



Budapest Communiqué

Collaboration Between Customs and Financial Intelligence Units with Regard to Combatting Money Laundering and Terrorism Financing

(Budapest, Hungary - 17 October 2022)

On 12 and 13 October 2022, the World Customs Organization (WCO) and the Egmont Group (EG) jointly organized the Budapest Conference: a global Anti-Money Laundering – Counter-Terrorism Financing (AML/CTF) Workshop for Enhanced Engagement between Customs Authorities and Financial Intelligence Units (FIUs).

The conference highlighted the growing threat posed to both regional and global security and the integrity of the global trade system and financial industry by transnational criminal organizations (TCOs) and terrorist organizations.

TCOs continue to exploit the growth in global trade. The increased speed of transportation, money transfer, and new and innovative technologies provide them with an expanding array of mechanisms to continue and enhance their illicit activities. The UNODC estimates that between 2% and 5% of global GDP is laundered annually, the equivalent of between \$800 billion to \$2 trillion (US). Global Financial Integrity estimates that the illicit narcotics trafficking industry generates between \$426 billion to \$652 billion in illicit revenues annually and that intellectual property rights violations generate between \$913 billion and \$1.13 trillion in illicit profits annually.

Customs administrations across the globe are on the frontline regarding law enforcement efforts to identify, intercept, and dismantle criminal and terrorist activities that exploit international borders. The WCO is internationally recognized as the primary standards-setting authority for all Customs matters. It is also a recognized center of expertise in combatting criminal activity in the Customs arena. Customs administrations are critical sentinels not only to national security but also to regional and global security. Customs provide vital oversight over the movement of goods, people, money, and means of transport.

Through these responsibilities, Customs are a vital national security component for every nation, as they are often the authorities that identify and seize illicit merchandise, narcotics, and weapons smuggled across international borders, as well as illicit currency and currency equivalents.

The revenues and illicit donations to global terrorist organizations are their lifelines. Terrorist organizations regularly smuggle currency and currency equivalents across international borders to further their lethal and destructive agendas. They also engage in illicit smuggling schemes to generate revenues to support and promote the same.

The revenue generated by TCOs allows them to continue their criminal enterprises to the detriment of society. Their illicit proceeds will enable them to maintain the internal structures of their organizations, from payment of salaries to their membership; to the payment of bribes to public officials; to the purchase of equipment, vehicles and products that keep their illicit supply chain operational; to the investment in infrastructure to increase the scale of their illicit activities.

Certain TCOs and terrorist organizations use complex ML schemes to launder illicit funds. These schemes include trade-based money laundering (TBML), an intricate form of ML involving converting the illicit origin's proceeds into commercial products that are subsequently entered into global commerce. TBML is utilized to provide an appearance of legitimacy to the money and mask its movement across international borders. Often TBML involves comingling and layering, whereby the illicit proceeds are placed together with legitimate money through an intricate web of financial transactions via banking and non-banking routes. Customs and FIUs are the best-placed authorities to identify and combat such nefarious and complex criminal activity. Customs are traditionally the authority responsible for monitoring TBML, trade fraud, mis-invoicing schemes, and international currency transportation reports.

FIUs monitor suspicious transactions and large-scale cash transactions within national financial and DNFBP sectors on a national basis. The EG of FIUs is the umbrella organization for all FIUs worldwide. The EG is responsible for strategically guiding FIUs and their operational efforts to pool FIUs' collective strength regarding combatting certain salient ML/TF threats.

The FIUs monitor suspicious transactions within the financial and non-financial, including, among others: suspicious transaction reports (STRs), currency transaction reports, casino reports and cross-border wire transfers. The intelligence gleaned from reviewing these suspicious reporting mechanisms is invaluable to law enforcement agencies and prosecutors when identifying and neutralizing criminal and terrorist organizations.

The EG's greatest strength is its member's ability to exchange operational and strategic financial intelligence rapidly and effectively at both the bilateral and multilateral levels. EG member FIUs work together to identify current ML/TF risks and Modi operandi. Moreover, through its Strategic Plan, the EG focuses on enhancing its cooperation with relevant international partners, such as the WCO.

In this regard, close cooperation between Customs and FIUs at the national level and between the WCO and EG at the international level, as it pertains to combatting ML in the Customs arena, is vital to and effective in combatting transnational organized crime and terrorism.

The conference also underscored the importance of the joint efforts of law enforcement and FIU to identify the conversion of illicit proceeds into international commercial shipments. This often leads to active investigations determining and prosecuting predicate ML offences.

The participants discussed that the prevalence of currency, gold and precious metals smuggling has not diminished in the last decade due to the advent and proliferation of virtual assets in the global economy. Although customs and FIU efforts in AML should invest efforts to identify ML/TF activities involving virtual currencies, they should not lose sight of actual/fiat currency and precious metals smuggling. Currency remains a primary preference for many criminal organizations' mediums for smuggling their ill-gotten gains.

The participants acknowledged that new payment methods, such as virtual assets, will continue to grow in transactional importance vis-à-vis international commerce. Hence, law enforcement should grant a reinvigorated and continuous prioritization to ML in this sector. It also warrants increasing focus and training in the abuse of virtual assets for ML for Customs services and FIUs.

Finally, the conference participants also acknowledged the Customs-FIU Cooperation Handbook (CFCH) as a vital tool for enhancing the collaboration of Customs and FIUs worldwide. It is a critical tool for Customs authorities to target ML activities, such as bulk cash smuggling, the smuggling of currency-equivalents, gems, and precious metals and TBML. Furthermore, the CFCH is an essential guide to assist Customs and other ML authorities in the identification, interdiction, seizure, forfeiture, and further investigation of ML, in addition to promoting FIU engagement in collaborative efforts to combat the same. The two organizations will consider expanding the CFCH in 2023 by adding a section on counter-terrorist financing.

Background information:

- The WCO and the EG have a longstanding history of focused efforts to combat ML, such as the following:
- The Recommendation of the Customs Co-operation Council on the need to Develop and Strengthen the Role of Customs Administrations in Tackling Money Laundering and in Recovering the Proceeds of Crime (25 June 2005);
- The WCO Resolution on the Role of Customs in the Security Context (the Punta Cana Resolution of December 2015); and the
- The Creation of the **WCO and EG Customs-Financial Intelligence Unit Cooperation Handbook** (March 2020) and the recommendations contained therein.