Countering Illicit Financial Flows: Expanding Agenda, Fragmented Governance

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International efforts to curb illicit financial flows (IFFs) resemble post–Cold War collaboration in other issue areas that have risen on the global agenda: climate change, global health, internet governance, and cybersecurity. Nongovernmental actors, including private corporations and nongovernmental organizations (NGOs), have often driven agenda-setting in those domains. The focus has shifted over time, as new issues have been added and as older issues have assumed renewed importance. That reshaped agenda has in turn affected the institutional ecosystem of global action, which is captured only in part by formal and informal intergovernmental institutions. These new issue areas are characterized not by a single dominant institution or core set of institutions but by multiple clusters of institutions that have each claimed a segment of the agenda and the instruments of cooperation. The result is a fragmented landscape with disjointed actors and organizations that often compete, collaborate, and act in parallel in pursuing their collective ends.

The term of art for such an institutional landscape, one with several institutional or legal foundations, is "regime complex."[1] The regime complex for combating IFFs differs in its complexity from other, similar issue areas. Defining IFFs produces disagreement among researchers, activists, and policymakers. "Illicit" captures a normative judgment perhaps broader than "illegal." For law enforcement, IFFs are framed by predicate crimes, activities that are illegal in one jurisdiction or another and often of greater interest to authorities than IFFs. For those interested in broader global outcomes, such as the effects of IFFs on economic development, "illicit" could include cross-border financial flows associated with activities that they believe should be forbidden, such as tax avoidance by multinational corporations (MNCs). Those activities may not be illegal, however.[2] These categories shift over time: bribery of foreign officials by corporations based in Organization for Economic Cooperation and Development (OECD) countries was made illegal in the United States well before it was criminalized in other industrialized countries. Variations in national treatment of both IFFs of certain kinds and the underlying predicate crimes have made harmonization of national policies and their implementation in many IFF domains difficult.

IFFs are also one of the most important features of globalization's dark side. Unlike other illicit or dangerous cross-border flows, however, IFFs bear almost no markers in and of themselves: *pecunia non olet*. Tainted food, endangered species, and dangerous individuals all present fewer problems of identification. For IFFs, it is suspicious activity rather than a characteristic of the funds themselves that generates the attention of those attempting to curb the flows.

These definitional and identification problems make measuring the effectiveness of counter-IFF policies more difficult than assessing the effectiveness of policies in other issue areas. As many skeptics and critics have pointed out, without a clear grasp of the scale of underlying flows, the scale of

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effects, though perhaps not the direction, of policies to counter those flows cannot reliably be determined.[3] If the costs of enforcement and compliance or unintended negative effects are included in estimates, the balance sheet becomes even more uncertain.

International collaboration to curb IFFs and domestic measures to support that collaboration are directed to a wide array of predicate crimes that produce IFFs (drug trafficking, terrorism, or tax evasion) or to negative externalities (global "bads," such as corruption) that both support IFFs and are sustained and promoted by them. This diversity of IFF sources and effects, and the public policy goals that follow, mobilize an unusually large number of actors: law enforcement agencies, financial supervisors and ministries, private financial institutions, and NGOs. These actors are interested more in certain IFFs and predicate crimes than in others. The links between specific crimes or categories of crime and larger global outcomes of interest, whether economic development or international security, are often second or third order. As a result, political attention to these issues—and willingness to bear the costs of implementation—fluctuates over time and across jurisdictions. As Peter Reuter and Edwin M. Truman observed in their classic 2004 account, the anti–money laundering (AML) regime (a subset of the complex countering IFFs) "reflects shifting priorities, compromises, and trade-offs."[4] This variation over time is particularly important in combating IFFs, because enforcement depends largely on national governments and both their incentives and their capacity to enact anti-IFF policies. Financial markets and naming-and-shaming campaigns can strengthen those national efforts; they can also direct attention and effort against particular IFFs. However, they cannot substitute entirely for government action.

What follows is a summary and introduction to organized international efforts to combat IFFs. In order to limit the policy universe, the narrower definition of IFFs used by the World Bank—"money illegally earned, transferred, or used that crosses borders"—will be used to define the wider international regime complex to combat IFFs.[5] Mapping the institutions and actors involved in this issue area over time will capture the evolution of the global IFF agenda and the politics surrounding its development and implementation.

ANTI–MONEY LAUNDERING GOES GLOBAL: FINANCIAL ACTION TASK FORCE

Initial international coordination of efforts against money laundering was marked by a persistent feature of future advances in the regime: domestic politics in the United States. In this case, a concern over organized crime and drug trafficking led the U.S. government to pressure the country's major economic partners to step up their own surveillance and enforcement. In 1986, Congress required the chair of the Federal Reserve Board to consult with Group of Ten counterparts about their banks' efforts to control money laundering, and the Basel Committee on Banking Supervision (BCBS), the core coordinating mechanism for bank supervisors, issued a statement of principles regarding customer due diligence and cooperation with law enforcement. U.S.-initiated steps of this kind met initial resistance from these institutions, which did not view law enforcement as part of their mandate or role, a pattern that would be repeated with other financial institutions.[6]

These measures were complemented by the formation of a new institution in 1989: the Financial Action Task Force (FATF). Its early activities focused on coordination of national action against money laundering that flowed from drug trafficking; tax evasion was not part of its original agenda. From its core of OECD members, FATF has expanded to include thirty-five member states (including most major financial centers) as well as the European Commission and the Gulf Cooperation Council. National delegations to FATF are typically composed of multiple agencies; one of the consequences of its formation, at least in the United States, has been more intragovernmental cooperation.[7] FATF has become the central standard-setting agency in the domain of anti–money laundering and combating the financing of terrorism (AML/CFT). Its Forty Recommendations, first issued in 1990 and most recently updated in February 2018, have become the principal international standard for defining money laundering and setting national policies to combat it. FATF's work is complemented by a constellation of FATF-style regional bodies (FSRBs) that promote its standards among nonmember countries.[8] FATF has limited enforcement powers: its principal lever is monitoring countries for compliance with its standards and assigning those countries to lists according to their levels of deficiency and their cooperation with FATF to remedy those shortcomings.[9] As documented by Julia Morse, international financial markets also serve to reinforce FATF recommendations, which are backed by FATF's credibility and technical expertise. Countries listed as noncompliant by FATF pay a risk premium on their sovereign debt.[10]

FATF's standard-setting is supplemented by the Egmont Group, a network of financial intelligence units (FIUs), self-described as the "operational arm of the international AML/CFT apparatus," designed to facilitate information- and intelligence-sharing.[11] During the 1990s, as AML became more institutionalized, successive UN conventions (the 1988 Convention Against the Illicit Traffic in Narcotic Drugs and Psychotropic Substances and the 2000 Convention Against Transnational Organized Crime) bolstered the legal basis for international cooperation against money laundering and its predicate crimes. The United Nations also established its Office on Drugs and Crime (UNODC), which included a unit responsible for AML activities, in 1997.

9/11 AND COMBATING THE FINANCING OF TERRORISM

Combating the financing of terrorism became an international concern by the 1990s: the UN General Assembly adopted the International Convention for the Suppression of the Financing of Terrorism in 1999.[12] The September 2001 terrorist attacks in New York and Washington and subsequent major attacks in Madrid and London elevated the financing of terrorist networks to the top of the IFF agenda. AML became securitized: from an official network based in law enforcement and finance, anti–money laundering expanded to incorporate intelligence and national security agencies. The core institutions in AML/CFT remained the same, although the scope of the network and its collaborating agencies grew. FATF adopted Eight Special Recommendations on Terrorist Financing in October 2001.[13] Despite the broad international consensus against transnational terrorist networks, specifically al-Qaeda, some national governments initially showed "considerable indifference and resistance" to speedy implementation of these counterterrorist measures.[14]

Additional groups of financial supervisors, for securities markets and insurance, were added to the AML measures of the BCBS at this time.[15] The International Monetary Fund (IMF) and the World Bank also collaborated with FATF, the IMF beginning with a pilot project on AML/CFT that was made permanent in 2004. The IMF has incorporated FATF AML/CFT standards into its surveillance activities and its Financial Sector Assessment Programs (FSAPs), as well as IMF-supported country programs "when financial integrity issues are critical to financing assurances or to achieve program objectives."[16] In addition, the IMF in 2009 joined a growing list of international and domestic agencies in financing capacity development through a donor-supported trust fund. The IMF grew more comfortable with its role in AML/CFT, although it maintained a distance from any connection to law enforcement. In order to deal with members' concerns over mission creep, the organization also redefined its primary concern as the integrity of the financial sector or macroeconomic and financial stability, goals that were well within its traditional mandate. In so defining its involvement with AML/CFT, the IMF added yet another goal—also difficult to evaluate—to the AML/CFT agenda.

Another category of IFFs assumed prominence as a result of efforts by the United States and allied governments to stop the proliferation of nuclear weapons. Financial globalization appeared to enhance the effectiveness of financial sanctions, particularly when exercised by the United States, a major financial market and issuer of the currency used most widely for cross-border transactions. The ability to enact financial sanctions against governments, financial institutions, and individuals by targeting "specific money laundering and terrorist financing risks" was expanded under Section 311 of the USA Patriot Act. Its power was demonstrated against financial institutions associated with sanctioned governments, such as Banco Delta Asia, a major financial conduit for the North Korean government.[17] Following U.S. withdrawal from the Joint Comprehensive Plan of Action (JCPOA) on Iran's nuclear program, additional financial sanctions have been unilaterally imposed on Iran and countries and corporations that trade with and invest in Iran. The 2017 Global Magnitsky Human Rights Accountability Act has also led to financial sanctions being imposed on individuals guilty of corruption and human rights abuses. In the recent Iranian and Global Magnitsky Act sanctions, however, the U.S. government unilaterally defines IFFs that result from sanctions violations and imposes penalties on violators.

RISE OF THE ANTICORRUPTION AGENDA: CIVIL SOCIETY, GOOD GOVERNANCE, AND KLEPTOCRATS

The rise of corruption as an independent issue on the development agenda and its linkage to IFFs have a complicated intellectual and political history. One early step in this arena was taken in 1977 by the United States with the anti-bribery Foreign Corrupt Practices Act. For the next decade, despite pressure from the United States to forge an international agreement that would curb bribery of public officials by private corporations, the rest of the industrialized world was not responsive.

The 1997 OECD Anti-Bribery Convention marked a shift that would elevate corruption as a global issue and mobilize governments to act against it. The rise of the corruption agenda was in part intellectual: a recognition by the end of the 1980s that the prescriptions of structural adjustment programs, advocated by the IMF, the World Bank, and many bilateral donors, had not produced sustained economic development, particularly in the poorest developing countries. The attention of development economists turned to good governance—the role of institutions in economic development—defined to include public sector management and rule of law as well as broader principles of institutional accountability and transparency. Many experts at the World Bank, which played a central role in setting the development agenda, viewed politics—and even more so corruption—as radioactive, banned by the bank's charter. That taboo was broken in the late 1990s, under the presidency of James Wolfensohn, with the launch of bank programs to combat what Wolfensohn labeled the "cancer of corruption."

However, the development community and the World Bank would not have pivoted their focus toward corruption when they did without the emergence of civil society actors who pressed this agenda. Their efforts during the 1990s were enabled by digital information and communications technologies, which made international investigation and coordination through activist campaigns less costly. Global Witness, founded in 1993, initiated a strategy of investigation, exposure, and public campaigns to challenge corruption and its links to conflict. A group of discontented World Bank employees founded Transparency International (TI) in the same year; with its surveys and annual country rankings, TI soon became a leading advocate in the global movement against corruption.[18] Transparency International's strategy—and that of other NGOs working against corruption—was similar to that of organizations in sectors such as global health and climate change mitigation: pressing the new agenda; forging coalitions with international organizations, national governments, and international corporations; and aiming for international commitments from all the actors implicated in corruption. As in the past, national governments (e.g., Norway and the United Kingdom) sometimes took a lead, but they rarely set the new agenda.

After the adoption of the OECD Anti-Bribery Convention and the elevation of corruption as a central issue in development at the World Bank and other agencies, the 2003 UN Convention Against Corruption (UNCAC) committed its signatories to countering public sector corruption. UNCAC linked to the existing AML/CFT regime by requiring states parties to criminalize money laundering and to implement a domestic AML regime. Chapter V of UNCAC solidified the norm of asset recovery—return of corrupt proceeds to the "victim" countries—as a "fundamental principle" of the convention. It also served as an anchor for the UNCAC Coalition, a global network of more than 350 NGOs across more than 100 countries committed to mobilization in support of the convention's implementation. Both the OECD convention and UNCAC have been criticized, however, for weak or nonexistent monitoring mechanisms.[19]

Despite the global acceptance of UNCAC—it has 186 states parties as of 2018—much of the anticorruption agenda focused implicitly or explicitly on the institutional weaknesses of developing countries. During the 2000s, however, the anticorruption agenda, through its connection to IFFs, was expanded to include industrialized countries, home to the largest global financial markets. The increased commitments to development assistance made by the industrialized countries directed public attention to the outflow of illicit funds from developing countries and attendant damaging effects on resource mobilization in affected countries. The influential work of Raymond Baker and Global Financial Integrity, the organization that he founded, made clear the link between grand corruption or kleptocracy—large-scale theft of public resources by high-ranking officials—and the financial infrastructure that made it possible for corrupt officials to safely hide stolen assets.[20] That enabling infrastructure encompasses transnational networks that include many professional intermediaries—banks, corporate services providers, lawyers, real estate brokers, and accountants—in the OECD countries, even though those countries are ranked as less corrupt than their developing country counterparts.[21] Countering the theft of national assets became a global issue rather than one limited to the developing world. More developing country governments took the lead in setting the IFF agenda, rather than conceding that role to the OECD capitals. The 2015 Report of the High Level Panel on Illicit Financial Flows from Africa (Mbeki Report), commissioned by the Joint African Union and UN Economic Commission for Africa Conference of African Ministers of Finance, Planning, and Economic Development, confirmed the new consensus.[22] The World Bank became directly involved with the recovery of stolen assets through its Stolen Asset Recovery Initiative (StAR), a 2007 joint initiative with the UNODC.

Corruption, IFFs, and the industrialized countries are also connected through the natural resource sectors of the developing countries. Much of the grand corruption originated in those sectors during the commodity boom of the first decade of this century. NGOs and development economists viewed the opaque practices of major MNCs, whether or not guilty of bribery, as facilitating such corruption and the IFFs that it produced. Then UK Prime Minister Tony Blair launched the Extractive Industries Transparency Initiative (EITI) in 2002. Supported by government, its multistakeholder structure (with participation from countries, companies, and civil society) typified the new model of governance, once again directed toward standard-setting. EITI aims for accountability and transparency, with publicly available information improving national debates about the use of natural resource revenues. EITI, similar to other organizations working to shape the anti-IFF agenda, responded to and incorporated NGO campaigns on the issue of natural resource sector governance.[23]

Countering IFFs was confirmed as part of the global development agenda by its inclusion in the UN Sustainable Development Goals.[24] In addition to the specific targets set in the SDGs, many developing countries came to view curbing IFFs as essential to the domestic resource mobilization and growth that would underpin sustainable development. At the same time, the costs imposed on development by the existing AML/CFT regime were also becoming apparent. The AML/CFT regime has had the unintended consequence of de-risking on the part of private financial institutions, which were delegated a central role in preventing IFFs. Rather than assessing risks of clients individually, banks are "ceasing to engage in types of activities that are seen to be higher risk in a wholesale fashion." This has meant reduced access to financial services for customers that banks deem too risky. The costs of such exclusion will likely be the heaviest for recipients of remittances, small businesses, and people working in high-risk settings, such as postconflict countries.[25] De-risking may also undermine efforts to counter IFFs, since IFFs often thrive in areas that suffer from financial exclusion.[26]

ILLICIT FINANCIAL FLOWS COME HOME (AGAIN): INEQUALITY AND TAX EVASION

The slow economic recovery in the United States and Europe from the global financial crisis of 2008–2009 revived debates in industrialized countries over levels of economic inequality. This debate has become linked to IFFs and their facilitation of tax evasion, particularly after the Swiss Leaks in 2015 implicated HSBC in facilitating a far-reaching tax evasion scheme and the release of the Panama Papers in 2016 and the Paradise Papers in 2017 revealed a web of political and economic elites participating in tax avoidance and evasion. Using data from these sources, recent research finds that individuals in the top 0.01 percent of the wealth distribution use offshore tax havens to evade about 30 percent of taxes levied on them.[27] The effects of tax evasion and "gray area" tax avoidance by individuals and companies have long been accepted as a burden imposed on developing countries by IFFs. Those burdens now appear to contribute to tax inequality in the OECD economies as well: "Absent information exchange between countries, personal capital income taxes cannot be properly enforced, giving rise to substantial revenue losses and constraining the design of tax systems."[28]

Since the financial crisis, the Group of Twenty (G20) and the OECD have been major forums for international cooperation on both tax evasion and corporate tax avoidance. At their 2009 summit, G20 countries urged tax havens to sign information-exchange treaties under threat of economic sanctions. Evidence suggests that this initiative resulted in asset shifting among jurisdictions rather than tax evasion being reduced.[29] The OECD's efforts to counter tax evasion have been anchored in the intergovernmental Convention on Mutual Administrative Assistance in Tax Matters and the initiatives of its 153-member Global Forum on Transparency and Exchange of Information for Tax Purposes. The OECD has utilized a model of standard-setting and peer review similar to the formula used by FATF. Its peer-reviewed Exchange of Information on Request was followed by a more demanding Automatic Exchange of Information (AEOI) standard, which eliminates the need for tax authorities to provide a justification for each information request by mandating an annual exchange of pre-agreed financial account information. Information exchange is based on a Common Reporting Standard (CRS) agreed to in the 2014 CRS Multilateral Competent Authority Agreement (MCAA). Ninety-four jurisdictions have committed to implementing the CRS by 2018; their implementation will be monitored and reviewed by the Global Forum. Although AEOI was prompted in part by the 2010 U.S. Foreign Account Tax Compliance Act, the United States is not a signatory to the CRS MCAA.

Unlike tax evasion, the issue of tax avoidance through profit shifting and other means has divided the anti-IFF coalition. Some experts argue that this gray-area behavior should be treated as illicit, while others hold that flows associated with a predicate crime (among them, tax evasion) should define IFFs and serve as the principal focus of anti-IFF action. Tax avoidance by MNCs has been a particularly salient issue for developing country governments, which rely heavily on corporate income tax for revenue. The principal global framework for collaboration has been the Inclusive Framework on Base Erosion and Profit Shifting (BEPS), aimed at implementation of the OECD/G20 BEPS Package of fifteen actions that equip countries to deal with BEPS. Once again, the OECD follows a peer review process to assess implementation of these standards. Additionally, a Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) entered into force on July 1, 2018. The MLI closes gaps in existing tax rules and reduces opportunities for MNC treaty-shopping and tax avoidance by transposing results from the OECD/G20 BEPS Project into bilateral tax treaties.

COMBATING ILLICIT FINANCIAL FLOWS: EXPANDING AGENDA, UNCERTAIN EFFECTS

An expanding array of agencies and institutions—global, regional, national, and subnational—has been chasing dirty money for decades. The AML/CFT regime complex, like other entrants on the post–Cold War global agenda, has evolved from an intergovernmental arrangement with relatively limited goals (countering transnational crime and especially drug trafficking) to a universe of international conventions and agreements, new and old international organizations and networks, and coalitions of private and public actors. In this respect, the evolution of governance in this space has resembled that in other contemporary issue areas such as climate change or global health. The anti-IFF agenda, however, has grown more rapidly than agendas in other domains, serving as a means for curbing other illicit activities, such as corruption and tax evasion. A reduction in those activities has, in turn, been linked to even broader goals—the integrity of the financial system, reduction of inequality, and economic development. Even as this growing complex of rules becomes more international and collaborative, policymakers have considerable discretion in the energy and resources that they devote to combating IFFs. Here, as elsewhere, the commitment of the U.S. government—both leader and laggard in the past—is currently in question.

This expanded agenda, and the often tenuous links between combating IFFs and larger global goals, has made measurement of the effectiveness of international action—problematic for all global governance and international institutions—even more difficult for the actions taken to counter IFFs. Critics and skeptics contend that AML/CFT has been subjected to “a minimal effort at evaluation, at least in the sense in which evaluation is generally understood by public policy and social science researchers, namely how well an intervention does in achieving its goals."[30] For climate change or global health, the scale of the problem being attacked can be measured with relative precision; that has not been the case for IFFs. Definitional and measurement issues are raised with each expansion of the IFF agenda: what was once acceptable (e.g., bribery of public officials by MNCs) has become unacceptable and illegal.[31] Evaluation becomes even more important when the costs of current regimes are taken into account, particularly costs imposed on financial sectors and those who use or attempt to use financial institutions.

If the effectiveness of existing institutions and procedures is uncertain, their efficiency can also be questioned. Efficiency arguments have been advanced by the financial sector, most recently in a 2017 report by the Clearing House, an association and payments company owned by the largest commercial banks. The report echoes earlier arguments that prevention and enforcement should move away from procedural checklists to more active government collaboration with the private sector in detecting and prosecuting crimes.[32] The broad and more distant goals of anti-IFF measures (the global public bads of Reuter and Truman) only compound the difficulty of assessing efficiency. For example, the importance of anti-IFF efforts to a broader strategy against corruption and kleptocracy can be questioned. Some researchers have argued that systemic corruption will only be overcome through a political big bang rather than incremental policy changes.[33] Curbing IFFs primarily affects that portion of corruption relying on cross-border transfer of its proceeds. Even within that segment of grand corruption, recent cases demonstrate the limitations to anti-kleptocratic measures. Effective steps against those who had pillaged the government-owned 1MDB in Malaysia required an unexpected electoral victory by the opposition. Although the new coalition has made clear its intention to pursue the case with international assistance, whether the investigation will be limited to political opponents or expand to those deeply rooted in the political system and economy, including coalition members themselves, is uncertain. The massive corruption under former President Jacob Zuma in South Africa so eroded corruption-monitoring institutions that restoring them will be difficult; moreover, Zuma and his accomplices worked with respected international collaborators, including the consulting firm McKinsey & Company and the auditor KPMG South Africa. The costs of pursuing, seizing, and redistributing kleptocratic wealth are substantial: more than two years after the exposure of a massive theft from the Nigerian state oil company, recovery of the proceeds has been painfully slow. Enforcing anticorruption laws requires both resources and commitment, and those are often lacking in asset recovery cases that will benefit other jurisdictions.

ILLICIT FINANCIAL FLOWS AND GOVERNANCE STRATEGIES

Future effectiveness of the AML/CFT regime will depend in part on the selection of alternative strategies of global governance. The core of FATF and other AML/CFT conventions has been a regime of harmonization, diffusing a template for AML/CFT laws and practices to as many national governments as possible. Critics argue that these efforts impose a costly burden on developing countries while offering them minimal benefits.[34] Global governance produces a specific distribution of costs and benefits: AML/CFT was largely driven by an agenda crafted to meet the political demands of the industrialized world and often the United States. Although the anticorruption agenda also began with a similar asymmetry, the shift toward combating kleptocracy and tax evasion has produced a more balanced bottom line. Asymmetries remain, however, and given the transnational nature of

IFFs—with beneficiaries in both the industrialized and developing countries—these distributional issues will remain. They can be eased by continuing commitments to building capacity as well as sharing information and best practices across jurisdictions.

The ever-expanding agenda assigned to the AML/CFT regime risks institutional overload and greater obstacles to coordination. Technological innovations, such as cryptocurrencies, will not only expand the AML/CFT agenda, they will also highlight the shortcomings of purely intergovernmental responses. The much wider coalition that has been mobilized on these issues since the 1990s, however, also presents opportunities. From its origins as an intergovernmental issue promoted by the industrialized countries, combating IFFs has become a global cause. One sign of this new status: the African Union committed to eliminating "all forms of illicit flows" as part of its Agenda 2063 commitment to strengthen domestic resource mobilization.[35]

Although certain segments of global efforts to counter IFFs will remain largely in the hands of government agencies and private financial institutions, NGOs have played a central role in moving the international agenda and playing a role in naming and shaming those who benefit from IFFs. For example, NGOs and European governments have recently made progress toward ending the loophole of anonymous shell companies by expanding requirements for beneficial ownership transparency.[36] Although the anti-IFF coalition is occasionally unwieldy and fractious, international strategy should aim at turning this diversity to global advantage, using different actors and instruments for different targets.

As with the provision of other global public goods—and attacks on global public bads—recent advice from the 2018 OECD report *Illicit Financial Flows: The Economy of Illicit Trade in West Africa* can be applied more broadly: the "most informed and effective response" will "leverage the potential of multiple actors," including public officials, the private sector, and nonstate actors.[37] In that respect, global efforts to combat IFFs could come to resemble even more closely the "all hands on deck" approach that has been adopted in climate change mitigation and other arenas. As in those other issue areas, however, the effectiveness of this model of global governance, which focuses less on governments and depends on a larger and more diverse set of actors, remains unproven.

ENDNOTES

1. Kal Raustiala and David G. Victor, “The Regime Complex for Plant Genetic Resources,” *International Organization* 58 (Spring 2004): 277–309, http://doi.org/10.1017/S0020818304582036; Robert O. Keohane and David G. Victor, “The Regime Complex for Climate Change,” *Perspectives on Politics* 9, no. 1 (2011): 7–23, http://doi.org/10.1017/S1537592710004068.

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3. See three of many examples: J. C. Sharman, *The Money Laundry: Regulating Criminal Finance in the Global Economy* (Ithaca, NY: Cornell University Press, 2011); Eleni Tsingou, “Global Financial Governance and the Developing Anti-Money Laundering Regime: What Lessons for International Political Economy?,” *International Politics* 47, no. 6 (2010): 617–637; Michael Levi, Peter Reuter, and Terrence Halliday, “Can the AML System Be Evaluated Without Better Data?,” *Crime, Law and Social Change* 69, no. 2 (2017): 307–328, http://doi.org/10.1007/s10611-017-9757-4.

4. Peter Reuter and Edwin M. Truman, *Chasing Dirty Money: The Fight Against Money Laundering* (Washington, DC: Peterson Institute for International Economics, 2004), 77.

5. “Illicit Financial Flows,” World Bank, July 7, 2017, http://worldbank.org/en/topic/financialsector/brief/illicit-financial-flows-iffs.

6. Reuter and Truman, *Chasing Dirty Money*, 79.

7. Reuter and Truman, *Chasing Dirty Money*, 81.

8. On the formation and operation of FATF, see Reuter and Truman, *Chasing Dirty Money*, 81–85; Rena S. Miller and Liana W. Rosen, “Anti-Money Laundering: An Overview for Congress,” Congressional Research Service, March 1, 2017, 21–23, http://fas.org/sgp/crs/misc/R44776.pdf.

9. In 2018, nine countries were assessed as having “strategic deficiencies,” but each had provided a “written high-level political commitment to address the identified deficiencies.” Four of these countries were in civil conflict or were postconflict. Two other jurisdictions—Iran and North Korea—were labeled as greater risks, requiring “enhanced due diligence” or countermeasures.

10. Julia C. Morse, “International Institutions and Market Enforcement: Generating Compliance in the Regime to Combat Terrorist Financing” (working paper, Woodrow Wilson School for Public and International Affairs, Princeton University, 2016), http://scholar.princeton.edu/sites/default/files/jcmorse/files/morse_jobmarketpaper.pdf.

11. Financial intelligence units (FIUs) are “agencies that receive reports of suspicious transactions from financial institutions and other persons and entities, analyze them, and disseminate the resulting intelligence to local law-enforcement agencies and foreign FIUs to combat money laundering.” See International Monetary Fund and World Bank, *Financial Intelligence Units: An Overview* (Washington, DC: International Monetary Fund, 2004), 4, http://imf.org/external/pubs/ft/FIU/fiu.pdf.

12. Reuter and Truman, *Chasing Dirty Money*, 140–141.

13. FATF published a ninth special recommendation, pertaining to cash couriers, in October 2004. It incorporated the original eight special recommendations into its Forty Recommendations as Section C (Recommendations 5–8). In 2012, when it revised its standards, FATF also incorporated its ninth special recommendation into its Forty Recommendations.

14. Reuter and Truman, *Chasing Dirty Money*, 145.

15. The International Organization of Securities Commissions and the International Association of Insurance Supervisors adopted AML/CFT standards in the wake of the 2001 terrorist attacks.

16. International Monetary Fund, “IMF Executive Board Reviews the Fund’s Strategy for Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT),” press release no. 14/167, April 11, 2014, http://imf.org/en/News/Articles/2015/09/14/01/49/pr14167.

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23. These include Publish What You Pay, Global Witness, and Revenue Watch Institute (which, after 2013, has been part of the Natural Resource Governance Institute).

24. Target 16.4 aims to "by 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime," and target 16.5 aims to "substantially reduce corruption and bribery in all their forms."

25. Matthew Collin et al., *Unintended Consequences of Anti–Money Laundering Policies for Poor Countries* (Washington, DC: Center for Global Development, 2015), http://cgdev.org/sites/default/files/CGD-WG-Report-Unintended-Consequences-AML-Policies-2015.pdf.

26. OECD, *Illicit Financial Flows*, 110.

27. Annette Alstadsaeter, Niels Johannesen, and Gabriel Zucman, "Tax Evasion and Inequality," Working Paper 23772, National Bureau of Economic Research, Cambridge, MA, September 2017, http://nber.org/papers/w23772.pdf. The authors use data for Scandinavia, which has historically low levels of tax evasion. Rates may be much higher for other jurisdictions.

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