

PUTTING THE 2019 MONEYVAL REPORT ON GIBRALTAR INTO PERSPECTIVE: REFLECTIONS FROM THE CORPORATE WORLD

Kurt Looyens – Founding Partner, March 2020





The Committee of Experts on the Evaluation of Measures against Money Laundering and the Financing of Terrorism (MONEYVAL) is a permanent monitoring body of the Council of Europe, responsible for assessing compliance with the main standards in the fight against money laundering and the financing of terrorism, alongside the recommendations of the Financial Action Task Force (FATF). Through a dynamic process of mutual evaluation, peer review and regular monitoring of its reports, MONEYVAL aims to improve the capacity of national authorities to combat money laundering and terrorist financing more effectively.

Last month, MONEYVAL’s most recent report, on the United Kingdom’s Overseas Territory of Gibraltar, was released. This article offers a moment of reflection from the perspective of Dolya Consulting, proudly established on the Rock.

Reading the summary of the report on Gibraltar on the Council of Europe’s website (www.coe.int), “MONEYVAL acknowledges that the (Gibraltar) authorities have a varied understanding of money laundering and financing of terrorism risks. Whilst the key supervisors have a robust understanding of risks at sectoral level, the jurisdiction’s overall understanding of the money laundering and financing of terrorism risks is affected by shortcomings in particular by insufficient analysis of the cross-border threat which Gibraltar faces as an international financial centre.

The report recognises improvements in relation to inter-agency cooperation as well as in the legal framework which provides a solid basis for the authorities to detect, investigate and prosecute money laundering and financing of terrorism. Gibraltar has however not yet sufficiently demonstrated effective investigation and

prosecution of money laundering offences in line with the jurisdiction’s risk profile.”

Obviously, there is a great deal of detail and nuance to be found in the 251-page report; however, in the pursuit of some brevity, one could safely summarise the core message of the report (in plain language) as follows:

While the MONEYVAL evaluators acknowledge the solid work done by authorities in Gibraltar to establish an effective legal and cooperative framework, they were also clear that much more is needed, and they expect day-to-day practice to substantiate this going forward.

I would like to reflect on this essential message, analyse its constituent parts and muse on a few obvious – and perhaps less obvious – analogies with operational excellence approaches from the corporate world.

Statement 1: “Evaluators acknowledge the solid work done by authorities”

There is a particular rule of thumb in business, which Nelson Mandela expressed so succinctly, albeit in his own specific context, when he said,

“Vision without action is just a dream, action without vision just passes the time, and vision with action can change the world.”

Vision and action go hand-in-hand.

Hats off to Gibraltar. Long ago, Gibraltar proactively defined its vision of a professional, qualitative, 21st century jurisdiction, governed by best-in-class principles and embracing international standards. They clearly have delivered on that.

The website for Gibraltar Finance – the financial services platform of H.M. Government of Gibraltar – articulates its vision to be a centre of excellence and a jurisdiction of choice for international financial services firms. This is firmly supported by three core components:

Regulation: the belief that a strong regulatory system provides the perfect environment for businesses and individuals to thrive with transparency, accountability and enforcement as foundation stones.

Reputation: professional expertise across the financial services sector; good working relationships between service providers, government and the regulator; a strong regulatory framework; growing international reputation; international links and networks, and a modern, vibrant business environment.

Speed-to-market: close working relationships – particularly between professionals, local regulators and government departments – aimed at

creating an efficient and effective environment that supports businesses and initiatives.

The result is seen today in a robust legal framework, knowledgeable policy makers and capable regulators, as underwritten by MONEYVAL in their 2019 report.

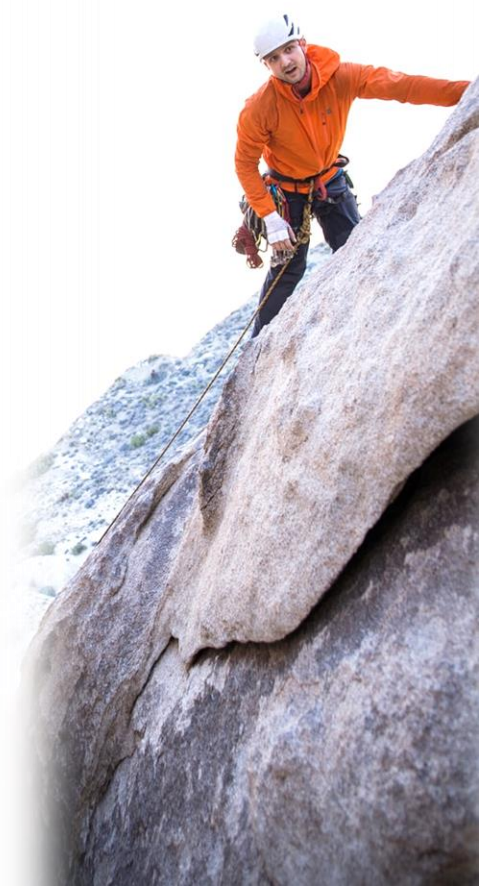
So, referring to Mr Mandela’s quote on vision, one can note that for any corporate entity, a defined vision – coupled with a clear sense of purpose – is critical to success. A vision...

is uniting: it provides a common interest, making everyone feel that they are a part of a greater whole, not only giving deeper meaning to work, but also helping to unite everyone as a team;

is inspiring: it has a clear motivational effect on everyone within the organisation and creates an energy and enthusiasm, increasing commitment and fostering change; and

is directional: it provides a sense of purpose and direction for the business, helping to define short- and long-term goals.

This rings true for Gibraltar, which, coincidentally, is often referred to as ‘Gibraltar Plc’. It has set its vision and mission and is acting towards it, in a consistent and diligent manner.



Statement 2: “Much more is needed”

Whereas MONEYVAL recognised many improvements, in particular at the policy and supervisory level, it also commented that much more progress is still required.

MONEYVAL has opined that the same quality and rigor of implementation is not yet seen across the board. The cross-border challenges relating to Gibraltar’s international position and the rapidly increasing use and volume of quantitative and qualitative data are examples where Gibraltar should progress, according to the report.

This should come as no surprise. Change is an ongoing process and starts at the top. Change Management is a household concept in business. In the corporate world, transformational change is commonly defined according to four characteristics:

Scale: the change affects all or most of the organisation;

Magnitude: it involves significant alterations of the status quo;

Duration: it lasts for considerable time); and

Strategic importance: it is critical to the strategy of the organisation.

Yet companies will only see the full benefit when change occurs at the level of the individual employee. The leaders themselves must embrace new approaches first, both to challenge and motivate the rest of the institution. They must speak with one voice and model the desired behaviours. They must ‘lead from the top’.

This is no different for Gibraltar Plc. The direction has been set, the foundations have been given shape and substance; now the jurisdiction must continue to build. To nurture a culture of excellence, to breathe a culture of excellence. Policy makers set the tone; but it is all of us, the market participants, who play the music. The regulators, meanwhile, listen to check that we stay in tune.

Many will be familiar with a famous quote from management guru Peter Drucker,

“Culture eats strategy for breakfast.”



Whatever strategy has been set out, it is only what people believe in, and how they behave on a daily basis, that will bring strategy to life.

So, we should not simply look to government to make things happen; it is up to all of us, day in, day out, to continue to build on the foundation that has been set.

Statement 3: “Day-to-day practice to substantiate”

The MONEYVAL report refers at times to a lack of sufficient examples of actual legal enforcement in Gibraltar, standard operating procedures not yet being in place across the board and reporting entities needing to improve standards in certain areas.

There is no such thing as a perfect world. As a matter of fact, when cross-referencing with some other

country reports by MONEYVAL, this becomes clearer. The battle against Money Laundering and Financing of Terrorism, in a world which is constantly evolving, is one where countries must continually make improvements.

It was renowned management theorist Tom Peters who said, in his best-selling classic, “In Search of Excellence”, almost 4 decades ago,

“Excellent firms don't believe in excellence - only in constant improvement and constant change.”

For Gibraltar - and so many other nations - it will be a matter of putting theory to practice, and whilst doing so, continuing to improve. In corporate parlance, of course, this is known as Continuous Improvement: an ongoing, long-term approach to improve processes, products and services.

In contrast to change management, continuous improvement happens more gradually and aims to make small incremental changes over time.

Bill Gates, Microsoft founder and somewhat successful business entrepreneur, said in his own words,

“Headlines, in a way, are what mislead you because bad news is a headline, and gradual improvement is not.”

Ultimately, one could argue that the many calls for improvement which the report holds for Gibraltar, are not ‘bad news’. They just relate to the core of what continuous improvement is about: gradual, ongoing progress.

So, let's avoid giving too much focus to the headlines, but instead focus Gibraltar's energy – that of its policy makers, regulators and market participants combined – into continuing to build on its achievements so far; to continue improving every day.



About the author: Kurt is a seasoned executive with significant experience in international business. He gained vast experience in transforming companies and departments into lean, profitable and sustainable divisions by orchestrating effective compliance, growth, operational and social engagement strategies.

Kurt loves to communicate actively and values relationships highly. Respect, creativity and hard work are key principles he abides by in all his undertakings. He is a strong believer that the way things are done is as important as what has been done.

In his free time, he enjoys riding his racing bike and the occasional glass of wine.





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 www.dolya.consulting

 info@dolya.consulting

 +350 2000 8052

 Office 230, First Floor, World Trade Center, Gibraltar GX11 1AA

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