

# THE OSLO DIALOGUE: A WHOLE OF GOVERNMENT APPROACH TO FIGHTING FINANCIAL CRIMES

A Closing Statement by Italy, as host, and the OECD

15 June 2012

Financial crimes such as tax fraud, corruption and money laundering are growing in sophistication and the sums involved are huge. UNODC estimates that criminal proceeds from all illicit activities represent around 3.6% of global GDP or US\$2.1 trillion, with the proceeds from transnational organised crime and drug trafficking amounting to 1.5% of global GDP or US\$870 billion. Illicit financial flows are of concern to all countries, but particularly to developing countries, as they strip resources that could finance their long-term development. Criminal activities are also dynamic and change quickly to take advantage of new opportunities for financial gain, frequently outpacing the legislative changes designed to combat them. Finding better ways to fight financial crime is especially important in times of economic crisis, when the loss of this income is all the more damaging to governments, businesses and individuals. Countering these activities requires greater transparency, more effective intelligence gathering and analysis, and improvements in co-operation and information sharing between government agencies and between countries to prevent, detect and prosecute criminals and recover the proceeds of their illicit activities. The Oslo Dialogue, launched by the OECD at the first global tax and crime event held in Oslo in March 2011, aims to achieve these objectives.

Recognizing the importance of the issue, G20 leaders at the 2011 Cannes Summit urged all jurisdictions to adhere to the international standards in the tax, prudential and AML/CFT areas and requested international organisations to “work closely together to enhance transparency and facilitate co-operation between tax and law enforcement agencies in the implementation of these standards”. Echoing this call the G20 Finance Ministers in February 2012 explicitly underlined the importance of improving inter-agency co-operation in the fight against illicit activities.

Striving to achieve the objectives of the Oslo dialogue and responding to the call by the G20, more than 250 experts came together in Rome to map out a path on how to fight financial crime more effectively using a multidisciplinary whole of government approach. Participants included Ministers and senior officials from over 60 jurisdictions, representing tax administrations, finance ministries, justice ministries, financial intelligence units, central banks and development assistance agencies as well as specialists from the OECD, the World Bank, the IMF, the FATF and the United Nations; non-governmental organisations, including Transparency International and Global Financial Integrity; and private sector organisations (see Annex 1 for list of participants).

The main outcomes of the event are:

- Domestic co-operation: **The OECD launched the report, *Effective Inter-Agency Co-operation in Fighting Tax Crimes and Other Financial Crimes***, which describes and analyses the models for inter-agency co-operation already used in 32 countries. Participants welcomed the report which identifies three groups of barriers to effective co-operation: legal, operational and political.

- Legal barriers include specific restrictions and prohibitions which apply to prevent an agency obtaining access to relevant information, and certain limitations on the use of information exchanges (for example, for intelligence purposes only).
  - Operational barriers include complex or lengthy procedures for obtaining information from another agency, a lack of awareness of the availability of information or other mechanisms for co-operation, or a lack of specialist training which reduces the effectiveness of gateways which do exist.
  - Political barriers include a lack of support for agencies to adopt a whole-of-government approach, or to make the changes required to remove or reduce legal and operational barriers.
  - Governments should act on the recommendations contained in the report to address these barriers so as to deliver better results, in shorter time frames, with lower costs and fewer resources in the fight against financial crime.
- **International co-operation: The OECD launched a catalogue of key international instruments for tackling financial crime.** It describes the key features of over 40 instruments in the areas of tax and customs, anti-corruption, anti-money laundering, regulation and supervision, and mutual legal assistance both to create awareness and to commence cross cutting work across different instruments. Participants underlined the importance of a holistic and multi-disciplinary approach to achieve effective international co-operation. In addition to the work of other international organisations, further work will be carried out by the OECD to help identify and resolve the barriers that impede or prevent effective international co-operation. Countries which have not yet joined **the Multilateral Convention on Mutual Administrative Assistance in Tax Matters** are called upon to do so.
  - **Capacity building:** Participants agree that building the capacity of criminal tax investigators to investigate illicit financial flows is a priority. **Participants welcomed the joint initiative led by the Italian Guardia di Finanza, the United States Internal Revenue Service and the OECD, with the financial support of Norway, to develop a pilot programme for building expertise in criminal tax investigation,** which can advance the overall fight against illicit financial flows, particularly in developing countries. Participants look forward to the establishment of an international academy on criminal tax investigation.
  - **Keeping business clean: The private sector has an important role to play in combating illicit financial flows.** Multi-national enterprises must lead by example and can support small and medium-sized enterprises in fighting corruption and other financial crimes, through their own business practices and creating a culture of compliance. Multi-national enterprises should look to implement a comprehensive anti-corruption programme, including the activities of foreign subsidiaries, agents and suppliers.
  - **Key risk areas in tax crimes and other financial crimes: Work on typology studies, concerning methods used by criminals and trends in illicit financial activity, has underlined the scope for greater domestic and international inter-agency co-operation.** The improved understanding achieved through typology studies should be built into global training events for tax crime investigators. International organisations, including the FATF and the OECD, should explore the scope for deeper and closer co-operation on future typology studies.

- Misuse of corporate vehicles: Participants agree that **identifying and addressing the risks arising from misuse of corporate vehicles is a priority**. Misuse of corporate vehicles is primarily, but not only, an issue with respect to illicit financial activities. It also affects global financial stability, as well as all countries' revenues, through base erosion and profit shifting. The responsibility and power to address these issues sit with countries. Countries should fully implement existing standards, including the revised FATF Recommendations and the international standards on transparency and exchange of information, established by the Global Forum on Transparency and Exchange of Information for Tax Purposes and the OECD. Further work, including by both law enforcement officials and policy makers, is required to understand measures currently used by countries to prevent the misuse of corporate vehicles, identify successful practices and propose possible ways for improvement.
- Illicit financial flows: Illicit financial flows are a risk to all countries and in the current economic crisis, public finances in all countries are under increasing pressure. However, **it is often difficult for a country to determine the nature and extent of the specific risks it faces**. Countries should consider sharing analyses of illicit flows, as well as methodologies used in conducting these analyses, to improve the overall understanding of this threat. Countries should also **consider applying a risk-based approach in dealing with illicit flows** to ensure limited resources are strategically deployed to achieve maximum benefit. A number of tools to facilitate this have been developed by different international organisations. For instance, Integrity Scans, based on the OECD CleanGovBiz Toolkit for Integrity, can assess the strengths and weaknesses of a country's legal, administrative and economic framework for fighting corruption, and identify priority reforms.
- Challenges and responses for developing countries: **Participants agreed that stemming illicit financial flows from developing countries should be a priority on the international development agenda**. Participants underlined the importance of taking into account the needs of developing countries as the Oslo Dialogue moves forward.

#### NEXT STEPS

The outcomes of this event will be presented to the Los Cabos G20 Summit on 18-19 June 2012.

Further, on the basis of these outcomes and the strong interest in ensuring effective domestic and international inter-agency co-operation, the OECD, working with other international organizations and interested parties, will advance the issues discussed in Rome, by:

- 1) **Expanding the scope of the work on domestic co-operation to include more countries, in particular developing countries, and ongoing analysis of measures taken to eliminate the legislative, policy and operational gaps that prevent effective domestic inter-agency co-operation.**
- 2) **Identifying, examining and making proposals to remove obstacles that currently prevent effective international co-operation, in particular among different law enforcement agencies.**
- 3) **Continuing to support a global dialogue on domestic and international co-operation in fighting financial crimes, including continued liaison with other bodies working in this field.**

**4) Working closely with interested parties to launch a robust training programme on criminal tax investigation, in particular for developing countries, and with the aim of establishing an international academy on criminal tax investigations.**

**5) Convening an international workshop, including law enforcement officials and policy makers, on practical and effective ways and means to prevent the misuse of corporate vehicles, building on recent developments in this area.**

**6) Supporting the fight against illicit financial flows through development co-operation, including through the elaboration of a report measuring efforts in OECD countries to stem illicit financial flows from developing countries.**

The participants warmly thanked the Italian Guardia di Finanza for hosting this second global event on Tax and Crime and look forward to the next event to advance this important agenda.

## Annex 1: Participants

Albania	Kazakhstan
Andorra	Republic of Korea
Australia	Latvia
Austria	Liechtenstein
Azerbaijan	Luxembourg
Belgium	Malaysia
Brazil	Malta
Canada	Mexico
Chile	Monaco
Colombia	Netherlands
Czech Republic	Nigeria
Denmark	Norway
El Salvador	Philippines
Estonia	Portugal
Finland	Russian Federation
France	San Marino
Georgia	Serbia
Germany	Singapore
Ghana	Slovenia
Greece	South Africa
Guatemala	Spain
Guernsey	Sweden
Hong Kong, China	Switzerland
Hungary	Thailand
India	Tunisia
Indonesia	Turkey
Ireland	Uganda
Isle of Man	Ukraine
Italy	United Kingdom
Japan	United States
Jersey	

Christian Michelsen Institute  
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)  
Egmont Group  
European Union  
Financial Action Task Force (FATF)  
Financial Action Task Force of South America (GAFISUD)  
Global Financial Integrity  
International Anti-Corruption Academy (IACA)  
International Bureau of Fiscal Documentation (IBFD)  
International Monetary Fund (IMF)  
MONEYVAL  
JPS Consulting  
PricewaterhouseCoopers LLP  
Transparency International  
UN Office on Drugs and Crime (UNODC)  
World Bank