

Foreword

The study undertaken by JC Sharman and Percy S Mistry, with funding from the Commonwealth Secretariat and the FIRST (Financial Sector Reform and Strengthening) Initiative, seeks to provide the first assessment of the costs incurred from implementing the international standards on anti-money laundering and countering financing of terrorism (AML/CFT). The study provides a clear insight on the policies and procedures utilised in the compliance process and contrasts the associated costs with benefits.

Before reflecting on the implications of the findings, it is important to reiterate that the Commonwealth Secretariat and its member states remain committed to the global fight against money laundering and the financing of terrorism. This has been clearly demonstrated in communiqués issued by Commonwealth Heads of Government, as well as finance and law ministers. It is also reflected in the measures that members have put in place for the adoption of the standards and the support provided by the Secretariat to meet this goal. The Commonwealth Secretariat continues to allocate dedicated funding to train officials on both the standards and assessment methodology; and it has provided technical experts to assist with implementation strategies. Despite the support provided by this and other international organisations, it is clear that a significant shift in human and financial resources is needed to achieve effective compliance with the standards.

The Financial Action Task Force (FATF) rating and compliance process has serious bearings on the reputation of a country and affects the manner in which financial flows are transmitted. It is, therefore, salient that the approach adopted takes account of the specific social and economic constraints faced by different countries. While it is true that one cannot place a value on the gains to be derived from this international co-operation, it is also true that these gains can only be achieved at a cost that must be borne by individual states, and often to the detriment of other national priorities. This reiterates the need to assess the true costs of implementation, and to use this as a guide for other proposed strategies. Failure to do so will cause small developing countries to feel burdened and pressurised by the process.

The study has raised the question as to whether the benefits derived from the implementation of standards such as AML/CFT are accruing to countries in proportion to the costs being incurred. The findings indicate that there is need for further international assistance to help small developing countries put in place the necessary infrastructure for compliance. The findings also imply that the implementation of the AML/CFT standards needs to be customised at the national level, to ensure a more equitable sharing of the burden without producing further risks. The question has also been raised about advancing a more cost-effective subset of essential criteria without compromising the safety and soundness of the international financial system.

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