

KNOWLEDGE, INFORMATION, VALUE IN SUSTAINABLE TOURISM

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Abstract: *This paper examines sustainable tourism as an economic branch that is increasingly profitable and increasingly assumed by the business world. The concept of sustainable tourism aims at the rational use of natural resources and of the economic potential, protection of biodiversity and cultural heritage, but also at the minimization of the negative effects that can be caused by tourist trips, excessive consumption and tourists' practices on the natural ecosystems, human habitat, cultural heritage, etc.*

Cultural heritage is an input of the development process and an asset of tourist destinations – their notoriety and attractiveness increase depending on the density of the cultural and natural heritage. Cultural heritage is also an important resource for sustainable tourism. Through all its components, it provides the tourists and resident population with information, knowledge, experiences, models, valuable landmarks, meant to ensure the viability of tourist activities.

Like monumental and natural heritage, museums represent favourite destinations for millions of tourists. By activating museum resources through specific activities, various places / destinations are transformed into exceptional tourist centers. In this sense, museums, like other tourist attractions, generate economic benefits – jobs and significant revenue that can be invested in the protection, preservation and capitalization of the cultural heritage, in quality tourism equipment and services.

Keywords: *sustainable tourism, tourist attractions, knowledge, cultural heritage, museum tourism.*

JEL Classification: *F1; M2; N5; N9; R0.*

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Introduction

Before defining sustainable tourism, it is necessary to reiterate the meanings of the concept *sustainability*, the works and important events that contributed to its promotion, what we call "historical background".

Sustainability, like the synonymous concepts "self-sustainable development", "eco-development", "suspensory development", cover all the fields of competence of the human collectivities and "all the aspects related to the environment" (e.g., nature, landscape, natural resources, cultural heritage), which requires an integrated, creative vision in the field of sustainable development.

Sustainability is inseparable from the ecosystemic dimension of human settlements. The strategy of the European Union in this area focuses on the continuous improvement of the quality of life of individuals through the creation of "sustainable communities" capable of managing in a rational manner natural resources and economic potential, environmental issues and cultural heritage, infrastructure and human capital, of promoting local economies and social cohesion and solidarity, implicitly the assets of their tourist destinations.

Starting from the definition of sustainability as an economic and social development that meets the needs of the present "without compromising the ability of future generations to meet their own needs", *we define sustainable tourism as all forms of activity, management and development of services that preserve natural, economic and social integrity and guarantee the maintenance / preservation / protection of natural and cultural resources.*

The most commonly used definition of sustainability, from which the assumption of researchers and practitioners have been derived, was presented for the first time in The Brundtland Report, called after the name of the president of The World Commission on Environment and Development (WCED), Gro Harlem Brundtland.

The report, entitled *Our Common Future* (1987), was preceded by other works (e.g., *The Limits to Growth* by D.L. Meadows) and other important events such as Stockholm Conference, 1972 (UNEP – United Nations Environment Programme), presided over by U Thant, Secretary General of the United Nations in the 1970s, the author of the work *Man and his environment*, conference that launched the Global Environmental Conservation Strategy.

Sustainable tourism factors. The contributions referred to above, as well as the international summits organized afterwards (e.g., Earth Summit, Rio de Janeiro, 1992, World Summit on Sustainable Development, Johannesburg, 2002, named Rio+10) have facilitated the setting of the basic objectives of the world community on issues relating to the protection of environment, resources, cultural heritage, the formulation of the principles of sustainability in the fields of economic, social, cultural development – principles assumed by the operators and international organizations in the tourism industry (e.g. WTTC – World Travel and Tourism Council, UNWTO – *UNITED NATIONS* World Tourism Organization).

The basic principles of sustainable development refer to: the need for a holistic approach to planning and strategic approaches; protection of biodiversity and traditional heritage; preservation of essential ecological processes; stimulation of public / civic engagement; ensuring long-term sustainable productivity; the promotion of equity, for all countries and all local communities, in accessing tourism offers, where concerns for reducing social costs and those relating to the protection of the environment are unsystematic. The application of the principles of sustainability focuses on:

- accurate account of tourist areas;
- coordination of tour operators at regional level;
- knowledge of the specific interests of local communities (i.e. of the tourist destinations);
- studying the perceptions of the beneficiaries of tourism services;
- the development of (regional) brands and other strategic tools.

An important role in the application of these principles is also held by the awareness of the factors that ensure the viability of tourist activities (i.e. the economic factor, ecological factor and socio-cultural factors), as well as the monitoring of the impacts of tourism practices on the environment, jobs, existing resources, natural and cultural heritage.

The development of tourism in an area, region, metropolis, etc. is an important stake for the local community, generating direct and indirect economic benefits, access to resources, increasing the number of jobs, specializations, stimulating hotel infrastructure, craft industry and so on.

With all the negative effects – sometimes irreversible, e.g., land degradation – on natural ecosystems, built heritage, human habitat, etc., the revenue generated by tourism enterprises may be used in the conservation of protected areas, the rehabilitation and promotion of the architectural

heritage, the rehabilitation of abandoned areas / neighborhoods and buildings or of trades, in attracting new resources and new technologies.

Nowadays, in the hospitality industry, a large number of managers of tourism units and some hotel entrepreneurs take sustainable actions in order to reduce waste and pollution, energy and water consumption, actions to manage travel responsibly, to use innovative new technologies and renewable resources. Along with renewable elements, *knowledge, information, art become the central resources of sustainability.*

Cultural economists, as well as tourism practitioners appreciate that the most consistent sources of knowledge, information, artistic values are in the social contents of the cultural heritage, that the countries with extremely rich and well-organized cultural heritage record the largest number of travels for tourism purposes, that the travels of tourists are often motivated by the existence / density of the cultural heritage.

Besides, the Framework Convention on the Value of Cultural Heritage for Society (2005) considers it as a resource of sustainable development, and not only for its economic dimension, but also for the association of its components with the information, art, knowledge, value, social practice. In this respect, *cultural heritage is an input of the development process and an asset of tourist destinations.* The existence of the movable heritage or immovable heritage on a given territory enhances the reputation and attractiveness among the tourists.

Tourism potential of cultural heritage. The approach to cultural heritage as an ecosystem, in addition to the interaction between its components, requires permanent reference to the components of the environment, which allows, on the one hand, its integration into the living environment of human communities, into territorial development projects, and on the other hand, knowledge of its value dimensions of historical, urbanistic, documentary, cultural, aesthetic, educational, ethnographic, economic natures.

"Cultural heritage" is a cumulative concept. Although its initial denotation – *patrimonium* (lat.) = *inheritance* – connects it rather with the past, with the antiquity, over time, the meanings of the concept have diversified, and the criteria for the classification of goods (whether material or intangible) as belonging to the cultural heritage have included, in addition to "oldness", other attributes, such as authenticity, originality, uniqueness, rarity, artistic value. According to the Rules of Procedure adopted under the

World Heritage Convention (1972), the most important condition for the inclusion of a "heritage asset" in the UNESCO Cultural Heritage List is *to have an outstanding universal value*.

In essence, cultural heritage includes *immovable material assets*, such as buildings that are of public, historical, artistic, architectural / urban interest, etc. which legitimizes their preservation, but also religious and ritual edifices (churches, sanctuaries), assets belonging to the industrial heritage (railway stations, mines, railways), assets related to the rural habitat (dwelling houses, outbuildings), archaeological sites, statues, monuments located in public places and *movable assets*, such as those owned by museums, libraries, archives, places of worship (icons, coins, maps, clothing, manuscripts, engravings, documents, etc.).

Non-material (intangible) cultural heritage is expressed mainly in the form of representations, oral traditions, knowledge, abilities, rituals, craft-related artefacts, unwritten social rules, etc.

The Framework Convention on the Value of Cultural Heritage has formulated the definition of *natural heritage*, including geological and physiographic formations, natural sites or natural areas characterized by outstanding value in terms of science, degree of conservation and beauty / harmony.

The keyword for all assets of the cultural (and natural) heritage is their *protection* through a set of *integrated activities*, such as: identification, research, conservation, restoration, valorisation, through the common effort of professionals (specialists in museography, architects, restorers, plastic artists, urban planners, etc.), of municipal administration and local communities.

The presence of architectural monuments (palaces, fortresses, cathedrals, administrative buildings, etc.) in an area / locality, associated in the memory of the inhabitants with the very history of their settlement and which, renovated, restored and rendered valuable by updating the image that brought them celebrity, become attractive for a large number of tourists, implicitly stimulating various economic, cultural, commercial, educational services (e.g., the acquisition of new trades or specializations), urban planning services has significant *effects* on the area / locality concerned.

Like the monumental heritage, museums are favourite destinations for millions of tourists. Numerous tourist routes are associated with famous museums – Louvre, Hermitage, British Museum, Sistine Chapel, Peleş,

Brukenthal, Antipa, London Museum of Wax Figures, New York Metropolitan Museum.

Through the values they hold / exhibit, as well as through the artistic events they sometimes patronize – vernissages, contests, festivals – these cultural settlements *disseminate information, knowledge, cultural / life experiences, creative models, business models, value landmarks and competitiveness* among visitors, tourists and resident population.

There is within the cultural tourism, what is called the "museum tourism", whose contribution to the total revenue from tourism activity is often remarkable. And we do not refer to areas such as the Louvre, the Acropolis, the Hermitage or the museum-city (e.g. Florence), but also to the fact that the establishment of a single museum institution in one area can turn "overnight" a place into an exceptional center of tourism focusing on the activation of existing cultural resources in that area. In this context, we can mention the city of Bilbao in the Basque Country that "found a place on the international cultural and tourist map", through the construction of the Guggenheim Museum, a museum visited by millions of tourists, which stimulated economic activity and created thousands of jobs in the locality.

It is acknowledged that "the restoration of a monument, the organization of a festival, *the creation of a museum* (italics mine) prefigure the future development of the territory" and, as shown in the paper *La culture et le développement local*, published by the OECD in 2005 (p. 60), these steps generate, "in addition to the success stories", consistent economic benefits.

The most relevant information on the number of tourists / spectators, turnover, occupied population, net revenue obtained following the expenditure incurred for the organization of a great artistic event, for supporting cultural industries or for the rehabilitation/preservation of historical /art monuments included in the tourist routes is obtained through *impact studies* such as that carried out by Luis César Herrero et al. in Salamanca city (Spain) – "the European Capital of Culture" in 2002. The study revealed the positive effects (economic, social, educational) of the investment in equipment, in tourism services, in the implementation of the cultural program. The important thing is to include cultural heritage or natural heritage existing in a region / locality into tourist networks / routes, thus contributing to the attractiveness and notoriety of the destinations.

Cultural route is usually defined as a guided "journey", located in areas of high spiritual density, meant to connect points of cultural, historical, urban, artistic, civic, etc. interest, namely architectural monuments, museums, concert halls, memorial houses, outdoor venues for seasonal cultural events.

Such a cultural route has been configured by Berlin travel agencies, with implicit participation of the municipality. Designed to be covered by tourists within a limited time, the route includes representative monuments belonging to the cultural heritage – architectural masterpieces, administrative buildings (e.g., City Hall, Parliament), cultural buildings (e.g., famous museums), educational buildings (Humboldt University), but also cathedrals, famous churches, statues and modern buildings located in the proximity of archaic buildings, historical buildings, the city of Berlin having a rich history of almost a millennium.

The Cultural Route of Berlin stretches over a distance of three kilometers between Alexanderplatz and the Brandenburg Gate and includes famous markets (Bebelplatz, Gendarmenmarket), boulevards with historical resonance (e.g., Unter den Linten), The Television Tower (the tallest building in the Continental Europe – 368 m), museums (War Memorial, 1817, National History Museum), other cultural institutions (State Opera, Konzerthaus), the Reichstag building, famous churches (Marienkirche, French Cathedral, German Cathedral) and many more.

Going on such a journey full of history, culture and modernity is a memorable experience for the tourists arriving from all corners of the world. Everything is designed to provide them with maximum information and knowledge, but also with great emotional experiences. For example, the Kaiser-Wilhelm Church, affected by bombing, has not been restored at the decision of the municipal administration, to remind the current generations of the drama of the years of war.

The routes of cultural tourism, as a type of travel into history, art world, architecture, craftsmanship, exotic landscapes, etc. attract an increasing number of tourists.

In the opinion of some Romanian architects and urban planners (e.g., Maria Mănescu, Șerban Sturdza), the success of urban routes through the inclusion of cultural / natural heritage depends to a considerable extent on *the involvement and participation of intellectual resources in the area*.

In 2005, in Bucharest, a group of creative persons emblematic for the communities of architects, urban planners, specialists in museography,

sociologists, representatives of visual arts, etc. launched the concept of *zonal urban plan* (ZUP), referring initially to the cultural route: Episcopiei Street – Pictor Verona Street – Grădina Icoanei (about 4,000 m). The experiment provided Pictor Verona Street, perceived as an exceptional cultural and architectural heritage, with buildings of the late nineteenth century (representing the standing of the social and cultural elite of that time), to temporarily become a pedestrian route. The route included a section of the city with important architectural buildings, but also old houses with chestnut gardens and courtyards that could be an alternative to the urban space near the big boulevard (Gh. Magheru), cultural and educational institutions, such as: The Central School – creation of the architect Ion Mincu, The Anglican Church (project of the painter Victor Ștefănescu), Pitar Mos Church, the Center for Arabic Languages, the headquarters of the Romanian Order of Architects, Cărturești Bookstore, installed in the house of Dimitrie Sturdza, a historical monument, etc.

The project (ZUP) also provided for concrete measures for the rehabilitation of this area, for example: declaring other 13 buildings and three historical perimeters as monuments, as well as spaces for street exhibitions, roundtables, debates, demonstrations of traditional craftsmen, other artistic experiments conducted with the involvement of NGOs, public institutions, art personalities, etc., which were meant to demonstrate the attractiveness of a cultural route for the capital's inhabitants and tourists.

According to the opinion of the architects Ș. Sturdza and M. Mănescu, a project that aims to capitalize on an urban area with objectives of great cultural and historical interest, with outstanding artistic, scientific and educational activities is all the more important and innovative as it concerns a place located in an "urban chaos" as is sometimes perceived, consciously or subliminally, Bucharest.

As can be seen from the two experiments presented above, tourism activities, whether we refer to business or medical tourism, religious or entertainment tourism, cultural tourism or ecotourism, transmit to consumers in the hospitality industry information, knowledge and landmarks meant to meet their expectations and stimulate their loyalty to sustainable tourism offers.

Conclusions

In addition to sustainable tourism factors and the impacts of tourism activity on the environment, economy, traditional culture, human habitat, this article presents the importance of cultural networks / routes in promoting tourism activities. These routes connect areas / places of special cultural interest.

This paper presents two similar tourism projects, namely a Berlin route that includes architectural masterpieces, boulevards with historical resonance, famous museums, famous public and religious buildings and a concept / experiment in the capital of Romania, entitled *Pictor Verona Street*, a street perceived by urban planners as an outstanding cultural and architectural heritage. The route highlights monumental edifices (dating back to the late nineteenth century) with neighboring unprecedented gardens and old houses (the 3rd – 4th decades of the 20th century), which contrast with the urban space in the proximity of the big boulevards. This experiment conceived by the most important urban planners, architects, specialists in museography, plastic artists, etc., was supposed to become a pedestrian route and to be complemented by the declaration of another thirteen buildings and three protected historical perimeters as monuments. Unfortunately, the project has remained a simple experiment, it has not been assumed by local authorities, although such projects have a great impact on tourists interested in knowing tourist destinations full of history, culture and modernity.

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PREVENTING AND COMBATING MONEY LAUNDERING AND THE FINANCING OF TERRORISM. POSSIBLE IMPROVEMENT SOLUTIONS

Cătălin DAVIDESCU

***Abstract.** The European authorities are paying more attention to money laundering and terrorism financing which affect the integrity and the stability of the financial system as a whole. Therefore we have to think of cooperation between the prudential supervision system and the AML/CET supervision system as a prerequisite to ensure that the credit institutions rigorously observe the prudential regulations and the law in force.*

***Keywords:** money laundering, terrorism financing control.*

***JEL Classification:** C42; D59; D63; D74; E40; E59; G28.*

Recent cases of involvement of some crediting institution from the European Union in money laundering made the national and European authorities pay more attention to this phenomenon affecting the integrity and stability of the financial system as a whole.

The voluntary liquidation of the Latvian ABLV Bank¹, a credit institution under the prudential supervision of the European Central Bank and AML supervision by the Financial Market Authority (FMA), qualified as a bank of systemic importance in Latvia, following the non-observance of the regulations in matter of preventing and combating money laundering and the international sanctions reveals, in my opinion, the fact that there is a

¹ [http://www.europarl.europa.eu/RegData/etudes/IDAN/2018/614496/IPOLIDA\(2018\)614496
EN.pdf](http://www.europarl.europa.eu/RegData/etudes/IDAN/2018/614496/IPOLIDA(2018)614496_EN.pdf)

risk to financial stability and to the operation of a credit institution and, implicitly, to the stability of the financial system.

Although the determinants are specific to the risk of money laundering, the effects are associated to events causing an impact at the level of the prudential risks, such as: operational risk, reputational risk, liquidity risk or even credit risk. Thus we may conclude that a bank unable to manage the risk of money laundering and terrorism financing faces also a prudential risk. When a bank is of systemic importance, this effect may expand to the national system, which might affect financial stability.

Considering the above-mentioned, we may assume that the cooperation between the systems of prudential supervision and those of preventing and combating money laundering and terrorism financing is a prerequisite to ensure that the credit institution rigorously observe the prudential regulations and the laws in force.

The separation of the supervision concerning the prevention and combating of money laundering and terrorism financing from the prudential supervision took place during the financial crisis and soon after that. Under some jurisdictions, this process was based on centralized AML/CFT supervision for all categories of reporting entities.

In the countries where such competence was attributed to traditional prudential supervisors, the process was gradual, in a context that revealed a need for more specialisation in this specific field implying rather analyses at the transaction level than a macro approach, based on relevant indicators, the so-called supervisor's "traffic lights". The purpose was to avoid its secondary position in relation to the prudential supervision, because after the financial crisis there was a need for more regulation and prudential supervision, concentration on elements considered decisive for the financial crisis stir-up, evolution and extent, which required more resources for prudential supervision.

In general, the evolution of the banking regulation was sinuous over time, and often it consisted in emotional response to some events and later in some changes to rebalance them; this was reflected within the regulations and in the regulation-deregulation sequence.

After the crisis, this emotional mark started to fade under the impact of the requirements for adopting a regulatory framework for strategic objectives, as defined through complex analyses of options, effects and costs, in the context of globalisation and the need for an easier trade.

The cooperation between the supervision authorities seems necessary to harmonize practices and objectives which might reduce reactive regulation but not to fully eliminate it, since the regulation process is, besides the technical component, a decision taken at the political level in response to social expectations and economic developments.

Of course, the direction changes in the regulation plan are followed by repositioning in the implementation and supervision domains.

As for recent investigations into claims of vulnerability to money laundering of credit institutions of the EU member states, a study² published on the European Parliament website shows that, on one hand, there are common risks to the involved credit institutions that can be found in the process of monitoring some prudential indicators, but which were not suitable and sufficient to reveal the non-observance of the regulations for preventing and combating money laundering and, on the other hand, that once the scandal of this non-observance burst, the prudential indicators deteriorated rapidly.

The impact of the failure of the AML/CTF systems in some member countries to prevent the involvement of some financial institutions in laundering tens or even hundreds of billions requires the identification of the causes of this failure and solutions to ensure better management of future risks.

In this context, the discussion agenda should include the issue of supervision because it seems that the present supervisors did not have all necessary instruments for a previous identification of vulnerabilities, although suspicious operations had been carried out for many years and in large amounts. It is true that the velocity and complexity of the operations, the utilisation of increasingly laborious schemes for hiding the illicit character of the funds involved, especially by the so-called trade-based money laundering implying the justification of the suspicious transactions by legitimizing commercial documents, hinder the identification of the criminal typologies.

Obviously, major changes in the regulation framework require the adjustment of the compliance supervision systems, all the more so as attempts are made to take the initiative in order to anticipate the risks, to identify vulnerabilities and to find corrective solutions before being

² [http://www.europarl.europa.eu/RegData/etudes/IDAN/2018/614496/IPOLIDA\(2018\)614496EN.pdf](http://www.europarl.europa.eu/RegData/etudes/IDAN/2018/614496/IPOLIDA(2018)614496EN.pdf)

confronted with severe consequences. In this respect, a steady checking cannot be any longer a suitable instrument and a risk-based approach is considered for the identification or even the anticipation of the elements/factors favouring the non-observance of the regulations or amplifying the consequences of such non-observance and the focus of the supervisor's actions and resources on these elements. Actually, the present failures and limitations are not transparently shown as there is no organisation using a common evaluation methodology to make comments on comparable data, except for a few criteria for supervising financial institutions within the country evaluations in accordance with methodology for the Financial Action Task Force (FATF).

The Special Committee Report on Organized Crime, Corruption and Money Laundering, submitted in 2013 – already revealing the changes in the fields under consideration, the transnational character favoured by free movement, the expansion and diversification of the fields of action of over 3,600 organized crime groups in the European Union³ – was a serious warning and the later terrorist attacks of the so-called Islamic State were reasons for tougher regulations concerning new fields such as the virtual coin, the transparency of the e-coin. Such actions cannot produce the expected outcome without an effective supervision.

One of the options for solving this problem could be the re-integration of the AML/CTF component into the prudential supervision so that both components can use for evaluation information and conclusions concerning the aspects of common interest, such as the internal governance, the internal control system or the risk profile of the banks.

But some papers, such as *The Economic and Legal Effectiveness of Anti-Money Laundering and Combating Terrorist Financing Policy. Final Report*⁴ on advantages and disadvantages of the supervision models, point out – in relation to the *external* model, i.e. when the prudential supervisor supervises also the enforcement of the provisions concerning the money laundering prevention and combating – the advantage of understanding the specific features of the supervised entity, of the related processes and

³ <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A7-2013-0307+0+DOC+XML+VO//EN>

⁴ [http://www2.econ.uu.nl/users/unger/ecoleffiles/Final%20ECOLEF%20report%20\(digital%20version\).pdf](http://www2.econ.uu.nl/users/unger/ecoleffiles/Final%20ECOLEF%20report%20(digital%20version).pdf)

products, but the prudential supervision of the AML/CTF component could mean less attention to the latter.

Therefore, the best solution might be not a return to the previous model but it might be the integration of the two components into the same institution to ensure better cooperation and exchange of information without restrictions, breaks or delays in order to take advantage of the dual exchange of information or even to request, whenever necessary, punctual inspections at the level where distortions, vulnerabilities or risk factors were detected.

At present, the prudential and AML/CFT supervision, as per the websites of various European institutions, is the following⁵:

No.	EU member state	The AML supervision for the credit institutions	The prudential supervision authority for the credit institutions
1	Austria	Financial Market Authority (FMA)	Financial Market Authority (FMA)
2	Belgium	Financial Services and Markets Authority (FSMA)	Banque Nationale de Belgique
3	Bulgaria	Bulgarian National Bank (BNB)	Bulgarian National Bank (BNB)
4	Croatia	Croatian National Bank (HNB)	Croatian National Bank (HNB)
5	Cyprus	Central Bank of Cyprus (CBC)	Central Bank of Cyprus (CBC)
6	Czech Rep.	Czech National Bank (CNB)	Czech National Bank (CNB)
7	Denmark	Finanstilsynet (Danish FSA)	Finanstilsynet (Danish FSA)
8	Estonia	Finantsinspektion (Estonian FSA)	Finantsinspektion (Estonian FSA)
9	Finland	Finanssivalvonta (Finnish FSA)	Finanssivalvonta (Finnish FSA)
10	France	Autorité de Contrôle Prudential et de Résolution (ACPR) under the Banque de France	Autorité de Contrôle Prudential et de Résolution (ACPR) under the Banque de France
11	Germany	Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)
12	Greece	Bank of Greece	Bank of Greece
13	Hungary	Hungarian National Bank (MNB)	Hungarian National Bank (MNB)
14	Ireland	Central Bank of Ireland (CBI)	Central Bank of Ireland (CBI)
15	Italy	Bank of Italy and Ministry of Finance	Bank of Italy

⁵ Source: Websites of the National Supervisory Authorities, <https://www.anti-moneylaundering.org>

No.	EU member state	The AML supervision for the credit institutions	The prudential supervision authority for the credit institutions
16	Latvia	Financial and Capital Markets Commission (FCMC)	Financial and Capital Markets Commission (FCMC)
17	Lithuania	Bank of Lithuania	Bank of Lithuania
18	Luxembourg	Commission de Surveillance du Secteur Financier (CSSF)	Commission de Surveillance du Secteur Financier (CSSF)
19	Malta	FIAU and Malta Financial Services Authority (MFSA)	Malta Financial Services Authority (MFSA)
20	Netherlands	Dutch National Bank (DNB)	Dutch National Bank (DNB)
21	Poland	Financial Supervisory Authority	Financial Supervisory Authority
22	Portugal	Bank of Portugal	Bank of Portugal
23	Romania	National Bank of Romania (BNR)	National Bank of Romania (BNR)
24	Slovakia	National Bank of Slovakia	National Bank of Slovakia
25	Slovenia	Bank of Slovenia	Bank of Slovenia
26	Spain	SEPBLAC, in cooperation with the Bank of Spain	Bank of Spain
27	Sweden	Finansinspektionen (Swedish FSA)	Finansinspektionen (Swedish FSA)
28	United Kingdom	Financial Conduct Authority (FCA)	The Prudential Regulation Authority

The above table shows that, in general, the model used in the European Union assigns to one institution both the prudential supervision and the AML/CFT supervision. Also, most of the Central Banks supervise the money laundering prevention and combating in order to ensure the integrity and the stability of the banking system.

We may infer that as regards the internal governance the intensification of the cooperation of the two banking supervision activities is feasible and realizable at a low cost. But from a functional point of view, I think there is a problem regarding the quantification of the impact of the ML/FT risk on a credit institution, especially when it comes to the need of internal capital, within the Internal Adequacy Assessment Policy (ICAAP).

Therefore, there is a close link between the ML/FT risk and the operational risk. The ML/FT risk may be considered a component of the operational risk because the risk determinants are elements related to the way some operational processes take place, to the efficiency and fiability of

the IT systems, to the quality and quantity of the resources provided for the knowledge of the customers and transaction monitoring. At the same time, the way of interpreting the legal provisions in matter of AML/CFT exposes the bank to the legal risk, which, in turn, is a component of the operational risk.

The ML/FT risk causes a major exposure of the bank to the reputational risk (see the case of the Latvian ABLV Bank). In fact, it is about an increasing lack of confidence in the integrity and viability of a credit institution. Quite often, this evolution causes emotional response from the customers, consisting in money withdrawals that further cause liquidity crises and endanger a bank's financial stability or even its future operation.

The ML/FT risk may also impact on the credit risk when a bank in exposed (offers loans) to a customer who, after being monitored, is found as being involved in transactions suspected to be of the money laundering type. Also, a customer may request credit products to be further used for complex operations to hide the illicit origin of the funds. In general, when a bank or an AML/CFT supervision authority identifies doubtful operations, the loans may become non-performing ones.

All the above-mentioned elements reveal – in my opinion – that the information exchange between the AML/CFT supervision authority and the prudential supervision authority is an essential condition for the assessment of how a bank covers the exposure to financial and operational risk with provisions (expected loss) or with internal capital (unexpected loss). At the same time, the information exchange and increasing cooperation could be the first step of a scheduled process of integration of the two sides of the banking supervision.

Besides this micro construction, the jurisdiction or the national segment of the financial market, the cross-border character of the ML/FT schemes requires a broad approach to the activity of the financial institution on the Single Market.

Therefore, after the adoption of a unitary regulation framework we should gradually start the integration of the AML supervision procedures existing in the member states by mean of guidebooks and assessments harmonized at the EU level and after achieving this purpose and creating permanent information transmission channels and databases it is possible to complete the institutional integration of the off-site supervision at the EU level. I exclude the on-site supervision component that should be further

carried out by the national supervision authorities, owing to their higher response capacity and better understanding of the local economic environment.

The gradual transition of the off-site supervision competence would allow for the information centralisation, integration effectiveness, while the administrative changes would not have a major (even temporary) negative impact on the quality of supervision. This macro vision concerning the vulnerabilities, the procedures, the risk management, the customer typology and, especially, the financial flow would allow us to detect, follow and stop more effectively the complex financial circuits used to launder money made by evasion, corruption, smuggling and other illegal actions.

Equally important, the off-site supervision transition from the national level to the European level could diminish or even eliminate the politicians' indirect involvement.

Also, there would be symmetry with the prudential banking supervision integrated with the European Central Bank.

Of course, the member countries should conclude an agreement on this matter, while a good impact study revealing the advantages of this approach could stimulate the compliance process in order to consolidate the supervision in the ML/FT prevention and combating field.

The fastest way to establish a new institutional architecture at this level could be assigning such duties to one of the existing European institutions, such as the European Central Bank or the European Banking Authority.

An initial obstacle could be the existence of many supervision models in the member countries, especially where the AML supervision is not assigned to the central banks or to the financial supervision authorities that are not included in the regulation area of the above-mentioned European institutions.

Anyhow, it is obvious that we need a single supervision of the loan providers operating on the single financial market so that the borders open to free movement of capital should not facilitate the movement of funds resulted from illegal activities.

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