



Second Global Event on Tax and Crime in Rome, 14-15 June 2012

Opening speech by Richard A. Boucher OECD Deputy Secretary-General

As prepared for delivery

Ladies and Gentlemen,

Welcome to the eternal city of Rome

I would like to welcome you all on behalf of the OECD and to thank the Government of Italy and in particular the *Guardia di Finanza* for hosting this important event here in the beautiful city of Rome. Rome's history reminds us: tax and crime have been around for all of history. But we're here to turn them around and make a positive connection: using tax to stop crime.

This is the second global event on Tax and Crime, following on from the excellent inaugural event we held last year in Oslo. Since Oslo, this topic has continued to gain political momentum, with G20 Leaders at the Cannes Summit calling for greater action to strengthen inter-agency co-operation to fight illicit activities.

I am very happy to see such a large number of you here today -- almost twice as many as last year -- and from so many different countries and organisations.

But what makes this event unique is not your number but your wide range of expertise: you represent different areas of law enforcement: tax, anti-money laundering, anti-corruption, and anti-fraud. The development community is also very well represented. Some of you come from business and civil society. The private sector and NGOs have a key role to play in fighting financial crimes by helping business to stay clean, free of fraud, corruption and tax evasion.

Each of you brings us your particular expertise. Some of you have worked with each other at home or internationally, many have not. In essence, that's why we're here: to weave different strands of work together



at this conference, in your home jurisdictions and across the globe, to create webs of detection and enforcement that can break the webs of criminal conspiracy.

Fighting Financial Crimes

Criminal activity is more sophisticated than ever. Criminals operate across national borders and exploit the very means of globalisation in their interest, trampling across laws in different areas, within a country or across borders. Money disappears at the speed of light. The financial impact of financial crime is vast, but the effects go deeper than simple economics. The full cost of financial crime weighs on normal people: the sick children and the elderly who do not receive essential treatment; lives lost by cutting corners and using sub-standard building materials; and opportunities lost when young people miss out on education because money for schooling has been stolen. These costs victimise people in developing countries by discouraging legitimate business and investment. These crimes deprive governments of the funds to finance their development. Current estimates are contested, but most accept that illicit financial outflows from developing countries likely outweigh official development assistance by some distance. As if this isn't bad enough, financial crime goes even further, by undermining the rule of law and thus the very foundations of democracy.

The economic and financial crisis has led to a loss of trust and confidence in the economic system as a whole. In occupy wall street, the Arab Spring, demonstrations in a number of countries we see people upset with a system that protects privilege and lacks transparency. A coherent, co-ordinated and effective commitment to fight corruption, money laundering, tax crimes and other illicit flows and to promote integrity and transparency is now crucial to restore citizens' confidence.

For these reasons the OECD is pushing forward to promote integrity, fight corruption and stop tax crimes and other illicit financial flows. To succeed we need you, all the relevant stakeholders. We are strengthening our efforts to improve integrity with a comprehensive approach through the CleanGovBiz initiative, which I will talk about in more detail later on. We are continuing our efforts against corruption and ensuring the implementation of the OECD Anti-Bribery Convention through a robust peer review process. We are also reinforcing our work on specific key areas, such as public procurement; the Multinational Guidelines on corporate responsibility; stopping tax evasion; promoting asset recovery, curbing illicit financial flows, and the initiative that has brought us all here today: "the Oslo Dialogue" that we launched in Norway last year.



Strengthening domestic inter-agency co-operation

Co-operation among different government agencies is at the heart of a whole-of-government approach to combating financial crime, and is the focus of the first panel. Why is co-operation more and more important? Because in today's inter-connected and borderless world, it is getting harder to follow the financial trail that criminals leave behind. As a result, governments need to break down barriers and share expertise and information from different government agencies.

Tax inspectors, for example, may seem like unexpected soldiers in the anti-corruption army but their detailed examinations of corporate and individual finances often uncover the telltale signs of fraud and corruption. Questions by an alert tax auditor during a regular audit led to the discovery of a EUR 200 million real estate fraud in the Netherlands involving dozens of construction and real estate companies. Dubbed the "Ivy" case because its tendrils spread widely and it was hard to root out, the methods used to hide the fraud, and the telltale "red flags" the auditor spotted, are now used in bribery awareness training for tax auditors.

Sharing of information is just one form of inter-agency co-operation. Today the OECD has released a report describing the various forms and levels of inter-agency cooperation in 32 countries –including non-OECD countries – that participate in our Task Force on Tax Crimes and Other Crimes. This is the first of a series, and later editions will cover more countries so as to make this the benchmark for domestic inter-agency co-operation.

Increasing international co-operation

In recent years we have seen an increase in the legal instruments that enable information sharing and other types of co-operation at an international level in the areas of tax, money laundering, corruption, asset recovery, and general mutual legal assistance. A big contributor to this trend has been the Global Forum on Transparency and Exchange of Information hosted by the OECD which now has 109 members. This trend is a very positive development as cross-border co-operation is essential to fighting financial crime in a globalised world. We will hear experts discuss the opportunities and issues that arise from these instruments. We have seen the first results of good co-operation in relation to the work on the recovery of assets after the Arab Spring, and we will soon be issuing our second progress report on how well OECD countries facilitate asset recovery. In response to the input this forum provided in Oslo, we have analysed the existing legal frameworks



and produced a catalogue containing details of many of these instruments. And we plan to make this a web-based resource in the near future to expand awareness of the legal tools available for cross-border cooperation. But a key question for this forum is: Are the instruments currently available good enough? Do they cover what law enforcement needs or are there gaps?

Capacity building and knowledge sharing

Having the right tools is critical but pointless if no one knows how to use them effectively. Criminals employ increasingly complex devices in committing (and hiding the traces of) financial crimes, which makes detection, investigation and prosecution ever more difficult. Criminal investigators must have the tools and skills that enable them to be more than equal to this challenge. The OECD, working with other partners, is committed to strengthening capacity building efforts to tackle financial crimes and in particular for developing countries. I am very pleased that we will be launching a pilot capacity building programme for developing countries at this event. The illicit financial flows agenda is mainly outside of the traditional development assistance domain, but our Development Assistance Committee has already started thinking creatively about how development agencies can best support the fight against illicit flows. We count on your expertise and input to this process.

Criminal investigators also need to understand the latest trends in techniques for carrying out financial crimes. Trusts, shell companies and other corporate vehicles are widely used to hide the identity of the criminals as well as the true nature of the activities carried out. The Financial Action Task Force, the OECD, the World Bank and others will offer us insights into the misuse of such corporate vehicles and the latest efforts to address them. We will also consider other schemes or patterns that have been uncovered. The sharing of these real and practical examples promotes earlier detection and disruption of criminal activity as schemes developed in one country can quickly surface in others.

So we came here to examine new work and to chart a new path together. Much of what you do is unique. Share your expertise, your experience, your successes and your failures. Together we can become smarter and stronger than the criminals who undermine our societies.

I look forward to your active participation and what will no doubt be thought-provoking discussions.

Thank you.