



## OBJECTIVES FOR FATF – XXIX (2017-2018)

### PAPER BY THE INCOMING PRESIDENT

#### Priorities for the Argentine Presidency of FATF (2017-2018)

##### EXECUTIVE SUMMARY

### 1. INTRODUCTION

1. In light of FATF's responsibility to respond to the increasing demands of the international community to deal with the twin global threats of crime and terrorism, and to ensure delivery of an ambitious work plan with the resources at our disposal, we should look at our work strategically.
2. Therefore, while supporting the effective application of the standards as its primary responsibility, the FATF must be aware of those new risks and be dynamic and flexible to a permanent and tailored update of its focus, guidance and assessment.
3. Under the Argentine Presidency, we will build on recent initiatives and extend FATF's outreach and engagement to new relevant actors, such as the Prosecution Services and the Criminal Justice System (PSCJS).

### 2. MAINTAINING OUR FOCUS

4. The Argentine Presidency will focus on certain elements of FATF's core work, taking into account the **G20 priorities** in those areas of mutual interest and providing feedback on our work and its results to the different international fora.

#### **COUNTER TERRORIST FINANCING AND PROLIFERATION**

5. It is imperative that FATF's work to combat terrorist financing remains its top priority, through the implementation of its consolidated strategy, and by updating and reviewing it as necessary and, in particular, through:
  - Deepening knowledge and understanding of **ISIL/Da'esh'** methods to raise, move and use funds, and their financing strategy. The Presidency will urge more members to share information in this area.
  - Focusing on the methods terrorists and terrorist organisations use to fund their recruitment efforts and on the use of new payment products and technology (including virtual currencies) to finance terrorism and spread radicalisation.

### **FINANCIAL INCLUSION**

6. To achieve a strong, sustainable, and inclusive economic growth, promote greater inclusiveness and to reduce inequality, the FATF must remain focused on financial inclusion, in line with the FATF Standards and the G20 High-Level Principles for Digital Financial Inclusion.

7. De-risking and de-marketing by global banks can lead to financial exclusion and increase the risks society faces from money laundering and terrorist financing, including by increasing the use of cash and of unregulated channels. Thus FATF will remain focused on financial inclusion through:

- Continuing work with others, including the Financial Stability Board, to monitor and address the risks from the decline in the number of corresponding banking relationships, as well as the practice to exit or restrict business relationships with whole categories of customers (Non-profit organisations (NPOs), foreign exchange houses, money value transfer services, etc.).
- A continued constructive dialogue with NPOs and financial institutions to prevent the misuse of NPOs for terrorist financing, while continuing to monitor the proper implementation of Recommendation 8 to help ensure that it does not disrupt or discourage legitimate non-profit activities.

### **ENHANCING TRANSPARENCY AND INTEGRITY OF FINANCIAL FLOWS**

8. In our fight against terrorist financing, corruption, tax evasion, and other serious criminal activity that anti-money laundering measures are intended to counter, we should continue to focus on improving the transparency of legal persons and legal arrangements through the effective implementation of the FATF Standards, in particular on the timely availability of up-to-date and accurate beneficial ownership information. We will complete our comprehensive programme of work on beneficial ownership and this should lead to further action to enhance international and domestic co-operation and information sharing.

### **ENGAGEMENT WITH THE PRIVATE SECTOR**

9. The Private Sector Consultative Forum and the Joint Expert Meetings should remain key forums for the FATF and its members to engage directly with the private sector on anti-money laundering and counter terrorist financing (AML/CFT) issues. These provide excellent platforms for FATF members to engage with and learn more about the private sector's views and concerns.

### **PARTNERSHIP WITH FINTECH AND REGTECH SECTORS**

10. FATF must continue this important work to anticipate, follow up, and be involved in new financial service developments through co-operation with regulators and collaboration in the development of risk mitigation measures. This dialogue will contribute to the integrity of the international financial system and support innovation and growth in our economies.

### **FATF HEADS OF FINANCIAL INTELLIGENCE UNITS' (FIU) FORUM**

11. The forum is an important mechanism for enhancing operational focus that must continue moving forward in its discussions on co-operation, information sharing, best practices and new risks over core issues. The Argentine Presidency will continue to foster an inclusive approach, including by finding ways to engage with the FIUs of FSRB members.

### **FATF TREIN**

12. Argentina welcomes the successful establishment of FATF TREIN as a vital tool for the benefit of members of the FATF Global Network to assist countries that have a less mature AML/CFT framework and to further develop their capacity to combat financial crime, as well as the **financing of proliferation**.

13. In promoting effective implementation of the standards, **we should consider the role of FATF more broadly in relation to technical assistance** and might consider creating a network of institutes linked to the FATF Global Network that can provide comprehensive technical training on AML/CFT and counter proliferation financing (CFP).

### **COLLABORATION WITH OTHER INTERNATIONAL FORUMS & ORGANISATIONS**

14. FATF shall continue to strengthen its engagement with other international bodies such as the Egmont Group of Financial Intelligence Units, the G20 and G7, United Nations, International Monetary Fund, World Bank, OECD Global Forum on Transparency and Exchange of Information for Tax Purposes, and we should explore new partnerships as appropriate.

15. In particular, we must ensure that co-operation with the UN is commensurate with the global role and leadership status of the FATF and the **close relationship between UN Security Council counter FT/FP measures and the FATF Standards**.

16. The concurrence in 2018 of **Argentina's Presidencies of the G20** and the FATF will be an extraordinary opportunity for the FATF and G20 to work together in the pursuit of common interests. Furthermore, the FATF must continue its outreach to **non-FATF members**, promoting policies through wider global coverage and better regional representation.

### **STRENGTHENING FATF AS AN INTERNATIONAL BODY**

17. The Argentine Presidency will pursue an open discussion on how to strengthen the FATF, including through its legal and institutional status, international standing and engagement, governance, sustainability and efficiency.

## **3. PRESIDENCY INITIATIVES**

### **OUTREACH TO THE PROSECUTORIAL SERVICES AND CRIMINAL JUSTICE SYSTEMS**

18. While the private sector and FIUs are critical to preventing money laundering and terrorist financing, and information from them supports criminal investigations, action by the judiciary underpins successful suppression of this activity.

19. The PSCJS is an important source of information, evidence and intelligence. This initiative will highlight the intricate structures that are used for legal and illegal activity, and also throw light on the **growing nexus between organized crime and terrorism**, thus helping to raise awareness with national authorities and the private sector in order to be able to detect criminal activity, terrorism and attempted misuse of the financial system at an earlier stage.

20. The Presidency recognises that the legitimacy of global AML/CFT/CFP efforts rests, not only in effective prevention, but in convictions, financial sanctions, freezing, confiscation and asset recovery for the benefit of States and victims.

21. The PSCJS is crucial for stable and effective institutions, accountability, integrity, transparency and **the rule of law**, which are all pillars of an effective AML/CFT system. To this end, the PSCJS should play a more prominent role in the FATF, including as part of member delegations to the FATF Plenary and Working Group Meetings. Some of the areas the Argentine Presidency believes can be improved through better engagement with the PSCJS include:

- **Effective comprehension and application of criminal offences** - FATF should be the primary venue for debate, information sharing and learning lessons from the investigation of recent relevant cases, including the challenges that law enforcement agencies face in identifying and cutting off financial crimes. While most countries have criminalised money laundering, and a great majority have done so for terrorist financing and proliferation financing, not all have obtained a relevant number of convictions for money laundering, just a few have done so for terrorist financing, and most have a limited experience of freezing assets. Sharing experience and best practices will improve effectiveness, and lead to a greater focus on obtaining convictions and confiscation.
- **New risks, trends and methods** - FATF can make more effective use of the PSCJS' knowledge of ML/TF trends and patterns. This allows them to identify and report on new methods that terrorist and criminals use to try and circumvent AML/CFT measures.
- **Guidance and best practice** - The PSCJS could help lead work in FATF on guidance on asset investigation, tracing, detection, confiscation, recovery and return.
- **Domestic inter-agency information sharing and international co-operation** - Reaching out to the PSCJS will contribute to improve the exchange of financial and other relevant information in a timely manner during a criminal investigation, by the exchange of experiences, best practices and common obstacles, as data protection and privacy laws.

22. The Presidency proposes to convene a temporary Forum of PSCJS to improve engagement and focus discussion on all these issues, and to improve their knowledge and optimize our common response to crime.

### **TRADE-BASED MONEY LAUNDERING**

23. The volume of illicit financial flows and its growth is a problem that affects all our economies and especially those of the emerging world. FATF action on this issue should be revived and a new emphasis on fighting this scourge in close co-operation with other international bodies and private institutions engaged in this field.

### **CYBER-CRIME**

24. Cyber-attacks for extortion purposes must be understood better in order to develop effective measures and for countries to take action to identify and disrupt the channels, methods and means (crypto currencies, for example) used by hackers to extort money from their victims.

### **ENHANCED COMMUNICATIONS**

25. I believe the FATF can do more to enhance its public profile. The Presidency will support and promote the use of social and traditional media, PR, and other methods that might enhance communication of the FATF mission, activities, objectives, public statements and policies, and raise

awareness of the new and crescent risks on ML/TF/PF and its impact, while highlighting the contribution of transparency in combating criminal and terrorist organisations.

Mr. Santiago Otamendi