

LIECHTENSTEIN INITIATIVE

FOR A FINANCIAL SECTOR COMMISSION ON MODERN SLAVERY AND HUMAN TRAFFICKING

CONCEPT NOTE

BACKGROUND

This project, developed jointly by the Government of the Principality of Liechtenstein and United Nations University Centre for Policy Research, and in partnership with a consortium of Liechtenstein banks, Liechtenstein philanthropic foundations, the Liechtenstein banking association and other partners, responds to calls from the UN Security Council for States and the financial sector to tackle modern slavery and human trafficking, as well as a commitment by the G-20 in July 2017 to do the same, including through ensuring effective corporate due diligence over global value chains. 193 States made a similar commitment in September 2015 when they pledged to take effective measures to end modern slavery and human trafficking by 2030, as part of the 2030 Agenda for Sustainable Development. 52 States have already renewed this commitment by signing up to a Call to Action, which includes a focus on addressing risks in global supply chains. The Egmont Group of Financial Intelligence Units (FIUs), the Financial Action Task Force (FATF) and several FATF-Style Regional Bodies (FSRB) have also begun to focus heavily on this issue, which can only be tackled if the major stakeholders collaborate effectively. There is also growing attention to these issues in the context of discussions on Business and Human Rights, responsible investment and corporate social responsibility.

THE FINANCIAL SECTOR AND MODERN SLAVERY

Sustainability and Innovation: Efforts to tackle modern slavery and human trafficking are at the heart of initiatives to achieve the 2030 Agenda for Sustainable Development. Notably, in Target 8.7 of the Sustainable Development Goals, States pledge to take immediate and effective measures to end modern slavery and human trafficking by 2030. In many places, modern slavery and human trafficking go hand in hand with a lack of access to formal financial services and credit, and poor supply-chain regulation. New financial sector innovations in areas such as human rights due diligence, microcredit, supply-chain credit, social impact bonds and pooled public-private funding mechanisms hold powerful promise for transforming and rapidly accelerating global efforts to end modern slavery, and for placing the financial sector at the forefront of global sustainability and corporate social responsibility. And new uses of financial technology, from mobile money to distributed ledger technologies to AI-based quant investment strategies may offer new possibilities for accelerating the fight against modern slavery and human trafficking.

Lending and Investment: Financial institutions that lend to, invest in or are otherwise linked to businesses whose supply-chains are exposed to modern slavery and human trafficking have both due diligence obligations and obligations to use their leverage over their business partners to address these concerns. These obligations are set out in the UN Guiding Principles on Business and Human Rights, and are now giving rise to a variety of national regulatory efforts, from the UK Modern Slavery Act to the French *loi de vigilance*, and from the Dutch Banking Sector Agreement to the Warren-Rubio bill in the US Congress. At the same time, some banks, pension funds, sovereign wealth funds and export-credit agencies are developing powerful operational innovations to promote responsible business practice across their client base. All actors in the sector will benefit from global discussions of these innovations and, as G-20 leaders declared in July 2017, from States and industry working together to establish adequate policy frameworks that ensure a level playing field.

Compliance: Handling the proceeds of modern slavery and human trafficking can raise anti-money laundering (AML) and counter-terrorist financing (CFT) concerns. The UN Security Council recently drew attention to these concerns, and the Financial Action Task Force (FATF) will shortly publish a new typologies report on this topic. In some countries, private institutions, civil society, public regulators and law enforcement are working together to enable responsible and equitable information sharing and risk management, but there is more to be done to scale and harmonize such arrangements and ensure equitable burden sharing.

ABOUT THE PROJECT

Together, United Nations University Centre for Policy Research and the Government of the Principality of Liechtenstein, building on its expertise as a financial sector, and in partnership with a consortium of Liechtenstein banks, Liechtenstein philanthropic foundations, the Liechtenstein banking association and other partners, are establishing a **global, multi-stakeholder Financial Sector Commission on Modern Slavery and Human Trafficking (“Liechtenstein Initiative”)**.

The Commission will serve as a time-bound forum for a wide range of financial sector stakeholders to discuss the sector’s role in tackling modern slavery and human trafficking, and to develop a coordinated strategic response plan, to help achieve the Sustainable Development Goals. This will build on ideas developed in collaboration with financial sector actors and regulators in the report *25 Keys to Unlock the Financial Chains of Human Trafficking & Modern Slavery* and will include discussion of:

- protecting the financial sector from risks associated with money-laundering and terrorist financing related to human trafficking, and due diligence in both compliance and investment decision-making to mitigate associated risks;
- guidance on understanding and identifying the proceeds of modern slavery and human trafficking in customer-bases and investment portfolios, contribution, linkage, responsibilities and leverage;
- best practice in public and private sector investment to address the drivers of modern slavery and human trafficking (including development finance, public infrastructure lending and private equity);
- best practice on remedy, including both law enforcement and bank-led initiatives;
- lessons learned on effective regulatory policies and practices;
- innovations in responsible investment and lending practices, and use of financial institution leverage in other sectors; and
- innovative financing mechanisms to address the drivers of modern slavery and human trafficking.

OUTCOME AND DELIVERABLES

The Commission will meet four times for consultations with relevant global experts, and to develop and release a final report detailing an action plan for coordinated, evidence-based initiatives to strengthen the sector’s role in tackling the financing of modern slavery and human trafficking. The Commission will meet in four formal 1-day sessions:

- On 21 September 2018 in New York, the Commission will meet to discuss ‘Who Profits from Slavery? Working Together to Manage Risks’ on the sidelines of the UN General Assembly (covering the size of the problem, the sector’s risk exposure, AML/CFT and compliance);
- On 21 January 2019 in Vaduz, Liechtenstein, the Commission will meet to discuss ‘Achieving the Anti-Slavery SDGs through Investment in People’ on the shoulder of the World Economic Forum (covering responsible lending and investment, the sector’s role in remedy, investments in solutions through private equity, infrastructure lending and development finance);
- In April or May 2019, the Commission will meet in a third location, likely in the Asia-Pacific, to discuss ‘Ending Modern Slavery and Human Trafficking through Innovative Financing Models’ (covering improved access to credit, innovative financial instruments and scaled lending);
- In July 2019 in New York, the Commission will meet to release its final report and action plan at the High-Level Political Forum at UN Headquarters, which will focus on Goal 8 (Decent Work) of the UN Sustainable Development Goals.

The Commission will meet with experts drawn from the networks of UN University and Commission Members, such as Alliance 8.7, Financial Action Task Force, Freedom Fund, UN Global Compact, ILO, Kroll, LibertyAsia, Reporter Brasil, RUSI, Shift, Thomson Reuters, UN OHCHR, UN Principles for Responsible Investment and UNODC. The working language of the Commission will be English.

STRUCTURE

The Commission will be convened by H.E. Dr Aurelia Frick, the Foreign Minister of Liechtenstein and co-convened by Professor Muhammad Yunus, founder of Grameen Bank and Nobel Peace Laureate. It will be chaired by Ms Fiona Reynolds, CEO of the UN supported Principles for Responsible Investment, and will have around fifteen members at the C or Ambassadorial level. Commission Members will serve in a personal capacity and will:

- Participate in four events (in September 2018 in New York; in January 2019 in Liechtenstein; in April or May 2019 in the Asia-Pacific; and in July 2019 in New York), where they will be briefed by global experts on specific issues relating to the role of the financial sector in tackling modern slavery and human trafficking;
- Receive detailed and concise research briefs prepared by global experts, under the direction of the Commission Secretariat (UNU-CPR). These research briefs will inform the deliberations of the Commission at the four convenings mentioned above;
- Have the option to participate in digital/telephone consultations of the Financial Sector Commission (or have an alternate do so);
- Contribute to and be invited to endorse the final Report and action plan of the Commission; and
- Arrange one convening (formal or informal) in a venue of their choice to discuss the outcomes of the Commission with 10 or more individuals from their personal networks. The Commission Secretariat would be available to brief on the outcomes and to assist with the preparations.

FUNDING AND CONVENING

The Initiative is set up as a public-private partnership. Confirmed partners to date include: The Government of the Principality of Liechtenstein, United Nations University Centre for Policy Research, the LGT Group and the Liechtenstein Banking Association.

TIMELINE

May - August 2018	Commission and Secretariat established. Background research conducted in consultation with global experts, producing multiple research briefs.
21 September 2018	First Consultation: 'Who Profits from Slavery? Working Together to Manage the Risks.'
21 January 2019	Second Consultation: 'Achieving the Anti-Slavery SDGs through Investment in People.'
April or May 2019	Third Consultation: 'Ending Modern Slavery and Human Trafficking through Innovative Financing Models.'
April - June 2019	Offline consultations and report preparation.
July 2019	Launch of final Report / Action Plan at UN High-Level Political Forum.