A VIRTUE ETHICAL ASSESSMENT OF LEGISLATION TO COMBAT MONEY LAUNDERING AND THE FINANCING OF TERRORISM

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A research report submitted to the School of Social Sciences, Faculty of Humanities,

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in partial fulfilment of the requirements for the degree of

Master of Arts, Applied Ethics for Professionals

Johannesburg, 14 May 2021

ABSTRACT

This report investigates whether the customer due diligence that is required by legislation to combat money laundering and terrorism financing is morally defensible, given that this diligence is expressed as automatic distrust. Automatic distrust refers to distrust that is a pre-determined, standard attitude to another party, and contrasts with judicious distrust that is shown for specific reasons based on specific circumstances. From the perspective of neo-Aristotelian virtue ethics, the finding is that the legal obligations that require clients of financial institutions to be automatically distrusted are not morally defensible: they express the virtue of diligence in an inappropriate manner, and impinge on important social and moral goods such as trust, respect and fairness; further, the inappropriate expression of diligence shows a lack of practical wisdom and is not compatible with the idea of living morally. The finding is reinforced by two considerations: (1) the limitations of the risk-based approach to diligence, which does not materially change the automatic distrust to which clients are subjected, and (2) the possibility of a feasible, morally better alternative which restricts automatic distrust to a domain in which it would be more legitimate.