



Transparency of financial information as an essential prerequisite for European investigations – Giovanni Kessler's keynote speech at the 34th Cambridge International Symposium on Economic Crime

At the European Anti-Fraud Office, the core of our work revolves around investigating fraud which affects the financial interests of the European Union. We carry out investigations to uncover fraudulent activities of persons and criminal networks operating in and outside the 28 Member States of the European Union. As you can imagine, this transnational nature poses a significant challenge for our investigators, who, in the course of their work, still have to function within the constraints of national systems. There is still no "common market" for criminal justice in Europe today. When it comes to judicial cooperation, Europe is still fragmented along national borders. This is a problem we are trying to address at European level– the proposal for setting up a European Public Prosecutor's Office aims to create a true European space of justice, where the Member States are working as one to detect and prosecute crimes affecting the EU's budget. The EPPO is, in our view, the necessary and proportionate reaction to transnational crimes.

However, in order to even get to a point when we could prosecute fraud – we would need to detect it. Corruption in particular poses a very big threat, with large bribes being concealed through either the use of cash or through the lack of traceability in the transfer of funds. A recent [study](#)¹ commissioned by the European Parliament places the cost of corruption in the European Union at anywhere between 179 and 990 billion euros each year. Whenever we uncover a case of large-scale corruption, I cannot help but wonder – how many more are we missing? How many more corrupt individuals remain unpunished because we cannot trace bribes, because financial transactions still lack one crucial element: transparency.

This is why we welcomed the decision of the European Central Bank to end the production of the 500 euro bill, which will be discontinued as of 2018. Indeed, the 500 euro bill was so important to fraudsters, it was often traded above its nominal value on the black market.

Phasing out large denomination bills is, however, not enough. With most money transfers taking place through the banking system as well as online, what we now urgently need is transparency of financial information.

¹ Hafner, Marco, Jirka Taylor, Emma Disley, Sonja Thebes, Matteo Barberi, Martin Stepanek and Mike Levi. The Cost of Non-Europe in the area of Organised Crime and Corruption: Annex II - Corruption. Santa Monica, CA: RAND Corporation, 2016. http://www.rand.org/pubs/research_reports/RR1483.html.

This is not a novel suggestion. In 2015, the European Institutions adopted a proposal for a Fourth Anti-Money Laundering Directive, which consists of two legal instruments: a directive preventing the use of the financial system for money laundering and for terrorist financing and a regulation on information accompanying transfers of funds, aimed at ensuring "due traceability" of these transfers. In the wake of the terrorist attacks in Paris, the European Commission also set up an Action Plan, urging countries to transpose the directive by the end of 2016. Moreover, in July 2016, the Commission has proposed further amending this directive to enhance the powers of EU Financial Intelligence Units and facilitate their cooperation. The Units would have access to information in centralised data banks and payment account registers, while Member States would have to establish central data retrieval systems to identify holders of bank accounts. Member States would also have to make some information on the beneficial ownership registers on companies and business-related trusts public. Hopefully, there will be enough political will for these amendments to be swiftly adopted by co-legislators.

The European Commission and the OECD are also trying to put an end to banking secrecy by promoting the automatic exchange of financial account information to prevent tax evasion. So far, 56 countries have committed to this throughout the world.

While these are all extremely valuable developments, their scope seems to be quite limited. It is important to share financial information in order to prevent tax evasion or money laundering, or to stem the development of terrorist organisations. It is also equally valuable to trace the proceeds from fraudulent activities, money which often helps finance organised crime. What I am suggesting is taking this one step further – if we are to create national bank account registries, we should have these standardised, interconnected, easy to use and available to all EU enforcement agencies, and not only to Financial Intelligence Units. Moreover, these databases should be available to access during investigations of all economic crimes, and not only to detect tax evasion or money laundering, or to fight terrorism. Simply being able to link a particular person with one or multiple bank account numbers, without even going into the content of the transactions, would do wonders for the speed with which we would be able to examine cases. Of course, this would all be conducted with due consideration to the protection of personal data.

Moreover, the cross-border automatic exchange of financial information would aid law enforcement agencies and OLAF in not only investigating corruption, but in preventing it altogether. Knowing bank accounts are traceable would have a powerful deterrent effect for individuals using these to pay bribes. Traceability would also improve the healthiness of the financial market, would increase detection rates for fraudulent activities and would enhance the possibility of control. Moreover, it would ensure consistency of investigations, as we would be able to operate equally effective regardless of the European country we would be operating in.

"Follow the money" is as relevant a catchphrase now, as it was during the Watergate scandal. But in order to follow it, we need to have the right tools, and the correct approach. Bringing the way we work at the level of the challenge we are faced with is as much about technology as it is about culture and political responsibility. While we continue valuing national sovereignty more than integration or even integrity, fraudsters will win. Because only countries have borders, financial flows do not.