

**Executive Summary  
Of  
The Final Report  
On  
Survey of FIU Governance Arrangements  
An Egmont Group and World Bank Project**

*January 19, 2010*

## **Introduction**

Late in 2006, the Egmont Group and the World Bank agreed to carry out a joint project to survey Egmont member Financial Intelligence Units (FIUs) to develop some baseline information on governance arrangements among FIUs.

The project began with the development of a survey questionnaire that met the objectives of both partners. A pilot version of the survey was administered to a limited number of FIUs in late 2006 and early 2007, and a report on the pilot project was presented to the Egmont Committee at its meeting in October 2007. Based on a review of that report, and comments provided by the Egmont Committee, a revised questionnaire consisting of **71** questions on various aspects of FIU structure and functioning that are relevant to FIU governance was distributed to Egmont member FIUs at the end of December 2007. Member FIUs were assured that their individual responses would be kept confidential and that neither the analysis nor the final report would include any references to, or identification of, individual FIUs. Responses were received until the end of April 2008.

An interim report of the findings of the full survey was presented to the Egmont Committee at the Plenary Meeting in Seoul, Korea May 2008. The Final Report was presented to the Egmont Heads of FIUs at the Plenary Meeting in Qatar in May 2009. At that time, the Egmont Group decided that the comprehensive Final Report would remain confidential and approved the preparation of an Executive Summary that would be publicly available.

This Executive Summary follows the structure of the Final Report, and contains all of the main findings of that Report.

## **Overview of Responses**

Survey responses were received from 65 out of 108 (60%) Egmont Group member FIUs.

The sample of respondent FIUs is representative of the overall population of Egmont FIUs on dimensions such as type of FIU, geographic distribution, and nature of their mandates.

### **Distribution of responses by type of FIU:**

- **63 % (41)** came from Administrative FIUs;
- **21 % (14)** were submitted by Law Enforcement FIUs;
- **11 % (7)** came from “Hybrid” FIUs: and,
- **5 % (3)** from Prosecutorial FIUs.

### **FIU responses by size of FIU:**

- **75 % (49)** responses came from “Small” FIUs (those with fewer than 50 staff);
- **11% (7)** came from “Medium” FIUs (50-100 staff); and,
- **14 % (9)** from “Large” FIUs (those with over 100 staff).

### **Geographic representation of the respondent FIUs:**

- Europe **55 % (36)**
- Africa/Middle East **11% (7)**
- Americas **22% (14)**
- Asia/Pacific/Oceania **12 % (8)**

#### **FIU responses by type of transaction reports received by the FIU:**

- **42% (27)** STR only
- **15% (10)** STR and CTR
- **37% (24)** STR and CTR and at least one Other type
- **6% (4)** STR and Other\* (but not CTR)

\* Examples of other reports are wire transfer, cross border currency, currency exchange, etc.

### **Summary Findings**

This study surveyed FIUs on a number of aspects of their establishment and their practices, in particular on matters related to governance of the FIU. FIUs are characterized by the following types: Administrative, Law Enforcement, Prosecutorial, and Hybrid. Where there are observable differences among the responses, based on FIU type, they are noted in the findings reported below.

#### **Establishment of the FIU**

On this theme, there are a number of noticeable differences depending on FIU type. Broadly, Law Enforcement and Prosecutorial FIUs share many characteristics. The apparently preferred establishment of them is in a national police body or within a ministry, such as Interior, that is responsible for law enforcement (some 65% of the 17 law enforcement and prosecutorial FIUs).

Administrative and Hybrid FIUs show similar characteristics, but clearly different from Law Enforcement and Prosecutorial FIUs. Administrative and Hybrid FIUs (48) tend to be established most frequently (66%) in the broad financial sector of government (finance ministry or central bank/financial regulator), and a few (19%) are established in police or prosecutorial bodies or ministries of the interior.

#### **Appointment of the Head of FIU and Recruitment of Staff**

Ten out of fourteen (70%) of the heads of law enforcement FIUs are appointed internally by more senior officials of the organization within which the FIU is situated, often by the head of the national police body. Four (30%) are appointed by a political authority or have the appointment ratified at the political level (minister, cabinet or head of government or state).

Among Administrative FIUs, 19 heads (46%) are appointed by governments at the level of minister, cabinet, or head of government/state. Another 8 (20%) are appointed by the head of the central bank or the financial supervisory commission, and 5 (12%) are appointed through a civil service appointment procedure.

An overwhelming majority (89%) of FIUs reported that professional background and skills, and evidence of integrity, are essential for qualifications for appointment as head of an FIU. Two thirds reported the existence of an explicit citizenship requirement, and more than half (58%) of FIUs reported clearance for access to confidential information as a requirement for appointment.

In regard to restrictions on, or prohibitions, of extra-curricular activities, nearly half (47%) of FIUs reported that membership or management of political parties or bodies, are prohibited for heads of FIUs, as are other political activities as well as certain business activities or directorships.

With respect to tenure of appointments of heads of FIUs, 34% (22) heads are appointed to fixed terms of office, while 62% (40) do not have fixed terms.

As with the power of appointment, there is a range of persons or entities with the power to dismiss heads of FIU. Thirty-two FIUs (49%) reported that legislation enumerates formal grounds for dismissal, and these grounds range across personal capacity issues (health, age, job performance, etc) and lifestyle/personal conduct issues (personal bankruptcy, corruption, conflict of interest, negligence, wilful misconduct, etc.). Forty-nine FIUs (75%) reported that, in the event of dismissal, appeals procedures are available and that those procedures are similar to those that apply to other heads of state bodies.

In looking at the appointment of other FIU staff, fewer than half of FIUs reported that the FIU itself appoints new staff, while more than half of FIUs reported that FIU staff is appointed by other state bodies or institutions.

Over 80% (53/65) of FIUs report that there are open/public and competitive appointment procedures in place for different positions in the FIU. Eighteen FIUs (27%) reported that when the FIU makes the appointment, another state body can take action to prevent the appointment from taking effect.

The requirements, qualifications, and restrictions applicable to staff appointments closely mirror those in respect of the appointment of heads of FIUs, and the reported responses in respect of staff appointments are highly similar to those for heads of FIUs.

The survey posed questions as to whether FIU employees and their immediate family members are required periodically to report their assets to a competent authority. In 56% (35/62) FIUs staff is required to make such disclosures.

### **Compensation of FIU Heads and Employees**

Compensation does not appear to be an issue of concern. Virtually all (60/62) heads and 95 % (59/62) of staff are reportedly compensated at a level comparable to or higher than salaries in similar agencies. Thirty five percent of employees and 27% of heads are reportedly compensated at levels comparable to or higher than salaries in the market.

### **Funding and Budget Allocation**

Twenty-six percent (17/65) of FIUs reported that their budget exists as an independent item in the state budget, while 41% (27) reported that it is an independent item in the budget of another state body, and 29% (19) FIUs reported that the FIU budget is an unspecified part of the budget of another state body. This latter category included over 70% of the 14 law enforcement FIUs.

Almost all FIUs' budgets are allocated on an annual basis, and a majority reported that the budget is established against annually or periodically set strategic or operational goals.

Nearly 75% of FIUs initially propose the FIU budget, which is then approved by other levels, such as the state body within which the FIU is established, or another body (typically the ministry of finance). A majority of FIUs reported that they have opportunity to contribute to the further discussion of their budget proposals to aid in the resolution decision making.

Nineteen FIUs (29%) reported that, within its allocated budget, the FIU takes its own expenditure decisions and approves its own expenditures.

### **Operational Independence<sup>1</sup>**

Seventeen FIUs (26%) reported that there are legal provisions in force that explicitly prohibit or limit state bodies from taking action that interferes with FIU daily operations, while 42 FIUs (65%) reported that no such provisions are in place.

Twenty-seven FIUs (42%) reported that there is a code of conduct in place, tailored to the functions of FIU employees.

On the issue of authority to initiate case analyses, 63% (41/65) of FIUs reported that their AML legislation or regulations provide detailed rules on powers of the FIU to start cases.

Virtually all FIUs are authorized to initiate analyses on the basis of STRs or other reports and information from reporting entities, or from other state bodies. A majority of FIUs are also empowered to initiate cases based on information from the public, the media, or on the FIUs own initiative.

Forty-seven (72%) FIUs reported that they cannot be given instructions/guidance from another state body concerning the conduct of the FIU's assignment.

It was also reported that in more than half of the respondent FIUs some other state body or judicial authorities have access to the FIU's data holdings, while 46% (26/65) reported that their data holdings are not accessible to other state bodies. Some 62% (40/65) of FIUs reported that they can (or must) disclose their findings or the results of their analyses to a superior authority (e.g. a ministry, the government, or a supervisory authority).

In a majority of FIUs, some restrictions are applied to staff members' access to operational information (usually persons involved in the development of cases and their managers), but in 32% (21/65) of FIUs there are no restrictions on access to such information by FIU staff.

### **Accountability, Review and Transparency**

The survey found that 94% (61/65) of FIUs are obliged to report periodically on their operations. Of those, 64% (39/61) indicated that their reports are publicly available, 23% (14/61) said that some parts of their reports may be made public, and 13% (8/61) indicated that their report is not public.

Sixty FIUs (92%) have procedures in place to control expenditures *ex ante*, and 94% (61/65) have procedures in place to audit FIU expenditures.

### **Oversight and Review**

The survey results show that **60% (38/63)** of FIUs are not governed by any oversight or review

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<sup>1</sup> This segment looks at some factors affecting the work of the FIU, such as the degree to which other bodies or actors can instruct or influence the work of the FIU, or can have access to the information holdings of the FIU, or be privy to the findings of the FIU in individual cases.

board or any other governing body that determines policies or strategies with regard to operational matters, or strategies concerning non-operational matters.

### **FIU Involvement in the fight against corruption**

In **95% (62/65)** of FIUs, corruption offences are predicate offences to money laundering in their national legislation. When analyses reveal information about suspected corruption such information is disclosed to the appropriate investigative or prosecutorial body. **Ten FIUs (15%)** also reported some explicit anti-corruption responsibilities over and above those that are part of ongoing general ML/FT analyses.

### **Conclusions**

The results of the survey provide useful insights into several aspects of governance arrangements in the operations of Financial Intelligence Units. The response rate of 60% represents a good participation rate, and lends credibility to the findings.

It is clear that FIUs adopt different systems and practices regarding accountability, reporting relationships, appointments of heads of FIUs, budget preparation, budget independence, etc. Some approaches are more common in one type of FIU, while others are often found in other types, but there are few hard and fast distinctions. It is also clear that none of the approaches can be concluded to be inherently superior to another, nor does there appear to be a relationship of effectiveness of any approach with a particular type of FIU.

The study was intended to generate baseline information about the kinds of governance arrangements that have been put in place among a broad range of Egmont member FIUs, with a view to making it possible for both Egmont and the World Bank to provide advice to existing and emerging FIUs as to useful and effective governance structures. Many jurisdictions are still in the early stages of implementing comprehensive AML/CFT regimes and are seeking advice as to how to establish their nascent FIUs.

The information base from this survey provides a good basis to facilitate FIUs to undertake their own gap analyses and to provide support to them through the development of information materials and technical assistance initiatives specifically aimed at building capacity to improve governance structures and operational effectiveness in meeting FIU objectives.