking.

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Note 1: For full details on key data, including convictions for money laundering, human trafficking, foreign bribery, asset seizures and asset confiscations for all FATF member countries plus Indonesia and UAE as well as FIU related data including SAR numbers and conversion rates where available to estimate, and the relevant dates (year of reporting) and other comparative data, such as National AML Risk Assessment reporting and whether PPPs are established as well as detailed insights into the data and in some cases the limitations, the date of and absence of data and consistent terminology or definitions see the detailed data with sources and explanations, including relevant dates (years) available from FCN upon request to stakeholders and policymakers.

See Extract Image Below.

The image displays four screenshots of data dashboards, arranged in a 2x2 grid. Each dashboard shows a table of data for various countries, with columns representing different metrics such as conviction rates, SAR numbers, and asset seizures. The data is color-coded, with green indicating positive or high values, yellow indicating moderate, and red indicating low or negative values. The dashboards are titled with various categories like 'Conviction Rates', 'SAR Numbers', and 'Asset Seizures'.

**Note 2:** FATF has 37 country members (Argentina, Australia, Austria, Belgium, Brazil, Canada, China, Denmark, Finland, France, Germany, Greece, Hong Kong, Iceland, India, Ireland, Israel, Italy, Japan, Luxembourg, Malaysia, Mexico, Netherlands, New Zealand, Norway, Portugal, Russia, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Turkey, UK & USA plus the EU and the Gulf Co Operation Council, plus Indonesia as official observers.