



18th Parliamentary Intelligence-Security Forum

Panama City, Panama

June 29th & 30th, 2021

Topics:

- Financial Crime
- 5G
- Money Laundering
- Illicit Trade
- Blockchain
- Transnational Crime



Tuesday

OPENING REMARKS

Senator Jorge Pizarro, President of Parlatino

Senator Pizarro started the opening remarks by welcoming everyone to the forum. Noted that in a globalization process, we have not been able to successfully solve the challenges of money laundering. He said that people live with insecurities, not only because of crime, but social insecurity. He mentioned two main themes. There is a lack of security in people. Second, the growing corruption in our country.

Citizens' security is fundamental, he mentioned. We need for our youth to have access to education, one that can provide values.



Congressman Robert Pittenger

Congressman Pittenger stated off by applauding how countries in Latin America are beginning to categorize Hezbollah as a terrorist organization. He then started mentioning how Panama is on the grey list and how that impacts on economic development, foreign investment, and loans from the Inter-American Bank. He embraced the importance of the dialogue to solve these issues.



Juan De Dianous, Ambassador to Panama in the United States

Ambassador De Dianous stated off his remarks by recognizing the long history of collaboration between Panama and the United States. He then said that only with collaboration, we can ensure protection of our financial institutions, our businesses, critical infrastructure, and most importantly our people. Although it is not an easy task, together we can achieve our goals.

Panama is a critical hub to trade, travel, and delivery of aid to the hemisphere. We need to play a role with our regional and global partners in order to combat transnational criminal organizations.

Congressman Marcos Castillera, President of the Panama National Assembly

C. Castillera started off his remarks by saying that the greatest risk is taking no risks. He said that we as a parliament have a fundamental role in developing cybersecurity tools to avoid AML and terrorist financing activities as well as all other activities we see in organized transnational crime. There are two types of people, he said. There are people who want to abide by the law and those who don't. He mentioned that in the forum there are answers and we must embrace the dialogue.



Juan Manuel Pino, Minister of Security in Panama

Pino started off his remarks by recognizing that organized transnational crime is a source for more than 100 illicit activities. Since the beginning of the pandemic, there have been new ways of committing crime which affect our economy and development.



PANEL: "BEST PRACTICES" AML/CTF (PANEL)

Hon. Andreas Jahn, Bundestag Foreign Policy Senior Advisor

Jahn made remarks regarding trade-based money laundering. He said that this was the most used method.



Mr. Jeffrey Cooper, Director Fintech at SAS and former Director International Operations, IRS Criminal Investigation

Cooper made remarks saying that we need to make use of available technology due to the fact that we are in a digital transformation era. He later said that tax evasion and non-compliance is the biggest and most prevalent transnational crime in the world and that data has increased due to digitalization.

"CENTRAL BANK DIGITAL CURRENCIES" (PRESENTATION)

Mr. Erik Bethel, Distinguished Fellow at Chamber of Digital Commerce

Mr. Bethel went on saying that 80% of central banks are looking into digitalizing their currency

PANEL: KEYNOTE MESSAGE

The Honorable Bill Cassidy, United States Senator

Cassidy started by saying that the main methods of trade-based money laundering are:

- Phantom Invoicing
- Double Invoicing

He then later went on to speak on how the Hezbollah group is financing terror not only in the Americas, but all over the world. He then spoke on how TBML not only hurts legitimate businesses, but also damages a country's economy. The goal would be to prioritize TBML as a national security concern.

"5G SECURITY CHALLENGES" (PANEL)

Molly Hollowell, Economic Officer US Department of State

- Biden administration uses 5G as a priority
- 5G Responses:
 - Defending against authoritarian government
 - Protecting privacy
- Even if carrier is not interested, they are investing in 5G
- 5G requires a diverse supply chain
- Single vendor supplier increases security risks
- The US want more competition in this field
- There is a concern that 5G networks will be controlled by authoritative regimes such as China
- What is a trusted vendor?
 - One that respects personal privacy



Mr. John Strand, CEO, Strand Consult

Mr. Strand started his remarks concerning 5G. He said:

- NATO prohibits buying from communist countries that don't respect people's privacy
- Cybersecurity is not just a software
 - Need to move from transport layer, into telecommunications
- Expressed how companies such as Huawei are unsafe

He then later stated that 5G is a current ongoing evolution and that the cloud will have, and currently does for the most part, a central role in the future of data storage. He then said that AI will be built into all solutions and services and that it is not expensive to replace Chinese networks with non-Chinese networks. We need clean networks that are safe to privacy.

Some recommendations include:

- Companies care more about profit than security
- Distinguish between trade and security policy



"MITIGATING CYBER SECURITY THREATS TO DEFENSE AND FINANCE SYSTEMS AND INFRASTRUCTURE" (PANEL)

Hon. Marco Zanni, Italian MEP

- People are becoming more interconnected than ever
- Cybersecurity is an issue due to the increasing dependence of technology
- There is an increasing trend in cyberattacks
- Increasing cybersecurity is becoming of utmost priority
- Integrated cybersecurity in the EU
- There is the aim for businesses to benefit from cybersecurity
- One solution is another step towards new framework against cyberattacks
- We need to provide sanctions for the people or entities responsible for cyberattacks
- Atlantic Corp. and NATO will take the challenge of cyberattacks



Hon. Scott Taylor, Former member of the U.S. House of Representatives

- Rogue state actors are a national defense challenge
- Computing power is moving at an ever-increasing pace
- International Cyber Doctrine
 - Need for policy for cyberspace
- We need to work with our allies to promote policy in cyberspace



Ms. Victoria Beckman, Director of Digital Crimes Unit (DCU) Americas (Virtual)

- 3% - Percentage of people in phishing campaigns
- 90 – median number of days for detection of cybercrimes
- Digital Crimes Unit
 - Leading fight against cybercrime to protect customers and promote trust in Microsoft
- DCU Program Focus:
 - Disrupt
 - Deter
 - Strengthen
 - Communicate
- Public/Private Collaboration
 - Operation WireWire
 - Operation Rewired

Mr. Surjeet Mahant, Managing Director at K2 Integrity and head of Cyber Risk Management Services

Mr. Mahant started off by saying that doing nothing to combat cybercrimes is a decision of whether or not to stay in business. There is a big threat, and that is cybersecurity. Then he went on saying that everyone needs to be aware of cybersecurity. We need to be aware of where our data is and that this issue is a joint effort between public and private sectors in information sharing.

Three Main Aspects of Focus:

- Cooperation and coordination
- Investments
- Cooperation

How do we address the issue of cybercrime? Which would be the proper entity to handle this at a continental level?

- US is helpful in expertise
- OAS is a great organization to handle cybercrime



"REGIONAL SECURITY PERSPECTIVES"

Senator Jorge Pizarro, President of Parlatino

Pizarro pretty much said that COVID is affecting globalization and that we are in a sanitary emergency.

Mr. Severino Mejía, Security Advisor of the Presidency in Panama

- In 2019, 32.5 tons of cocaine was seized
- In 2021, that number doubled
- Corruption and narcotrafficking causes a toll in public health



Mr. David Saied, FIU President of Panama

Saied started his remarks by saying that we must remain very vigilant and that we have to generate a report of financial analysis to be able to identify money laundering scenarios. We must act quick with the analysis. It was said that it currently takes 90 days, however, with new tools, it could be done in an even faster timeline. These reports can be used during an audit.

Wednesday

PANEL: "BLOCKCHAIN/BITCOIN ILLICIT FINANCE" (PANEL)

In this Panel, J.C. Boggs (Co-lead, Fintech, Blockchain and Cryptocurrency practice, King & Spalding), Patrick Campos (Chief Strategy Officer, Securrency), Seth Hetlein (Head of Policy & Government Relations, Stellar Development Foundation), and Jackson Mueller (Director, Policy & Government Relations, Securrency) discussed the issues on Blockchain and Illicit Finance. Mueller open the discussion by saying that we need to balance financial privacy with transparency. It was argued that there is going to be lot more innovation because of the fact that this is an open network, however, there is still a lack of regulation, rules, or roads in this new technology. They all agreed upon the fact that we need to find a legal framework to implement this new technology.

It was later discussed that In Europe, the United States, the UK, and Australia are all creating their own crypto assets. They voiced their concerns over how all of this is promoting illicit finance. It was found that

- 1/3 of crypto is used for illicit purposes
- Moving crypto across borders is easy
- Concluded that more innovation means more compliance
- The main illicit uses of this tech are:
 - Sales of illicit substances
 - Illicit finance
- Blockchain is a powerful tool

It was later discussed that the idea is to regulate the behavior, not the technology. They went on to agreeing that only viewing crypto as a source of illicit promotion is an impoverished view on the subject. They later discussed the topic on transparency vs. privacy. They agreed on how we need to lean more into transparency rather than privacy, however, privacy may be more important in other occasions because privacy means security.



PANEL: "ILLICIT FINANCE"

Ms. Sarah Paquet, Chairman of IEWG (Egmont Group); Director and CEO of FINTRAC/CANAFE (Virtual)

She focused on the issue of illicit finance and the methods used to achieve that. Those are:

- Trading companies (adversarial trading)
- Money services businesses
- Abuse of formal financial system
- Bulk cash

She later expressed how professional money launderers are critical to facilitating illicit financial flows.

Mr. Joseph Humire, Executive Director, Center for a Secure Free Society

This panelist focused on the impact of the Hezbollah Group in Latin America and how active it is in the region. The two major terrorist attacks occurred in Panama and in Argentina. Those are:

- March 7, 1992: bombing in the Israel Embassy (Argentina)
- July 18, 1992: AMIA Jewish bombing
- July 19, 1994: attack on Alas Chiricanas flight

According to a 2014 report on Risky Business of the Combatting Terrorism Center, 97% of 2,700 known criminals and terrorists have financial connections.

He then later went on talking about Venezuela's Crime Terrorist Convergence, which is

- Repressive Apparatus
- Transactional and organized crime
- Transregional threats

Later he spoke about the Venezuela-Iran bridge route and how they trade oil among other illicit things and how Hezbollah is being financed by all this activity

To date, there are a number of countries that still don't categorize Hezbollah as a terrorist group, even though all the indicators are there. On a positive note, Colombia designated Hezbollah as a terrorist organization on January 16, 2020; Paraguay on August 9, 2019; Argentina on July 16, 2019.



Ms. Celina Realuyo, Professor of Practice, William J. Perry Center for Hemispheric Defense Studies, National Defense University

This panelist focused on the global illicit economy, in which money derives from:

- Counterfeit goods
- Drug trafficking
- Illegal logging
- Human trafficking
- Illegal mining
- IUU Fishing
- Illegal Wildlife trade
- Crude Oil Theft
- Weapons trafficking
- Organ trafficking
- Trafficking cultural property

She later discussed what illicit goods go north and which ones go south. Drugs and people go north-bound, and money and arms go south-bound.

Understanding Threat Financing Flows:

- Source:
 - Donors
 - Licit Activities
 - Criminal Activities
- Methods:
 - Trading banking systems
 - Informal sectors
 - Virtual
- Uses:
 - Operations
 - Recruiting
 - Maintenance of networks
- How to combat:
 - Expand role of security forces
 - Monitor changes
 - Strengthen the presence of government
 - Follow money/curb illicit financial flows
 - Detecting
 - Preventing
 - Prosecuting



"ADVERSARIAL FOREIGN INVESTMENTS" (PRESENTATION)

Hon. Brent McIntosh, Former Under Secretary for International Affairs, U.S. Department of the Treasury

This panelist focused on adversarial foreign investment. He said that bad actors like to acquire technology, infrastructure (like China in developing countries), data centers, sensible personal data, education, and real estate.

- According to a 2018 statistic, there is \$4.3 trillion in adversarial foreign investment
- Adversarial social media companies like TikTok like to collect sensitive personal data in a malicious manner.
- CFIUS objectives:
 - National security
 - Open investment
- If a foreign investor can't reach an agreement with CFIUS, investment will be blocked
 - In 2019, only one was blocked

He then later went on to speak on how we are in a digital transformation. This means that companies don't require physical presence anymore and access to data is becoming an even bigger threat. We need new tools to secure ourselves from foreign investment threats.



PANEL "EXTINCTION OF DOMAIN TO COMBAT TRANSNATIONAL CRIME" (PANEL)

This panel was focused on the issue of seizing illicit funds, or extinction of domain, in order to debilitate transnational crime. There are many laws in place that focus on extinction of domain and the goal here is to make criminal groups weaker by seizing their source of income. **Luis Petri** (Deputy of Nation, Argentina) expressed that in 2016, there was an impulse of action to deal with the issue of extinction of domain. He later expressed that illicit wealth finances illicit activity.

There were many doubts and questions on how the dominion of crypto assets is still not very well established and reform is necessary to deal with that issue. It was later asked if extinction of dominion only applied to narcotraffickers. The answer that was given was that any activity

that is thought or known to produce illicit funds, extinction of dominion is applied with the objective to weaken and hopefully remove the “muscle” that makes illicit activity possible.

PANEL PARLATINO – MODEL LAW TO COMBAT ILLICIT TRADE AND TRANSNATIONAL CRIME (PANEL)

Hon. Senator Silvia Giacoppo, Argentina

Giacoppo made many remarks on this topic. She expressed that this fight has to be a team effort because there have always been contrabandists, but now they operate at a much faster pace due to the introduction of new and faster communication technologies. She later on said that the impact of illicit commerce has a very negative impact on the economy. She proposed three solutions:

- Laws that have clear definitions on illicit commerce
- Education
- Proper execution of law
- Education on the topic

Gen. Juan Carlos Buitrago, Former Chief of Economic and Financial Police

Buitrago made a couple remarks regarding this issue. He expressed that where there is contraband, there is without a doubt corruption. He then said that we need to strengthen our institutional capacity and strengthen our intelligence capabilities in order to successfully combat contraband and illicit commerce. There needs to be an alliance and we must work together to derail this type of illicit activity.

Mr. Albert Sandy, Executive Secretary - Caribbean Customs and Law Enforcement Council

Sandy went on to speak about the challenges of illicit trade and transnational crime as well as the Parlatino law approach and the Caribbean law adoption.

Challenges of Illicit Trade:

- Substances coming from different countries
- Foreign currency
- Illicit cigarettes

Parlatino Law Approach:

- Ratified across Latin America
- Well defined offences and scopes
- Established sanctions
- Multi-jurisdictional enforcement approach

- Public/private sector
- E-commerce domain
- Adaptable
- Strengthens economic, political, and social integration

Caribbean Law Adoption:

- OECS Customs
- CARICOM Harmonized Customs Bill & Regulation
- WTO-GATT Agreement on Customs Valuation of Goods
- WCO-Harmonized Commodity Coding Systems



PANEL FREE TRADE ZONES AND TRANSNATIONAL CRIME (PANEL)

Mr. Juan José Vides, Honduras Customs Director

Vides defined illicit commerce as contraband, customs fraud, piracy corruption, and bribery. He then later went on saying that 244 tons of undeclared substances were seized in April 2021 alone.

He then said that falsification of documents was a popular method by under/over invoicing mostly by the agricultural sector. More specifically, financial behavior doesn't match with declarations in terms of sales volume, net asset, payroll, exonerations, inventory, and fiscal evasion.



Mr. Piotr Strykowski, OECD Public Governance Director (Virtual)

Evidence

- Quantitative report
- Dialogue with experts EUIPO HQ
- There are illicit trade risks at some Free Trade Zones
- More transparency needed

Guidance:

- OECD Recommendation
- Non-binding, legal instrument
- To: adherent jurisdictions
- Includes: code of conduct
- Calls for the TF-CTT to establish
 - Implementation toolkit
 - Assessment mechanism

Implementation:

- Assessment mechanism
- Certification scheme
- Voluntary scheme
- Builds on the code of conduct. Quantifiable assessment areas for each criterion
- Currently being developed in cooperation with experts from the testing-inspection and certification industry (TIC)

Mr. Giovanni Ferrari, Manager of Colon Free Zone

- The Colon Free Trade Zone was founded in 1948

- Currently has 1000 hectares of land, making it the biggest in the continent
- It is blessed with its geographical position
- Next to the Panama Canal, which generates 6% of all global commerce

He then later expressed that the Colon Free Trade Zone has been marked as an area of illicit activity. Current measures in place are:

- Verification of businesses
 - Background checks (not done by Colon Free Trade Zone)
- Product originality
- Product traceability
- Transaction payment
- Risk management
- Coordination with government entities (customs, ministry of security, Superintendency of Banks, National Police)



PANEL “REGIONAL SECURITY PERSPECTIVES”

Hon. Elías Castillo, General Secretary of Parlatino

Here are some of the remarks made by Castillo:

- Analysis has already been made, however, effectiveness is lacking
- Dialogue – reciprocal flow of information
- Previously, state issues have been limited
- It’s important that there be expression and dialogue
- We need to combat corruption in a very effective manner in order to combat crime
- Parlatino currently has 18 model laws
- Panama combats crime and is not an accomplice



Mr. Mauricio Vieira, Chair on Countering Illicit Trade and Preventing Transnational Organized Crime, University for the Peace of United Nations

Here are the remarks made by Vieira:

- We need to identify the problems
 - The countries and their level of fragility in the borders
- Solutions
 - Strengthening of the country
 - Border control
 - Control of territory
 - Regional security
 - Training



Mr. Michael Chen, VP Colon Chamber of Commerce

Mr. Chen, resident of Colon, made strong remarks on how we are far from winning this war. He expressed how Colon is not only battling illicit activity, but also a pandemic.

His remarks were:

- Most merchandise goes through Colon
- Colon not only needs economic reactivation, but also complete reconstruction
- Not enough action has been taken and we need solutions now

His proposed solutions were:

- Colon Security Committee
- Sustainable change from private/public sectors and international community
- Well-being of Colon's citizens via education
- Technology
 - Proper technology is lacking to properly identify/detect illegal merchandise



