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FIU Governance and Independence

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Outline of Presentation

- International standards
- Concept of operational independence and autonomy
- 4 elements of operational independence and autonomy
- Accountability

International Standards – General Principle

The FIU should have sufficient independence and autonomy to ensure that it is free from undue influence or interference

Essential criteria 26.6 of FATF Methodology

International Standards – Additional Considerations

The FIU should be adequately structured, funded, staffed and provided with sufficient technical and other resources to fully and effectively perform its functions

- Adequate structuring includes providing for sufficient operational independence and autonomy to ensure freedom from undue influence or interference

Essential criteria 30.1 of FATF Methodology

International Standards – Additional Considerations (continued)

FIU staff should be required to provide high professional standards, including standards relating to confidentiality, be of high integrity and be appropriately skilled

Essential criteria 30.2 of FATF Methodology

Operational Independence and Autonomy – Sufficient but Not Absolute Autonomy

- Checks and balances of modern governments require and support accountability of agencies such as FIUs
- Legislature and executive define the strategic and operational objectives at the policy and legislative level
- FIU should have operational independence and autonomy to determine how such objectives should be achieved

Elements of Operational Independence and Autonomy

- Institutional independence
- Budgetary independence
- Regulatory independence
- Supervisory independence

1. Institutional Independence

- Not subject to operational supervision or control (as opposed to strategic or policy oversight)
 - Mandate to carry out its operations without direct or indirect political interference
 - Right to maintain confidentiality of FIU information, without which financial institutions will not be comfortable about sharing sensitive information and filing reports of suspicious transactions

1. Institutional Independence (continued)

- Attainment of strategic and policy objectives may be supported by the oversight and coordination of a national inter-agency committee
 - Especially given the need for inter-agency cooperation in tackling money laundering, terrorism financing and other financial crimes
 - Examples of such committee can be found in 17 out of 25 FATF members
- Legal framework should provide clear terms and process for appointment and dismissal of key personnel, notably the FIU head

2. Budgetary Independence

- Ability of the FIU to determine the size of its operational budget and the specific allocations of resources under the budget
 - FIUs that enjoy a high degree of budgetary independence are better equipped to withstand political interference (which might be exerted through budgetary pressures)
- If part of a government agency, essential for the FIU budget to be either a line-item under the national budget or as a line-item under the agency's budget
- Preferably not dependent on fees from the industry to avoid "regulatory capture"

3. Regulatory Independence

FIU should be empowered to set guidelines within the legal framework to define instances where financial institutions are required to file reports of suspicious transactions

- This requires the FIU to develop understanding of trends and typologies of money laundering and terrorism financing within Uzbekistan and based on international experiences

4. Supervisory Independence

If the FIU has a supervisory role, it should have powers to ensure that financial institutions carry out their obligations, including

- Undertaking customer due diligence
- Filing reports of suspicious transactions and providing additional information where appropriate

Accountability

- Through submitting periodic reports, typically annual reports
 - Provide an overview of its operations but without case specific or confidential information, such as number of suspicious transaction reports received and passed on for further investigations
 - Account for the use of financial resources
- Subject to external audit

Thank you

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