

Professor Danuta Hübner
'Kleptocracy as a threat to international democratic order'
International Conference on Transnational Responses to Kleptocracy: The
Role of Transit and Destination Countries
Brussels (online), 29.03.2022

Certainly, we are living times of growing awareness of the size of money laundering and kleptocratic expansion. What the Russian war, the invasion of Putin has shown us is an enormous size and dynamism of these processes. It also leaves no doubt that in today's world there are cross border, complex networks financed by kleptocratic financial structures. Autocrats from every continent and their closest circle use stolen money to come to our democratic world to benefit from their kleptocratic gains. They use regulatory and transparency gaps, weak enforcement of standards. And we have a history of not reacting adequately.

Public at large is often unaware of the scope and scale of the kleptocracy in their own countries. We need awareness raising. We need to build institutional capacity and have ways and means to react to any reporting and information sharing. We need international cooperation among states within international frameworks that set standards.

The EU has adopted its first anti-money laundering Directive in 1990. Since then it has been active in combatting financial threats from inside and outside of the EU. The revolutionary Anti-Money Laundering package that European Commission presented on 20th July 2021 aims to improve the detection of suspicious transactions and activities, and to close loopholes used by criminals to launder illicit proceeds. The package addresses the major flaw of the system we have had so far and establishes AML authority at the European level and enhances cooperation among national financial intelligence units (FIUs).

Also, new AML Regulation proposes new rules on Customer Due Diligence and Beneficial Ownership. It is extremely important having this piece of legislation as a Regulation, not requiring transposition at national level but directly implemented. It would ensure that there will be no loopholes creating divergence between national laws

As you know for the Union an efficient protection of its budget is important. Just last week, the European Parliament adopted a resolution on 'MFF 2021-2027 with very clear message and commitment to fight against oligarch structures, to protect EU funds from fraud and act against conflict of interest. You must have heard probably about the new Regulation on Rule of Law Conditionality. This piece of legislation aims to protect the EU budget against breaches of the principles of the rule of law. The ECJ confirmed recently the legality of the Regulation after Hungary and Poland were seeking to annul it. EU Legislation is important, but the EU cannot face kleptocratic behaviors alone.

We need international cooperation. We cooperate within OECD, G7, UN. We are engaging with our allies through organizations such as the Financial Action Task Force, the Egmont Group of Financial International Units. In December last year, the EU Parliament Anti-Corruption Group together with the U.S. Caucus against Foreign Corruption and Kleptocracy and the UK All-Party Parliamentary Group on Anti-Corruption and Responsible Tax we created an Inter-Parliamentary Alliance Against Kleptocracy. We have with US a Joint financial regulatory forum, with the European Commission and the Treasury working together. In our March meeting we had on the agenda the AML and countering financing of terrorism.

All these alliances are crucial because money laundry and kleptocratic activities do not respect national borders. Importantly, we also need to make sure that the existing rules are properly implemented and enforced. This is still our weakness. Autocratic regimes nowadays are not archaic networks. They actively aim at influencing public opinion in their own countries and around the world. We see it happening now: the Russian kleptocracy false narrative around the Ukrainian war has become a mainstream lie to society in Russia. Kleptocratic acolytes of Putin are also attempting

to influence our perspective of the atrocities through different media and social media channels.

That takes me to the crucial importance of the freedom of media and protection of whistle blowers. The proposal of the European media freedom act is to be presented by the Commission in the third quarter of 2022. Also, in December 2019, the 'Directive on the legal protection of whistleblower entered into force and MS had until December 2021 to transpose it into their national laws. It would be interesting to see how many of them respected the date.

Few issues to conclude. The world that will emerge from the war will be different, but we can be sure that the race between democracy and autocracy will be fiercer and more meaningful. It will move beyond technology race to politics. There will be efforts to recuperate losses generated by the sanctions thrown boldly also at individual participants of the kleptocratic regime of Putin. Pre-war kleptocratic elites will come back with new ways of acting, new networks, new appetite for wealth. There will also be new kleptocratic elites formed post war. Post war time are usually conducive to such processes. We need a new international strategy of fighting them. We have to look hard at what changes we need to our democratic financial systems so that they cannot be abused. We must spare no effort to impose a zero tolerance for corruption, zero tolerance for business models that allow to steel and laundry, total transparency of transactions, which implies enforcement of beneficiary ownership registries, clear no to anonymity loopholes and many others.

Monitoring of the implementation of sanctions is and will be even more crucial. This is where international alliances will have a lot of work to do and where we have to double our efforts. It is the time for democracies around the world to be even more vigilant and not repeat the mistakes of the past. Let's work proactively, instead of reactively. Let's work together and come up with a united response instead of building fragmented and easy-to-cheat systems.

It is already visible that the Russian aggression gave us a boost to intensify our efforts against money-laundering. We cannot waste this opportunity and momentum to crack down on international kleptocrats. We hear about many new initiatives in the

US administration. They seem to address the prevention needs and not only expost efforts. We understand today better what is at stake. It is about the future of democracy.