

**CUSTOMS AND THE FIGHT AGAINST ILLICIT FINANCIAL FLOWS :**  
**WORLD CUSTOMS ORGANIZATION ACTION PLAN**

## **Introduction**

It has been well-recognized that Illicit Financial Flows (IFFs) hamper sustainable development and present a direct threat to global political and economic security. The loss of capital from corruption, organized crime, illegal exploitation of natural resources, fraud in international trade and tax evasion, deprives countries of vital revenue that could be used to develop infrastructure, provide basic social services and invest in projects to create jobs.

By undermining development efforts, IFFs contribute to persistent poverty and to the perception of corruption and poor governance that can lead to political instability. While, on the one hand, IFFs impede government efforts to mobilize domestic resources, on the other hand they can serve to finance criminal or terrorist activities.

As the first line of defence at the borders, Customs has an important role to play in combating illicit financial flows while facilitating legitimate trade. The misuse of trade for the movement of illicit funds, as well as the physical cross-border movement of money, are areas that relate directly to Customs' competence and expertise and are subject to strong enforcement measures.

## **Background**

The G20 Leaders' Communiqué from the Summit held in Hangzhou, China, in September 2016 highlighted, among other things, the importance of addressing cross-border IFFs derived from illicit activities. More specifically, paragraph 36 of the Communiqué welcomed communication and coordination with the World Customs Organization (WCO) to address cross-border financial flows derived from illicit activities, including deliberate trade mis-invoicing.

The WCO welcomed this opportunity to contribute to the work of the G20 and has been proactively considering ways to work with the G20 on the development of a study on cross-border financial flows coming from illicit trade, including deliberating on this issue at its Policy Commission held in December 2016.

## **Current State of Play : WCO Action Plan**

As an outcome of WCO Members' deliberations, a WCO strategy to combat illicit financial flows has been envisioned. The WCO has developed a plan that centres on various strands of action :

### **1. Research**

- 1.1. The WCO will conduct research on the IFF problem from a Customs perspective, particularly in the area of trade mis-invoicing. The study report will analyse the IFF problem, describe WCO instruments and tools that address IFFs, and collect best practices and case studies on the subject.
- 1.2. Through its existing working bodies, the WCO will monitor emerging technologies and trends such as the increased use of e-Commerce and virtual currencies, and identify the tools that allow Customs to address them.

## **2. Instruments and Tools Development/Enhancement**

- 2.1. Develop WCO guidelines on trade mis-invoicing to help Customs identify under- and over-valuation of goods, promoting and strengthening risk management and post-clearance audit approaches.
- 2.2. Evaluate the possible establishment of a WCO trade information exchange platform to provide discrepancy analysis for its Members.
- 2.3. Provide guidance on the adoption of robust procedures and mechanisms to curb IFFs, including the deployment of technology to increase efficiency.

## **3. Cooperation/Coordination between and among Customs and its Strategic Partners**

- 3.1. Promote the exchange of information between Customs, using WCO tools and continue enhancing them as appropriate.
- 3.2. Encourage greater cooperation between Customs and Tax authorities as reflected in the WCO Customs-Tax Cooperation Guidelines.
- 3.3. Enhance cooperation between the WCO and the Financial Action Task Force (FATF) to promote the exchange of information between Customs, Financial Intelligence Units (FIUs), anti-money laundering entities and financial institutions, enabling Customs access to various data sources such as FIUs' Suspicious Transaction Reports and Currency Transaction Reports.

## **4. Development of Capacity and Core Competence within Customs**

- 4.1. Continue to provide capacity building to WCO Members through its Revenue Package to ensure efficient and fair revenue collection.
- 4.2. Provide training in the detection and prevention of cash smuggling.
- 4.3. Encourage WCO Members to secure a mandate to investigate IFFs and/or seek a formal cooperation or agreement framework with the relevant authorities.
- 4.4. Promote specialization and the establishment of dedicated resources within Customs to address IFFs.

## **5. Operational Activities**

- 5.1. Continue organizing operations which address mis-invoicing and the movement of cash and bearer negotiable instruments.
  - 5.2. Encourage WCO Members' participation in joint activities with other competent authorities, such as operations, targeting, information exchange and conducting data mining/data analysis.
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