

The FATF logo is a red vertical oval containing the acronym 'FATF' in white, with a stylized white graphic below it.

FATF

A large graphic featuring the number '30' in white and blue, with 'YEARS' in red and '1989//2019' in blue below it.

30
YEARS
1989//2019

Financial Action Task Force

Leading global action against money laundering,
terrorist financing and the financing of
proliferation of weapons of mass destruction

Financial Action Task Force 30 Years



The Financial Action Task Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CFT) standard.

For more information about the FATF, please visit www.fatf-gafi.org

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Abbreviations and acronyms

AML	Anti-money laundering
APG	Asia-Pacific Group on Money Laundering
CFATF	Caribbean Financial Action Task Force
CFT	Countering the financing of terrorism
EAG	Eurasian Group
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
FATF	Financial Action Task Force
FSRB	FATF-Style Regional Body
GABAC	Task Force on Money Laundering in Central Africa
GAFILAT	Financial Action Task Force of Latin America
GIABA	Inter Governmental Action Group against Money Laundering in West Africa
GPFI	Global Partnership for Financial Inclusion
ICRG	International Co-operation Review Group
IMF	International Monetary Fund
MENAFATF	Middle East and North Africa Financial Action Task Force
MONEYVAL	Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
OECD	Organisation for Economic Cooperation and Development
SSB	Standard-Setting Bodies
UN	United Nations
UNSCR	United Nations Security Council Resolutions
WMD	Weapons of mass destruction

Letter from Marshall Billingslea, FATF President

This week the Financial Action Task Force (FATF) celebrates its 30th anniversary. First created in 1989 as a force to fight organized criminal and narcotics financial flows, the FATF has since become a dynamic contributor to peace and security. The FATF's mandate has expanded to include the fight against terrorist financing and the financing of proliferation of weapons of mass destruction. Our membership has more than doubled to thirty six countries and two regional organisations, and through our network of nine regional bodies, we now bring together more than two hundred countries committed to preventing criminals and terrorists from abusing the international financial system.

By many measures, the FATF has proven its value to our collective security. Member nations have used the FATF to provide themselves and others with robust and powerful tools to protect the financial system. As a result, we are seeing successful investigations and prosecutions every day in countries around the world, with financial institutions and other businesses playing a key role. Authorities now demonstrate that they are effectively cooperating, nationally and internationally, in the pursuit of proceeds of crime or funds with links to terrorism. Using our evaluation processes, the FATF has been instrumental in bringing about this collaborative effort to reduce the harm caused by crime, terrorism and the proliferation of weapons mass destruction.

I am pleased that during the tenure of the U.S. Presidency, we have seen several important advances that secure the ongoing role of the FATF in the fight against illicit finance. First, the FATF's mandate is now open-ended. Second, Ministers have pledged to provide the organisation with the resources it needs to combat money laundering. Third, we have decided on sweeping new standards to prevent the future use of virtual assets for illegal purposes. Fourth, we have moved forward in defining more clearly how nations should work to prevent the financing and proliferation of weapons of mass destruction. Finally, under French leadership, the FATF member nations have now secured as binding international law, through United Nations Security Council Resolution 2462, the FATF principle that all types of terrorist financing must be criminalized.

It has been an honor to serve as the President of the Financial Action Task Force. The value of the organisation to the security of our nations and integrity of the international financial system has never been more clear. As we celebrate our first thirty years of success, at this Plenary in Orlando, Florida, we also recommit our nations to making enduring new contributions in the fight against illicit finance for the decades to come.



Marshall Billingslea
FATF President 2018-2019

14 July

1989



During the G7 Summit at the Arche de la Défense in France, G7 leaders created the Financial Action Task Force.

They mandated this new task force, the FATF, with examining money laundering techniques and trends, reviewing the action which had already been taken at a national or international level, and setting out the measures that needed to be taken to combat money laundering.

During the three decades that have passed since then, the FATF has done much to protect the global financial system from abuse, but its mission is far from complete.



From left to right: Jacques Delors (European Commission), Ciriaco De Mita (Italy), Margaret Thatcher (United Kingdom), George Bush (United States), François Mitterrand (France), Helmut Kohl (Germany), Brian Mulroney (Canada) and Sosuke Uno (Japan).

1.
**A new
task force to
keep drug
money out
of the
financial
system**



Drug Cartels and Money Laundering

In the 1980s, our society started to face a serious problem from hard drugs such as cocaine and heroin as well as crack cocaine: cheap to manufacture and terrifyingly addictive. A highly profitable drug trade developed, spanning continents and bringing drugs, organised crime and violence from city centres into the suburbs.

Drug crime remains a significant problem. Drug traffickers use banks to manage the financial transactions for their activities, just as any other legitimate business would. The financial system, at that time, allowed them to launder their profits, through international investments and the purchase of luxury items, often in cash.

The international drug trade is a money making machine, wreaking havoc on our society and introducing funds with links to drugs and crime into the financial system. The United Nations estimated the drug trafficking proceeds worldwide at USD 300 billion in 1987. The most effective way to put a stop to this was to go after the money: take away the profits and prosecute those involved.

National governments faced an insurmountable challenge to deal with this growing problem. Some countries had adopted legislation that allowed authorities to go after money laundering, but many did not. As the financial system developed and international transactions became easier to conduct, the proceeds of the drug trade would disappear into the financial system as soon as it crossed the border.



Pablo Escobar

was at the head of the Medellín cartel that dominated cocaine trade in the 1980s, with estimated proceeds of USD 420 million every week. Reports suggest that Escobar was responsible for the death of over 4 000 people, including policemen and politicians.

Escobar used his vast personal wealth, estimated at USD 25 billion, to fund a lavish lifestyle. He owned several luxurious homes, including the Hacienda Nápoles. The plane that Escobar used on his first drug run to the United States, tops the gate to Hacienda Nápoles.

It was clear that there needed to be a coordinated response. No country could fight money laundering on its own.

In 1989, the G7 created the Financial Action Task Force, to stem the financial flows associated with drug trafficking. The task force had 16 members: the Summit participants (Canada, European Commission, France, Germany, Italy, Japan, the United Kingdom and the United States) as well as eight additional countries, to enlarge the FATF's expertise and to reflect the views of other countries particularly concerned by or having a particular experience in the fight against money laundering (Australia, Austria, Belgium, Luxembourg, Netherlands, Spain, Sweden and Switzerland).

The FATF created three working groups which focused on analysing how criminals launder their money, identifying existing international instruments and national programmes to fight money laundering, and formulating specific actions to improve countries' measures to fight money laundering.



Brussels, June 1998.
FATF delegates during the
FATF Plenary meeting under
the Presidency of Mr. Jean
Spreutels of Belgium.

In the year after its creation, the FATF swiftly agreed a new set of standards - the 40 Recommendations - specifying legal, regulatory and operational measures to allow countries to detect, prevent and punish money laundering. For the first time, there was a consolidated international approach to fighting money laundering and reinforcing international co-operation.

The following year, in 1991, following a self-assessment process, the FATF started monitoring its members' implementation of the FATF Recommendations. Through this step, the FATF became one of the first global standard-setting bodies that not only sets standards, but also monitored whether countries were implementing them.

“
The estimates
of the present scale
of money laundering
transactions are almost
beyond imagination,
2 to 5 percent of global GDP would
probably be a consensus range.

Michel Camdessus, Managing Director of the International Monetary Fund, at the Plenary Meeting of the FATF, Paris, 10 February 1998.



New York,
11 September 2001.

The aftermath of the terrorist attack on the World Trade Centre, one of four Al-Qaeda attacks in the United States. Almost 3 000 innocent lives were lost that day with many more injured.

The terrorists spent an estimated USD 500 000 planning the attacks.

The FATF continued strengthening its standards, informed by its typologies work to identify the methods that criminals used to launder their illicit assets. At the same time, it assessed whether its members were successfully implementing its standards during two rounds of mutual evaluations and initiated a process to hold accountable those who didn't.

By 2001, the FATF's success as an anti-money laundering standard-setting body led to a significant change to its mandate. Following the terrorist attacks of 11 September 2001 in the United States, the FATF took immediate action and developed clear standards to prevent terrorist financing. This expanded the FATF's mandate to include the fight against terrorist financing. The FATF's new Special Recommendations provided countries with powerful tools to trace and intercept terrorists' assets and pursue individuals or countries involved in terrorist financing.

The FATF further expanded its mandate in 2012 in response to the rising threat of proliferation of weapons of mass destruction, emanating from countries such as Iran and North Korea.

The FATF's membership grew from the original 16 members to today's 38 members (including the European Commission and the Gulf Cooperation Council) and a network of nine FATF-style regional bodies which together form the FATF's Global Network of 205 countries.



Washington, 12 April 2019. After operating with a time-bound mandate for three decades, the FATF receives an open-ended mandate from its Ministers.

Leaders in the global community, recognising the FATF’s valuable role in helping to prevent criminals profiting from crime and terrorists from raising funds, increasingly voiced their support for the FATE. The G20, in its statements, has consistently committed to fully and effectively implementing the FATF’s standards. Similarly, the United Nations Security Council, in a resolution adopted in March this year, again recognised the essential role of the FATF in setting global standards to combat money laundering, terrorist financing, and weapons of mass destruction proliferation financing.

Threats to the global financial system continue to evolve. New threats emerge, such as cyber attacks against banks, money exchanges and virtual asset providers as well as the use of virtual assets in criminal schemes. The FATF’s ability to respond to such evolving threats and revise its standards to provide countries with updated tools, have contributed to its success as a standard-setting body.

In April 2019, the FATF Ministers recognised that the FATF had evolved from a temporary task force to one with a permanent mandate to fight money laundering, terrorist financing and proliferation financing. They unanimously agreed to meet every two years to ensure their governments’ commitment to implementing the FATF’s mandate.

Over the years, the FATF has adjusted its working groups as its mandate evolved. Today, it focuses on four areas of work:

Identifying the threats to the financial system

Developing robust standards to fight these threats

Assessing countries’ compliance with the FATF Standards

Identifying countries that fail to comply



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FATF Leadership

The FATF is a technical body, led by a President who is the principal spokesperson and representative of the FATF. The FATF President, a high-ranking government official from one of the FATF's member countries, convenes and chairs the meetings of the Plenary.

Over the years, the role of the FATF President has evolved significantly. As international fora such as the G20 have focused more on the FATF, the role of the FATF President has taken on a new dimension. Today, the FATF has an important voice on global policy issues. Since 2017, the FATF President has a seat among leaders of organisations such as the IMF, the World Bank and the UN at meetings of G20 Finance Ministers and Central Bank Governors.

Bari, Italy, May 2017. Juan Manuel Vega-Serrano of Spain (FATF President 2016-2017) participates in the meeting of the G7 Finance Ministers and Central Bank Governors (top row, far right).





Sendai, May 2016, Je-yoon Shin (FATF President 2015-2016) at the G7 Finance Ministers and Central Bank Governors' Meeting. Following the meeting, the G7 published an action plan on combating the financing of terrorism, which acknowledged FATF's leading role in tackling terrorist financing. The G7 Ise-Shima Leaders' Declaration reasserted the G7's leadership and commitment to combat terrorist financing as declared in this action plan.



Paris, 25 February 2019, Michel Sapin, Minister of Finance and Public accounts (right) seated next to Roger Wilkins AO (FATF President 2014-2015), addresses the FATF Plenary to stress the importance of the FATF's work and the urgency to find an effective solution to the problem of terrorist financing.

The FATF President convenes and chairs the meetings of the FATF Plenary and the Steering Group, and reports to Ministers on key aspects of the FATF's work. In recent years, FATF Presidents have increased their public outreach significantly, from direct media engagement, to addressing the United Nations Security Council and participating in high-level round tables alongside senior government officials and leaders of other relevant international organisations. The President is supported in his role by a Steering Group and the Executive Secretary, a permanent official that leads the FATF Secretariat.

The role of the FATF President is for a non-renewable term of one year. In April 2019, Ministers adopted a revised mandate for the FATF which increased the term to two years, effective 2020.

Recognising the volume of work involved and the need to ensure consistency in the leadership of the FATF, the FATF created the role of Vice-President in 2008. The Vice-President became the President designate for the following year. In April 2019, the role of Vice-President was also increased to a two-year term, starting from 2019.

FATF

PLENARY MEETING
S P A I N 2 0 1 7



Valencia, 21 June 2017. Santiago Otamendi of Argentina (FATF President 2017-2018) with Christine Lagarde, Managing Director of the International Monetary Fund.



FATF Presidents Since 1989





Luis Urrutia Corral, Mexico
2010-2011



Jean-Louis Fort, France
2004-2005



Paul Vlaanderen, Netherlands
2009-2010



Sir James Sassoon, United Kingdom
2007-2008

Amsterdam, June 2010, Reunion of past FATF Presidents on the occasion of the 20th anniversary of the FATF.
From left: Mr. Luis Urrutia Corral (Mexico), Mr. Antonio Gustavo Rodrigues (Brazil), Mr. Frank Swedlove (Canada), Mr. Jean Spreutels (Belgium), Mr. Rick McDonnell, Executive Secretary of the FATF; Mr. Alexis Lautenbourg (Switzerland), Mr. Gil Galvão (Portugal), Mr Denis Samuel-Lajeunesse (France), Mrs. Clarie Lo (Hong Kong, China), Mr. John Gieve (United Kingdom), Mr. Fernando Carpentieri (Italy), Mr. Paul Vlaanderen (Netherlands), Mr Jochen Sanio (Germany), Mr. Leo Verwoerd (Netherlands), and Mr. Jun Yokota (Japan)



FATF Presidents Through the Years



Clockwise, from top left.
 Clarie Lo, Hong Kong China (2001-2002)
 Vladimir Nechaev, Russian Federation (2013-2014)
 Gil Galvão (centre), Portugal (1999-2000)
 Bjørn Skogstad Aamo, Norway (2012-2013)
 Jean Spreutels (centre), Belgium (1997-1998)



Clockwise, from top left. Frank Swedlove (left), Canada (1995-1996) with Terry Davis, European Commission Juan Manuel Vega-Serrano (right), Spain (2016-2017), with Michel Sapin, Minister of Finance of France Santiago Otamendi (left), Argentina (2017-2018), with President Mauricio Macri of Argentina Je-Yoon Shin (left), Korea (2015-2016), with Ban-Ki Moon, United Nations Secretary-General Kader Asmal, South Africa (2005-2006)



Presidents' Priorities

Building on their own expertise and experience, each President has proposed specific priorities for the FATF to work on during the term of their Presidency. These priorities remain within the scope of the FATF's mandate and must be approved by the FATF's Plenary, but they provide the FATF with a different area of attention in its development of anti-money laundering and counter terrorist financing (AML/CFT) policies. Ultimately, the President's priorities aim to increase the overall effectiveness of global AML/CFT efforts. Recent initiatives included:



Outreach to the criminal justice systems

An initiative during the Presidency of Santiago Otamendi of Argentina (2017-2018) aimed at reinforcing the effectiveness of the investigation and prosecution of money laundering and terrorist financing, and in the recovery of the proceeds of crime.

Outreach to FinTech & RegTech

An initiative during the Presidency of Juan Manuel Vega-Serrano of Spain (2016-2017) to develop a constructive dialogue and engagement and strike the right balance between supporting innovation and managing Money Laundering and Terrorist Financing risks that may arise from financial innovation.



FATF training and research institute

Under the Presidency of Je-Yoon Shin of Korea (2015-2016) the Korean government proposed the creation of a training centre for government officials, to build capacity in the implementation of the FATF Recommendations. The training centre opened its doors in Busan, Korea in September 2016.

Oslo, 19 June 2017.
HM Queen Máxima of the Netherlands,
UN Secretary-General's Special Advocate
for Inclusive Finance for Development and
Bjørn Skogstad Aamo of Norway (FATF
President 2012-2013).





www.fatf

FATF Plenary

The FATF Plenary is the decision-making body of the FATF. It consists of representatives of each of FATF's members as well as the nine FATF-style regional bodies, who each have associate member status. As the FATF's global reach grew from the original 16 members to a global network representing 205 member jurisdictions, so has the Plenary itself.

Today's Plenary meetings bring together around 700 delegates, from 205 jurisdictions and 23 observer organisations, that work together through a full agenda of strategic issues to prevent, detect and disrupt money laundering, terrorist financing and the financing of proliferation weapons of mass destruction.

During its plenary meetings in February, June and October of each year, the FATF discusses progress in its actions to tackle money laundering and terrorist financing. This includes assessments that analyse how countries have implemented the FATF Standards to protect the integrity of the global financial system. The Plenary finalises and approves new policy, including guidance and best practices to help countries fully and effectively implement the FATF Standards. The FATF Plenary also determines which countries pose a significant risk to the financial system due to strategic deficiencies in their legal, regulatory or operational frameworks, which are then publicly identified. The FATF Plenary reviews new and evolving threats to the integrity of the financial system and then implements new strategic initiatives that contribute to safety and security of the global economy.

A typical FATF week, today, involves 7 days of Working Group and Plenary meetings, during which over 700 officials will work through an average of 180 papers, from country assessments to policy work.

FATF Plenary, Washington DC, United States, 25 June 1996



PALACIO DE CONGRESOS DE MADRID



FATF Plenary, Madrid, Spain, 4 October 2000

FATF Plenary, Paris, France, 20 October 2004



FATF Plenary, Cape Town, South Africa, 15 February 2006



Working Groups

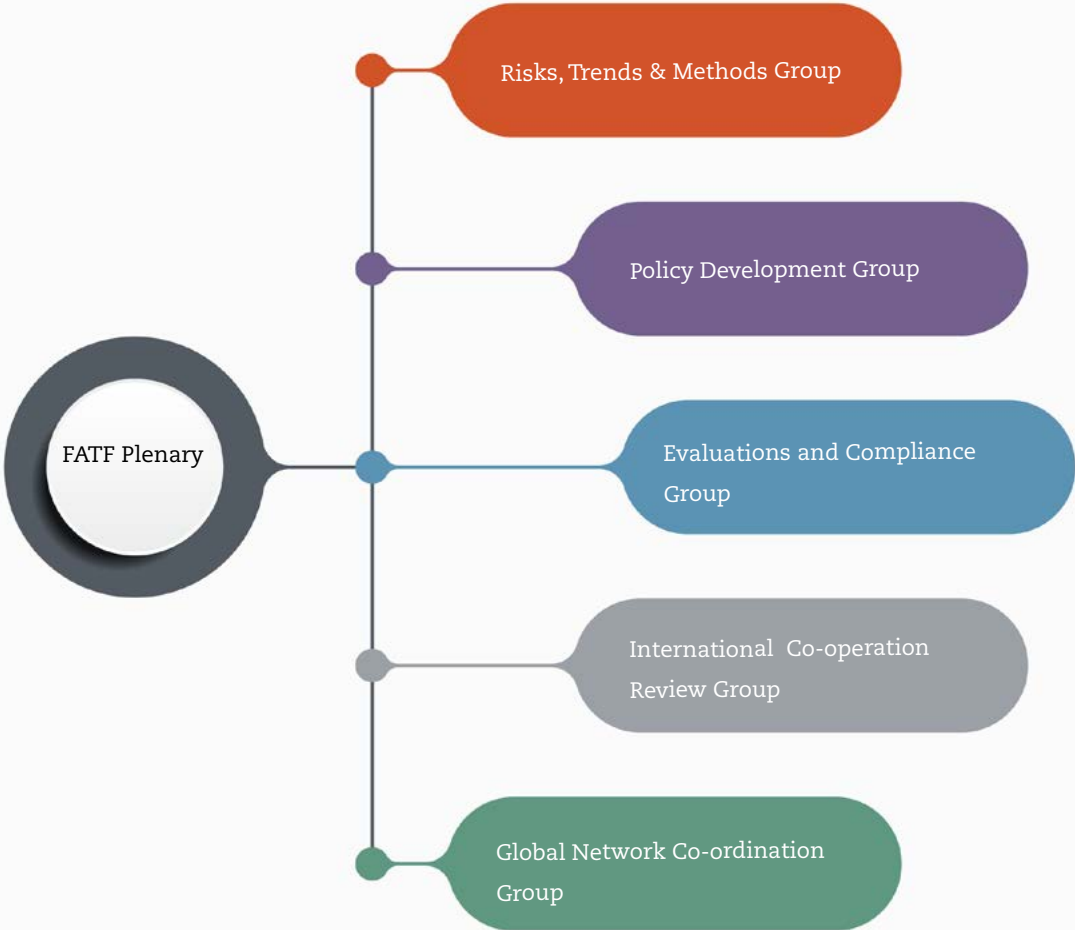
On the margins of the Plenary, Working Groups bring delegates together for the technical work that goes into the deliverables and policy-making that come to the FATF Plenary for approval.

One of the FATF's strengths has always been its ability to respond quickly to new and emerging threats to the financial system, from the risk of financing of proliferation of weapons of mass destruction to technological developments such as virtual assets or digital identity.

Over the years, the FATF's Working Groups have evolved to reflect the changing focus of the FATF's work. Today, experts from the FATF Global Network work in five distinct Working Groups to identify risks to the global financial system, assess how countries are responding to these risks and develop policy and guidance to help countries to establish a sound framework to combat money laundering and terrorist financing.

As a member-driven organisation, the contributions of experts in the various work streams is crucial to the success of the FATF. The FATF's reports and guidance are built on the legal, law enforcement and operational expertise and experience of its members. In addition to its own members, the FATF also works closely with its observers including the IMF, United Nations, Egmont Group of Financial Intelligence Units and the World Bank Group.

Overview of FATF Working Groups



February 2019, Meeting of the Global Network Co-ordination Group



Sometimes it is necessary for the FATF to look at the issues from a different perspective, to ensure that it is answering the right questions and making an effective contribution to stop money laundering and terrorist financing. The FATF therefore frequently works with the private sector and civil society, either through the annual private sector consultative forum, an annual operational experts' meeting, a consultation in the context of a mutual evaluation or a public consultation on draft reports. By enabling relevant parties outside the FATF membership to contribute and inform the FATF's work, the FATF ensures that its work reflects and responds to reality, and will provide countries with strong tools to fight money laundering and terrorist financing.



Private Sector Consultative Forum, Vienna, 20-22 March 2017





“ No doubt, the FATF is one of the most important and influential global organisations. It has significantly changed the global reality, and has had a clear impact on global markets, on economies, on countries and on the global commitment of all counterparts to combat money laundering and terror financing.

Israel's Minister of Justice, PM Ayelet Shaked at the Joint FATF/MONEYVAL Experts' meeting and Terrorist Financing Prosecution Workshop, Tel Aviv, Israel, 25 March 2019.

FEATF



FATF Secretariat

The FATF Secretariat in Paris supports the work of the FATF and the Global Network. The FATF Secretariat is a multicultural team of dedicated and highly motivated professional staff.

The Secretariat staff represents diverse experience and vast expertise in law enforcement, financial intelligence, legal professions and policy development.

From a small unit of just three full time staff members three decades ago, the FATF Secretariat has grown to a team of 50 experts, policy analysts and support staff from over 20 countries around the world and speaking many different languages.

The FATF's members also provide staff on loan to the FATF Secretariat, a valuable opportunity to exchange expertise and experience for both staff member, the country and Secretariat.

The values and mission statement of the FATF Secretariat in Paris.



2.

What have we achieved?



Identifying the Risks to the Global Financial System

Ever since laws and regulations were introduced in our society, there have been those who have chosen to deliberately disregard them for their own gain. While the FATF cannot eradicate crime, it aims to make it harder for criminals to benefit from the proceeds of their crimes and for terrorists to use the financial system to move and raise funds.

The G7 created the FATF to develop a global policy response to stop the financial flows associated with drug trafficking and prevent the laundering of drugs and crime related funds. The FATF's standards provide countries with a robust set of tools to protect the financial system. However, as countries implement these measures, criminals adapt and find other ways to access, move or use funds. To remain effective, the FATF Standards need to evolve and adapt to these new and emerging risks to the global financial system, and to global safety and security.

The collective experiences from the FATF members and the FATF's Global Network allow the FATF to identify new methods that criminals and terrorists use to avoid detection when using the financial system.

The process of identifying risks and methods utilised, has evolved from an annual report to a series of in-depth reports produced each year, also referred to as typologies reports. Each report looks at a specific product, sector, or topic to determine its vulnerability to being abused by criminals or terrorists to access the financial system. The FATF's typologies reports are the result of in-depth research involving relevant operational experts, including from law enforcement and other agencies, and input from the Global Network membership. To further benefit from regional input, the FATF has produced a number of joint reports with one or more of its FATF-style regional bodies.

In recent years, the FATF has also increasingly involved the private sector in its work. The private sector, and financial institutions in particular, are on the front-line of efforts to fight money laundering and terrorist financing. Their awareness and vigilance are essential to detect possible cases of abuse of the financial system. Through the Private Sector Consultative Forum, the FATF has benefited from private sector input in its ongoing typologies work. In specific examples, such as the 2018 report on Financial Flows from Human Trafficking, the FATF received significant support from financial institutions and associations and non-profit organisations like Liberty Asia (now Liberty Global).

Examples of landmark reports

Money Laundering through the Football Sector - 2009



With increasingly higher amounts invested in the football sector and substantial flows from player transfers, television rights and sponsorship deals for example, the sector could attract criminals wishing to launder the proceeds of their crimes. This FATF research focuses on the football sector in economic and social terms and provides case examples identifying areas that could be exploited by those who want to invest illegal money into football. While the report's focus is on the football sector in particular, it describes the risks facing the sports industry in general. Its findings remain relevant today to other, economically strong, sport industries.

The FATF's typologies work is essential in raising awareness of money laundering and terrorist financing risks throughout the Global Network. Each report provides detailed case studies that explain the methods used in real life situations. Each report also provides valuable information, including red flag indicators to allow authorities or relevant sectors to identify possible cases of money laundering or terrorist financing using that sector.

While the majority of the FATF's typologies research is published on the FATF's public website to maximise the reach of the findings, FATF's work in this area has also resulted in a number of internal reports. For example, in 2018, the FATF issued a report on disruption of the financial flows on which terrorists rely. This report increased understanding of these financial flows, which is important not only from an investigative standpoint, but also to ensure that authorities are able to take decisive, preventative measures to disrupt terrorist activity before a terrorist attack occurs.

Professional Money Laundering - 2018



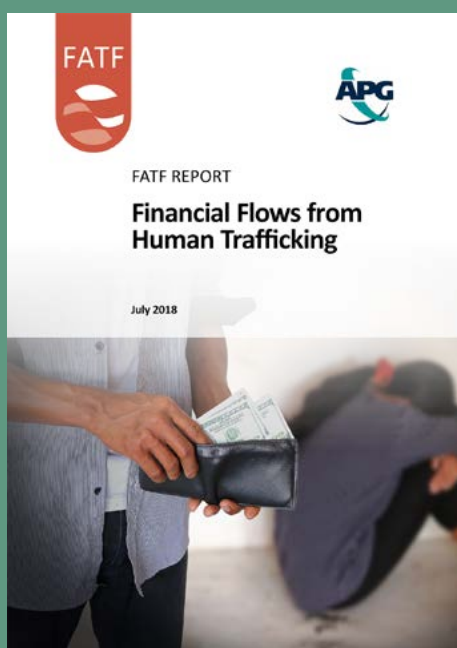
This report looks at the techniques and tools used by professional money launderers, to help countries identify and dismantle them. The FATF's fourth round of assessments has revealed that many countries are not sufficiently investigating and prosecuting complex and third party money laundering. The report identifies the key characteristics and various roles and functions that are necessary to operate a professional money laundering 'business'. Using the case studies collected, it identifies a range of different money laundering organisations and networks, from money transport and cash controller networks to proxy networks.

The FATF’s typologies reports are instrumental in determining whether the FATF’s standards continue to provide countries the strongest possible tools to fight money laundering and terrorist financing. They help identify loopholes that may be the result of an incorrect application of the standards or an area not yet covered by them. The FATF may decide that an additional policy response is needed, either in the form of additional guidance to clarify the application of the FATF Standards or by further developing the standards themselves.

For example, in June 2014, the FATF looked at the money laundering and terrorist financing risks of virtual currencies. This report informed a guidance for a risk-based approach to virtual currencies. The guidance report was part of a staged approach and focused on the gateways to the regulated financial system, in particular convertible virtual currency exchangers. The FATF continued its focus on this area and in 2018 adopted amendments to its Standards to respond to the increasing use of virtual assets for money laundering and terrorist financing. The FATF adopted the broader term “virtual asset” for these new requirements: the digital representation of value that can be digitally traded, transferred, and used for payment or investment purposes.

Examples of landmark reports

Financial Flows from Human Trafficking – 2018



Human trafficking is estimated to be one of the most profitable proceeds generating crime in the world, at an estimated USD 150.2 billion per year. The increased displacement and vulnerability of people in conflict zones increases instances of this phenomenon, including by opportunistic terrorist organisations.

This joint FATF/APG report aims to improve global understanding of the associated financial flows both as a money laundering predicate and potential source of terrorist financing.



Participants at a Meeting of the Working Group on Typologies, Mexico, November 2003

Similarly, the FATF's typologies research identified the threat to the financial system from the proliferation of weapons of mass destruction, which resulted in new guidance. Subsequently, it led to the inclusion of measures to combat the financing of weapons of mass destruction in the current FATF Recommendations, adopted in 2012.

Typologies work is critical to the work of the FATF. As new technologies, products and industries emerge, FATF must continue to remain vigilant to ensure that they do not present potential loopholes that criminals and terrorists could exploit to conduct their financial transactions undetected. Typologies studies will continue to raise awareness globally and facilitate early detection and prevention of abuse of the financial system.



Ensuring a Comprehensive & Timely Framework of Measures

FATF plays a pivotal role in protecting the integrity of the financial system. From the outset, the FATF achieved something unique: an international consensus on how to stop criminals laundering the profits of their crimes. The FATF Recommendations, first issued in 1990, provided countries with robust tools to detect, prevent and punish money laundering.

Criminal groups need access to financial services to profit from the proceeds of their crimes. Without detection or punishment, they can grow in strength and increase their criminal activities. Financing gives terrorists and terrorist groups the ability to organise training, travel, purchase weapons to carry out attacks and fund the recruitment that they need to survive. Similarly, proliferation networks need access to the financial system to obtain sensitive goods and materials that are essential to their weapons' programmes. Allowing criminals to profit from their crimes or terrorists to raise or access funds threatens global safety and security. Money laundering, terrorist financing and the proliferation of weapons of mass destruction threaten a country's economic stability, and discourage foreign investment.

When the FATF issued its first Recommendations in 1990, they were a milestone and turning point in countries' fight against money laundering. Countries were working together to find a solution to the problem of crime or drug related money.

As a result of the FATF Recommendations, countries have implemented the necessary laws and regulations to fight money laundering and subsequently, the financing of terrorism and proliferation. These measures started with legislation to make it a crime to launder criminal proceeds, or to move, raise or use funds for



Paris, February 2009. FATF Plenary under the Presidency of Antonio Gustavo-Rodriguez (2008-2009),

terrorism. The FATF also required that financial institutions take the necessary steps to identify the beneficial owner(s) behind a business transaction and report transactions suspected of being an attempt to launder illicit funds or to finance terrorist activities. To investigate these suspicious transactions each member country has now established a financial intelligence unit. These are independent, national agencies, tasked with receiving and analysing the suspicious transactions reports from financial institutions, as well as from other sources such as casinos, real estate agents, dealers in precious metals or stones or legal professionals.

With robust tools at their disposal, countries are getting better at detecting cases of misuse of the financial system and taking appropriate action. Spain, for example, was able to secure eight times as many convictions for money laundering in 2015 and seized almost 18 times as many funds as it did in 2002. Austria also saw the amount of money brought into the Federal Treasury as a result of such enforcement action multiply by eight. Depending on the country and the size of its financial centre, the amounts concerned are significant, the United States, for example estimated in its 2015 national money laundering risk assessment, that USD 300 billion is generated every year in illicit proceeds. Every conviction and amount seized and confiscated deprives criminals of their profits and limits their ability to organise further criminal activity.


In recent years, we have seen an increasing number of enforcement actions against large financial institutions for the violation of anti-money laundering and counter terrorist financing obligations. Seeking even higher profit margins, some of the largest and most reputable banks were penalised for being “wilfully blind or evading sanctions. With strong AML/CFT tools at their disposal which facilitate international cooperation and exchange of information, countries are now able to more effectively detect these cases of abuse. They demonstrate that the FATF’s approach to tackling money laundering and terrorist financing works.

Revisions to the FATF Standards

When there is crime, there will be money laundering. Criminals and terrorists will continue to adjust their methods to raise, move and use money to evade detection in response to the safeguards that countries put in place. As these threats evolve, the FATF responds by refining and strengthening its global standards so that they continue to provide the strongest possible tools for regulators, law enforcement and the private sector.

At the core of today's Recommendations is the risk-based approach, which ensure that countries, as well as private sector, identify, assess and understand the risks they are exposed to and focus their resources on areas where the risks are highest. Given each country's unique risk situation, the FATF Recommendations provide countries a level of flexibility to determine which actions they need to take to address the particular money laundering and terrorist financing risks they face.

Since 2012, the FATF Standards explicitly address new threats from the financing of proliferation of weapons of mass destruction; a significant global security concern. Financial measures can be an effective way to combat this threat. The FATF Standards ensure a consistent and effective implementation of targeted financial sanctions when these are called for by the UN Security Council.



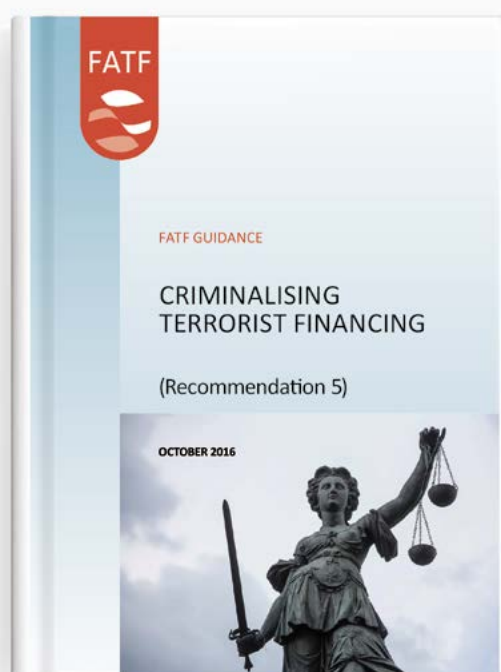
Financial intelligence provides advance warning of attempts to illegally transfer sensitive goods and materials for the proliferation of weapons of mass destruction. Every movement of goods has an associated financial transaction, the financial investigation can therefore follow the money trails to look behind declarations, analyse proliferation networks, and identify their criminal facilitators.

Terrorist Financing

Terrorism has a devastating impact on society, particularly in regions where terrorist organisations are active. Around the world, we have seen terrible attacks in schools, hotels, houses of worship, courthouses, train stations and concert halls.

The terrorist attacks of 11 September 2001 demonstrated the urgent need for a global effort to fight the growing threat to safety and security from terrorists and terrorist organisations. One of the most effective means to combat terrorism is to deprive terrorists or terrorist organisations of the ability to raise, move or access funds. After all, terrorists need money to organise and commit their heinous acts, money for explosives, money for travel, training, propaganda and recruitment. Given the FATF's success in leading global action against money laundering, the international community has given the FATF the task of leading the global response to terrorist financing.

A few months after the 2001 terrorist attacks, the FATF established a series of Special Recommendations to combat terrorism. For the first time, countries had robust measures to help them detect and punish those that finance terrorism. More importantly, these measures could prevent future attacks by depriving terrorists and terrorist organisations of access to funding and the financial system. Cutting off terrorists' access to funds, has been a priority for the FATF ever since then. The FATF's counter-terrorism standards, which are reinforced by the good use of financial intelligence to disrupt terrorist activity and identify those involved, are delivering results. In 2014, for example, evidence collected by the financial intelligence unit and law enforcement agencies, allowed Russian authorities to disrupt a terrorist recruitment and fundraising scheme. As a result, over 200 E-wallets, bank cards, mobile phone accounts and foreign bank accounts were frozen.





Paris, 15 November 2015

Two days after a series of coordinated terrorist attacks claimed the lives of at least 130 civilians, a memorial to the victims on one of the sites targeted by the terrorists, the Bataclan concert hall. These, and other attacks around the world, further intensified the FATF's focus on fighting terrorist financing.

Starting with a special meeting on terrorist financing in December 2015, the FATF led renewed global effort to counter terrorist financing.

In 2015, the scope and nature of the global terrorist threat intensified, with attacks in many cities around the world. The FATF responded by strengthening its standards to address the foreign terrorist fighters threat, which led to new legislation in at least 47 countries. That same year, the FATF examined the legal frameworks of nearly 200 jurisdictions to determine whether they adequately criminalised terrorist financing and were able to freeze the assets of terrorists or terrorist groups. Consequently, 96 countries passed new legislation to address deficiencies. A consolidated strategy on combating terrorist financing has allowed the FATF to prioritise its work in this area, to improve understanding of the risks, strengthen its standards, ensure their effective implementation and promote domestic and international cooperation and coordination to fight terrorist financing.

The work of the FATF complements that of the United Nations. UN members must fulfil their legal obligations pursuant to the United Nations Security Council Resolutions (UNSCRs), including those aimed at combating terrorism and its financing. This can be challenging for some countries. The FATF Recommendations provide clear measures to assist countries in fulfilling these legal obligations, while the FATF's mutual evaluation process will look at how well a country has implemented this. The results from this process are a useful source of information for the United Nations to determine technical assistance needs.

The terrorism threat continues to evolve. Attacks come at a devastating human and economic cost that no part of the world is immune from. The FATF Standards provide powerful tools to help authorities around the world disrupt the financial flows that terrorists rely on. The success stories make a real impact on safety and security, even if they often go unnoticed. Sweden, for example, used the FATF's tools to successfully prosecute four individuals who had sent funds to terrorist organisation ISIL. With their conviction in March 2019, authorities contributed to the safety of its citizens by preventing a future terrorist attack.

The United Nations Security Council recognised the FATF's essential role in setting global standards to combat money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction when it adopted a new resolution, UNSCR 2462, urging all countries to implement the FATF Recommendations, including the standards to assess the specific terrorist financing risks they face. For the first time, the United Nations Security Council embedded an existing FATF Standard in international law, by requiring the criminalisation of terrorist financing, irrespective of a link to a specific terrorist act.

New York, 28 March 2019. Marshal Billingslea of the United States (FATF President 2018-2019) addresses the United Nations Security Council during the open debate on threats to international peace and security caused by terrorist acts.





Improving Transparency

When the FATF revised its Recommendations in 2012, it introduced new areas of focus such as corruption. The international community recognised that the FATF Recommendations can be powerful tools in the fight against corruption. When effectively implemented, the FATF Recommendations create an environment where it is difficult for corruption to thrive and remain undetected.

Since 2003, the FATF Recommendations require countries to implement strong measures to identify the beneficial owners of legal persons and arrangements. This improves transparency and makes it harder for criminals to conceal their identities or hide their assets behind legal persons and arrangements. Today, the FATF is recognised as the standard-setter on beneficial ownership. However, countries need to do more to improve the transparency of legal persons and arrangements as our assessments show that no countries are fully effective in this area.

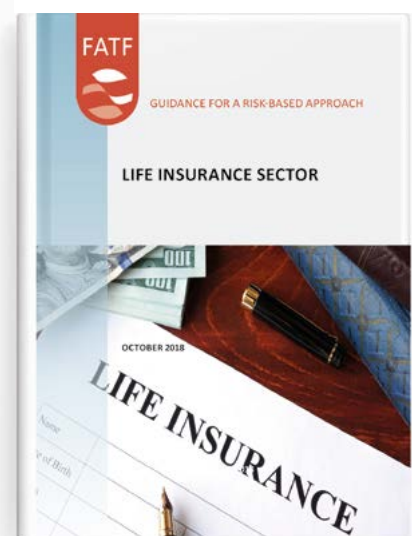
Criminals often employ the services of professionals such as accountants, lawyers or trust and company service providers to add a veneer of respectability to their transactions or to create the corporate veil for them to hide their identity behind. These professionals play a crucial role in putting a stop to money laundering. With significant input from the private sector, the FATF has therefore developed guidance on the application of the risk-based approach for lawyers, accountants, and trust and companies service providers. The guidance explains how they should apply safeguards, to prevent criminals from misusing their services. The guidance also assists supervisors in preventing complicit or negligent professionals from operating.

Improving transparency in the financial system remains a priority for the FATF. It is working with relevant organisations such as the Financial Stability Board and the Global Forum on Transparency and Exchange of Information for Tax Purposes to improve the availability of beneficial ownership information.

Guidance and Best Practices

It can be challenging for countries, regulators as well as relevant private sectors to implement some of the FATF requirements. Low capacity countries for example, may need guidance on how to ensure its laws and regulations meet the FATF Standards. The FATF has developed guidance and best practice papers to answer these questions. They have been developed with significant input from the relevant sectors and experts to ensure that they provide the clarification where needed. While the guidance and best practice are not binding, they contain practical examples from countries that have successfully implemented the FATF Recommendations.

In recent years, the FATF has increasingly engaged with the private sector in policy development. The private sector plays a crucial role in efforts to detect money laundering or terrorist financing. It is at the forefront and must put in practice many of the measures developed by the FATF. For example, the private sector must be aware of red flag indicators that suggest a possible case of money laundering and ensure that they have identified the customer or beneficial owner of a transaction.



These, and other guidance at www.fatf-gafi.org/documents/guidance



“ Adoption of the revised Recommendations demonstrates countries’ shared commitment to fight money laundering, terrorist financing and the financing of the proliferation of weapons of mass destruction.

The revised Recommendations include requirements for stronger safeguards in the financial sector.

Giancarlo del Bufalo, FATF President 2011-2012

International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation



The FATF Recommendations set out a comprehensive and consistent framework of measures which countries should implement in order to combat money laundering and terrorist financing, as well as the financing of proliferation of weapons of mass destruction.

www.fatf-gafi.org/publications/fatfrecommendations

Following the full revision of the FATF Recommendations in 2012, the FATF has continued to update and refine its standards to respond to new threats and challenges. Revisions include language to address the threat posed by foreign terrorist fighters in 2013, clarification of information sharing requirements in 2017 and revisions to the standards to address the risks posed by virtual assets in 2018.

The FATF will continue to ensure that its standards provide countries with robust measures to counter current threats to the financial system.

Ensuring Implementation of the FATF Standards

With an interconnected financial system, it is important that countries agree on how to keep out proceeds of crimes or funds with links to terrorism. However, it is even more essential that every country fully and effectively implements all of these measures and in doing so builds sound safeguards against money laundering and the financing of terrorism and proliferation. Only if all countries have the political will and the ability to detect, prevent and punish cases of abuse, can we ensure the integrity of the financial system.

From the very start of its existence, the FATF has understood the need to ensure that every country implements the FATF's requirements.

Today, the FATF's strength lies in its ability to assess the effectiveness of a country's actions to combat money laundering and the financing of terrorism and proliferation and their implementation of the requirements of the FATF Recommendations.

The current evaluation process is the result of the FATF's experience and lessons learnt from three earlier cycles of mutual evaluations.

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www.fatf-gafi.org/publications/mutualevaluations/

The Creation of the Mutual Evaluation Process

One year after the creation of the FATF Recommendations, the FATF established the first assessment process. During this self-assessment process, each country reported back to the FATF on the steps it had taken to implement the FATF Recommendations. As part of the self-assessment process, the country provided information about the laws and regulations it had adopted, and the operational structures it had put in place, such as the creation of a financial intelligence unit.

While this process provided useful information about the actions a country had taken, the FATF soon established the forerunner of its current mutual evaluation process. In September 1991, France, Sweden and the United Kingdom volunteered to participate in the first mutual evaluations. For each country, a team of expert examiners from the FATF's membership conducted a review of the level of implementation of the FATF Recommendations. These peer reviews provided an independent and unbiased analysis of the system in place. It identified the country's strengths and areas for further improvement. The nature of the process, a review by 'peers', encouraged countries to swiftly implement the necessary reforms to comply with the FATF Recommendations.

Moscow, 2003. The assessment team for the first mutual evaluation of the Russian Federation conducts an on-site visit to the country. Following the successful completion of the mutual evaluation, Russia became a member of the FATF in June 2003.



By 1993, as a result of the FATF Standards and the pressure exerted through its peer review process, nearly all the FATF members had made the laundering of drug proceeds a crime. Those that hadn't, were in the process of doing so. Similarly, although suspicious transaction reporting was not yet an FATF requirement in 1994, 19 members required their banks to report suspicious transactions. Two years later, in 1996, the FATF made mandatory suspicious transaction reporting part of its Standards.

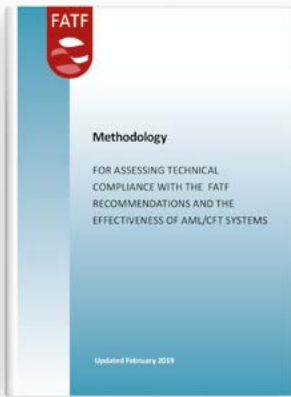
Fast forward to the early 2000s, the FATF was in its third mutual evaluation cycle. By now, most countries had had over a decade to adopt the necessary laws and regulations to take actions against those who sought to abuse the financial system. The assessments revealed that from a technical perspective, many of these countries had taken the requirements set out in the FATF Recommendations and introduced them into their national frameworks.

However, the assessments also indicated a lack of effectiveness. Many countries had taken a tick-box approach, rather than focusing on whether their actions delivered the expected results. As a result, their national framework was not as effective as it should be. For example, in some countries, competent authorities did not have the ability or capacity to use financial intelligence for money laundering or terrorist financing investigations. In other instances, supervisory authorities were well informed about the risks facing the sectors they supervised, but they were not sharing this knowledge with these sectors. In other cases, supervisors weren't actually checking that institutions were correctly identifying beneficial ownership, keeping records and reporting suspicious transactions.

At a time where the financial system is evolving at a rapid pace, with new financial products and faster methods of communication, it is essential that each country is as efficient and effective as possible in safeguarding the integrity of the financial system, which is only as strong as its weakest link.

Amsterdam, June 2010, FATF Plenary under the Presidency of Paul Vlaanderen of the Netherlands (FATF President 2009-2010)





Current Assessment Methodology

In 2013, the FATF developed its current assessment methodology, which takes a two-pronged approach, focusing on technical compliance and effectiveness. The FATF was the first international body to assess its members on effectiveness. Sound laws and regulations remain important, they are the building blocks for an effective framework to keep funds with links to terror or crime out of the financial system.

However, what is more important is that a country's actions are effective in protecting financial systems and the broader economy from the threats of money laundering and the financing of terrorism and proliferation, thereby strengthening financial sector integrity and contributing to safety and security. This means making good use of financial intelligence, investigative tools and cooperation both internationally and at the national level.

To assess effectiveness, the FATF established 11 'Immediate Outcomes' which represent the key goals that an effective framework should achieve. Each mutual evaluation report rates the country on its effectiveness in key areas. It identifies priority actions for the country to strengthen its anti-money laundering and counter-terrorist financing measures. A robust follow-up process ensures that countries take the necessary action and this progress can be reflected in a re-rating of the technical compliance or effectiveness.

Today, assessments look for evidence that countries' measures are working. This includes examples such as the UK National Crime Agency investigation in May 2019. Authorities recovered around GBP 6 million in assets, including a luxury hotel and a GBP 100K Bentley from members of an international money laundering group. One of the defendants had won over GBP 2 million in a lottery in 2008 but could not explain how the money was spent. The investigation uncovered an international network that saw hundreds of millions of pounds transferred through more than 100 bank accounts held globally.

Source : UK National Crime Agency



Immediate Outcomes

The purpose of implementing anti-money laundering and counter-terrorist financing measures is to protect the financial system from abuse. A country's efforts in developing sound laws and regulations and implementing and enforcing them should focus on one goal, the high-level objective of an effective AML/CFT framework:

Financial systems and the broader economy are protected from the threats of money laundering and the financing of terrorism and proliferation, thereby strengthening financial sector integrity and contributing to safety and security.

To achieve this objective, the FATF has identified 11 key goals that an effective AML/CFT framework should achieve. These key goals or 'immediate outcomes' are organised by thematic goal. During its mutual evaluations, the FATF assesses the effectiveness of a country's efforts against each of these 11 immediate outcomes.



1 | Risk, Policy and Coordination

Money laundering and terrorist financing risks are understood and, where appropriate, actions coordinated domestically to combat money laundering and the financing of terrorism and proliferation.

2 | International cooperation

International cooperation delivers appropriate information, financial intelligence, and evidence, and facilitates action against criminals and their assets.

3 | Supervision

Supervisors appropriately supervise, monitor and regulate financial institutions and DNFBPs for compliance with AML/CFT requirements commensurate with their risks



4 | Preventive measures

Financial institutions and DNFBPs adequately apply AML/CFT preventive measures commensurate with their risks, and report suspicious transactions.

5 | Legal persons and arrangements

Legal persons and arrangements are prevented from misuse for money laundering or terrorist financing, and information on their beneficial ownership is available to competent authorities without impediments

6 | Financial intelligence

Financial intelligence and all other relevant information are appropriately used by competent authorities for money laundering and terrorist financing investigations.

7 | Money laundering investigation & prosecution

Money laundering offences and activities are investigated and offenders are prosecuted and subject to effective, proportionate and dissuasive sanctions.

8 | Confiscation

Proceeds and instrumentalities of crime are confiscated.

9 | Terrorist financing investigation & prosecution

Terrorist financing offences and activities are investigated and persons who finance terrorism are prosecuted and subject to effective, proportionate and dissuasive sanctions.



10 | Terrorist financing preventive measures & financial sanctions

Terrorists, terrorist organisations and terrorist financiers are prevented from raising, moving and using funds, and from abusing the NPO sector.

11 | Proliferation financial sanctions

Persons and entities involved in the proliferation of weapons of mass destruction are prevented from raising, moving and using funds, consistent with the relevant UNSCRs.



Risk Assessment

Effectively tackling money laundering and the financing of terrorism and proliferation is only possible if countries understand the risks they face. Each country is unique, from its geographical location to the size of its financial sector and the threats it faces. Once a country has properly understood its risk context, it will be able to implement anti-money laundering and counter terrorist financing measures that mitigate them, focusing its resources on the areas where the risks are highest.

This approach, the risk-based approach, also applies to financial institutions and designated non-financial businesses and professions. Implemented effectively, this should help businesses to manage their risks. It should not result in indiscriminate de-risking: the exclusion of entire classes of customers, sectors or regions from the financial system to avoid potential money laundering and terrorist financing risks.

Indiscriminate de-risking by banks can have a significant impact in certain regions and sectors, such as non-profit organisations, who suddenly find themselves without access to financial services. Driving customers to unregulated, alternative financial products also has a negative impact on transparency and increases the risks of illicit transactions. Targeted de-risking should only occur if the risks are too high and cannot be adequately mitigated.

During its assessments of countries' efforts, the FATF is paying close attention to whether the risks have been identified and understood, and whether the country has taken steps to address them.

The benefits from a risk-based approach are real. Belgium, for example, identified VAT fraud as a high-risk area with an estimated cost of EUR 1.1 billion in 2001. After the creation of a special unit to identify the different modus operandi used by criminals, including the laundering of the proceeds of the fraud, Belgium reduced the cost to their economy from VAT fraud to EUR 18.5 million.¹

¹ FATF (2015) Anti-money laundering and counter-terrorist financing measures - Belgium,




International Co-operation

Criminals and terrorists operate without regard for borders. It is therefore essential that countries cooperate effectively to fight financial crime. Therefore, to follow the financial footprints, authorities must co-operate with their counterparts in other countries. This can range from requests for information, to extradition.

Thanks in large part to technology, the world is becoming a much smaller place. Funds can move across the globe in a few clicks while social media and other communication tools facilitate networking and fundraising at a global scale, including for criminals and terrorists. The members of the FATF's global network and the FATF's members in particular, are achieving good results in this respect. In Australia for example, authorities sought legal assistance from other countries in the context of Project Hyssop, which involved an Australian-based narcotics syndicate. This resulted in restraint action overseas totalling AUD 15 million in relation to narcotics trafficking and money laundering.²

Out of the 75 countries of the FATF Global Network assessed as of 17 April 2019, 42 (including 19 FATF members) are achieving a substantial to high level of effectiveness in international co-operation. This is a significant achievement. The fight against money laundering and terrorist financing is a global one and changes in the financial landscape will only make it more important for countries to work effectively together. Only by doing so, can countries close the loopholes to those wishing to abuse the financial system.

² FATF and APG (2015) Anti-money laundering and counter-terrorist financing measures - Australia.



Corporate vehicles, such as companies, foundations, partnerships, and other types of legal persons and arrangements are important for supporting commercial and entrepreneurial activity, they can also be misused to conceal the ownership and control of illicitly gained assets.

The FATF Recommendations on beneficial ownership ensure that competent authorities have access to adequate, accurate and timely information about the person behind these legal persons and arrangements.

Transparency

Across the global network of the FATF and the FATF-style regional bodies' members, 44% of assessed countries show a low level of effectiveness on preventing the misuse of legal persons and arrangements and 46% achieve a moderate level of effectiveness. To date, there has not yet been a country that has demonstrated a high level of effectiveness in improving transparency, and preventing the dissimulation of assets behind complex corporate structures. This means that criminals can continue to disguise their activities as legitimate corporate trade and use a multitude of tools, including shell companies, trusts, nominees, and professional intermediaries, to conceal their beneficial ownership and the true nature of their activities.

The "Panama papers" and other subsequent high-profile money laundering schemes further emphasise what the FATF's assessments had already revealed: more needs to be done. The problem is not the absence of laws and regulations, the problem lies in the fact that they are not being used effectively.

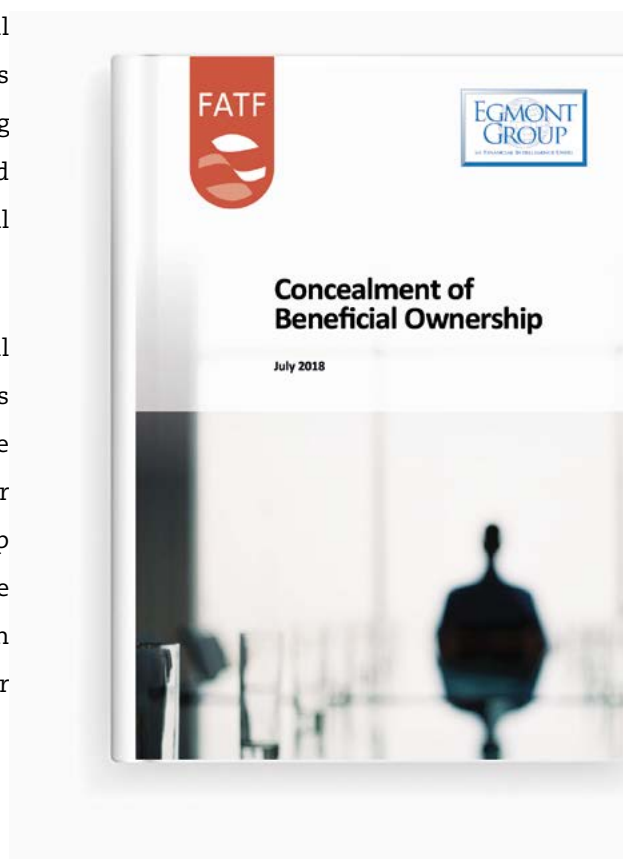
To assist countries, the FATF has issued additional *Guidance on Transparency and Beneficial Ownership*. This guidance, developed with input from private sector and corruption experts, will assist policy makers and practitioners in national authorities to identify, design and implement appropriate measures to prevent the misuse of corporate vehicles.

In a joint effort with the Egmont Group on Financial Intelligence Units, the FATF also published a comprehensive analysis of the risks associated with complex corporate structures and the ease with which they can be formed, which make them particularly vulnerable. The report raises awareness about the use of corporate structures to create barriers between the owner or individual and laundered proceeds. In the cases included in the report, the average amount of money laundered is in excess of USD 500 million, highlighting the urgency for countries to take concrete and effective action to increase transparency.

Example case study on the misuse of a legal person or arrangement

US authorities identified front companies used to conceal the ownership of certain US assets by Bank Melli, which was previously designated by the US authorities for providing financial services to entities involved in Iran’s nuclear and ballistic missile program. Bank Melli was also subject to a call for enhanced vigilance in UNSCR 1803.

The Department of Justice obtained the forfeiture of substantial assets controlled by the Government of Iran. These assets included a 36-story office tower in Manhattan at 650 5th Avenue having an appraised value of more than USD 500 million, other properties, and several million dollars in cash. The ownership of the office tower was split between Bank Melli (40%) and the Alavi Foundation (60%), which provided services to the Iranian government, such as transferring funds from the office tower to Bank Melli.



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www.fatf-gafi.org/publications/methodsandtrends/documents/concealment-beneficial-ownership.html

Other Assessing Bodies

In addition to the FATF, the nine FATF-style regional bodies (FSRBs), the IMF and the World Bank also assess their members' compliance with the FATF's anti-money laundering and counter-terrorist financing measures on the basis of the FATF's assessment methodology.

Initially, each FSRB adopted its own processes to monitor compliance with the FATF Recommendations, but by 2004 all had agreed to use the FATF's methodology to conduct their members' mutual evaluations. As international financial institutions concerned with money laundering and terrorist financing, the IMF and the World Bank increased their collaboration with the FATF when it expanded its mandate to include terrorist financing. By 2004, the IMF and the World Bank were also using the FATF methodology for their assessments. The current methodology, provides some flexibility in the way these bodies conduct their assessments. However, there is a core set of principles that each assessment body must respect.

Buenos Aires, November 2017. The joint FATF-GAFILAT Plenary meeting during which the assessments of Mexico and Portugal were adopted.



Quality and Consistency

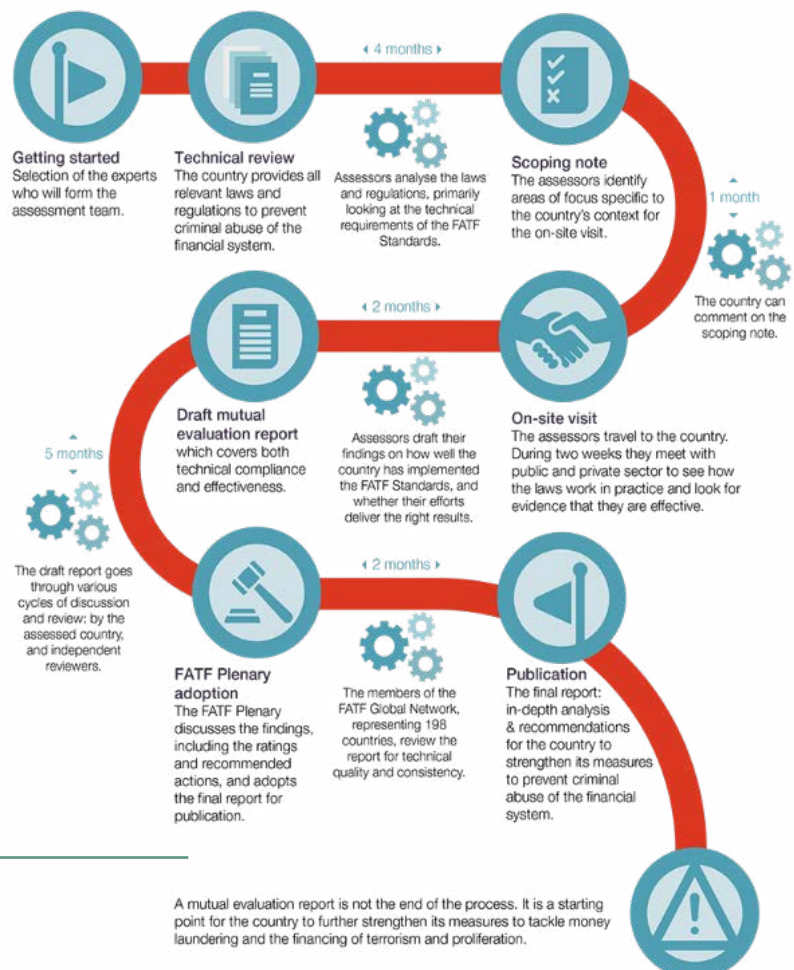
During each assessment, regardless of the assessing body, the members of the global network of 205 countries have the opportunity to review and comment on the draft conclusion. Even at a later stage, when the assessment has been discussed and approved at Plenary, all countries once again have the opportunity to raise concerns about the quality or consistency of an assessment. This process ensures that the reports are unbiased towards any particular member, and that there is a level of consistency in the findings and overall quality, regardless of the assessing body.

The assessment is an intensive and important time for an assessed country. It demonstrates that the actions it is taking are delivering the right results. Sometimes, a country may not have sufficiently prioritised AML/CFT efforts. The results from the assessment will often encourage the necessary high-level political commitment to drive through the recommended actions to further strengthen its efforts to fight money laundering.

For the FATF, each assessment tests how well its standards are understood and used, and whether there is sufficient awareness of certain money laundering and terrorist financing risks.

On the basis of these assessments, the FATF may decide on additional work, to further refine the standards, or develop additional guidance.

The Mutual Evaluation Process



The mutual evaluation process, with the quality and consistency review, the final step before publication of the report.



Identifying High-Risk and Uncooperative Jurisdictions

Given the rapid developments in the financial landscape and its payment methods, and the high mobility of funds, one country with weak measures to prevent money laundering and terrorist financing presents a risk to the global financial system.

Terrorists and criminals will look for such weaknesses to integrate their funds into the financial system. They will seek out financial institutions that don't ask questions about the origin of funds, countries where suspicious transactions are not reported or investigated and where the international recovery of criminal assets is not prioritised.

A country with weak measures to keep out criminal assets, presents a risk to any of its international trading partners. Reducing their exposure to such risks is now a priority for regulators and financial institutions around the world. Financial institutions are limiting or halting their financial interactions with countries that are unable or unwilling to safeguard the integrity of the financial system.

One of the key roles of the FATF is to identify countries with such strategic weaknesses and to raise awareness about the risks emanating from them. Since 2000, the FATF has had in a place a public identification process that has proven very successful in helping countries prioritise and drive through the necessary reforms.

Non-Cooperative Countries and Territories

In 2000, the FATF established its Non-Cooperative Countries and Territories (NCCT) Initiative, the predecessor to the FATF's current process of identifying high-risk jurisdictions. The purpose of the NCCT initiative was to reduce the vulnerability of the financial system to money laundering by ensuring that all financial centres adopt and implement measures for the prevention, detection and punishment of money laundering. The FATF publicly identified jurisdictions that presented significant weaknesses in the way they had implemented these measures, encouraging them to make the necessary reforms.

The initiative ended in 2007, when the last of the 23 identified jurisdiction remedied its deficiencies and was removed from the list.



Hong Kong, China, January 2002.
The FATF Steering Group, front centre, Clarie Lo (FATF President). From left to right, the representatives from the Netherlands, [FATF Executive Secretary Patrick Moulette], Portugal, Germany, Italy, Hong Kong, China, the United States and Spain.

International Co-operation and Review Group

In 2007, the FATF strengthened its monitoring process through the creation of the International Co-operation Review Group (ICRG). Through the ICRG, the FATF has continued its focus on the key objective of identifying jurisdictions with significant weaknesses in their AML/CFT regimes, and working with them to address those weaknesses. In the ICRG process, the FATF reviews jurisdictions based on threats, vulnerabilities, or particular risks arising from the jurisdiction.

Jurisdiction is nominated by a FATF member or an FSRB. The nomination is based on specific money laundering, terrorist financing, or proliferation financing risks or threats coming to the attention of delegations; or

Jurisdiction does not participate in an FSRB or does not allow mutual evaluation results to be published in a timely manner; or

Criteria for review by the ICRG

Jurisdiction has achieved poor results on its mutual evaluation, specifically:

- it has a non-compliant or partially compliance rating for technical compliance on 20 or more of the 40 FATF Recommendations
- it is rated non-compliant or partially compliant on 3 or more of core FATF Recommendations; or
- it has a low or moderate level of effectiveness for 9 or more of the 11 Immediate Outcomes, with a minimum of two lows; or
- it has a low level of effectiveness for 6 or more of the 11 Immediate Outcomes.

Public Identification

The FATF's process helps protect the integrity of the international financial system by issuing a public warning about the risks emanating from the identified jurisdictions. These public warnings also put pressure on the identified jurisdictions to address their deficiencies in order to maintain their position in the global economy. Public identification, and the prospect of public identification, encourages countries to swiftly make significant improvements.

The FATF publishes two statements at the end of each Plenary. The statements reflect the different levels of risks posed by the jurisdictions under review.

Improving Global AML/CFT Compliance: Ongoing Process Statement

This statement identifies jurisdictions with strategic deficiencies in their anti-money laundering and counter terrorist financing regimes that are undergoing review by the FATF according to the agreed milestones and timelines.

FATF Public Statement

This statement identifies two groups of jurisdictions:

- Jurisdictions for which the FATF calls on its members and non-members alike to apply enhanced due diligence measures, which should be proportionate to the risks arising from the deficiencies associated with those jurisdictions.
- For jurisdictions with such serious, longstanding strategic deficiencies that have still failed to make progress after the FATF calls for enhanced due diligence, the FATF calls on its members and non-members alike to apply, in addition to enhanced due diligence, counter-measures in order to protect the international financial system from the money laundering, terrorist financing and proliferation financing risks emanating from those jurisdictions.

The ICRG process, and in particular the process of public identification, has proven to be very successful. Regulators and financial institutions around the world look to the FATF to inform them about jurisdictions with strategic weaknesses in their AML/CFT regulatory framework that pose a risk to the financial system. As a result, trading partners may face higher costs or may no longer be able to do business at all. This will have a significant impact on the identified jurisdictions' position in the global economy, which will put pressure on the country to make the necessary reforms.

As of February 2019, the FATF reviewed 81 countries and publicly identified 69 of them. Of these 69, 44 have since made the necessary reforms and have been removed from the process.

Through the four regional review groups of the ICRG, the FATF continues to identify additional jurisdictions that pose a risk to the financial system. It engages with each of them to obtain the high-level commitment necessary to address the deficiencies identified and establishes an action plan and timeline. FATF monitors the jurisdictions' progress closely to ensure that its measures are implemented effectively.

As of February 2019, the FATF reviewed 81 countries and publicly identified 69 of them. Of these 69, 44 have since made the necessary reforms and have been removed from the process.

Two decades of identifying high-risk and non-cooperative jurisdictions have delivered important results. The FATF's various processes have helped many countries establish sound national frameworks. For some, the public identification was the wake-up call they needed to obtain a high-level political commitment to address these deficiencies. Countries with a more modest financial sector or absence of terrorist activity often prioritised policy issues such as employment, education or health care on their national agendas. This sometimes happened at the detriment of establishing even the most basic anti-money laundering and counter-terrorist financing measures.

In today's interconnected world, any country can potentially be at risk of getting involved in illicit activities. The ICRG process ensured that governments prioritised the necessary action, including the allocation of sufficient resources to fight against money laundering and terrorist financing.

The success story of the ICRG process includes Israel and Russia. Both countries were included on the very first public statement in 2000. Both countries committed at the highest political level to drive through the necessary reforms. Each made the fight against money laundering and terrorist financing a priority and successfully implemented a robust framework of legal, law enforcement and operational measures. Both countries have since become active and valuable members of the FATF, participating in policy development and sharing their national experiences with members of the FATF Global Network.

The FATF's work to identify jurisdictions with strategic deficiencies makes an important contribution to raising the strength of anti-money laundering and counter-terrorist financing measures globally. In doing so, it makes a significant contribution to ensuring the integrity of the financial system, the stability of the global economy and international safety and security.



Busan, Korea, June 2016. FATF Plenary under the Presidency of Je-yoon Shin (FATF President 2015-2016)

Expanding FATF's Global Network

An effective response to money laundering and terrorist financing and any other threats to the financial systems needs to be a global one. Soon after its creation, the FATF started the expansion of its membership to include countries that were strategically the most important and ensure a geographic balance of its membership.

In December 2018, Israel joined as the 38th member of the FATF. Saudi Arabia and Indonesia are currently observer members, and are working towards meeting the criteria to become full members of the FATF.

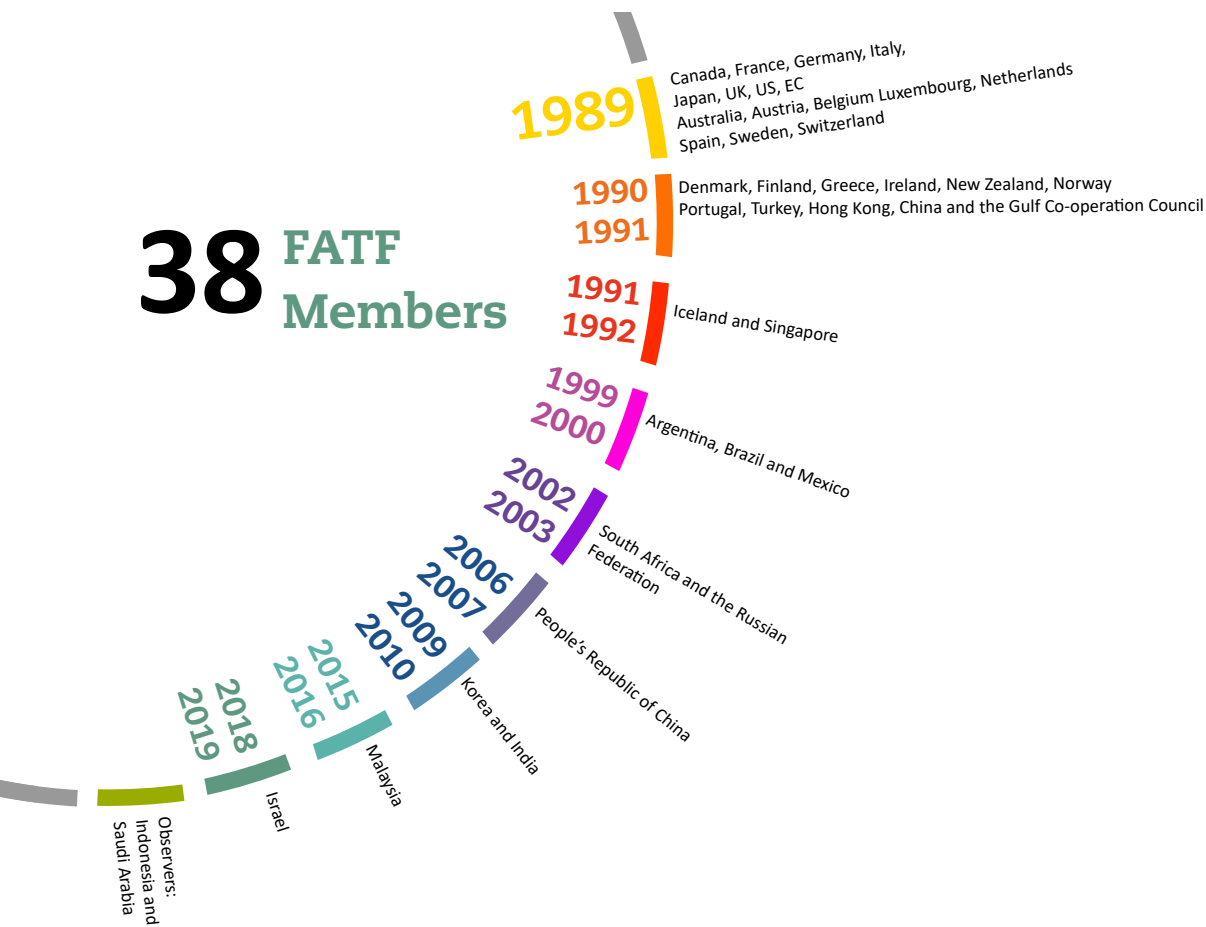
As a result of this process, key economies of all continents are directly involved in the FATF's work.

FATF Executive Secretary David Lewis (left) and Ms Shlomit Wagman, Director of the Israel Money Laundering and Terror Financing Prohibition Authority and Head of the delegation of Israel to the FATF on the release of the mutual evaluation report of Israel. With the successful completion of its assessment, Israel became the FATF's 38th member.



New FATF Members per plenary year since the FATF's creation in 1989.

38 FATF Members



“

Along its 30 years, the FATF proved to be one of the most important and influential global organizations, clearly having an impact on global markets, on economies, on countries and on the global commitment of all counterparts to combat money laundering and terror financing. Therefore, becoming an FATF member has been a clear national priority for Israel.

We believe that the Israeli case can serve as a good example of the strengths of the FATF. The ongoing monitoring and pressure of this organization, has induced a real paradigm shift: Israel conducted an extensive revision of its legal system and dramatically improved its overall anti-money laundering and terror financing regimes. Only 16 years ago, Israel was included in the FATF's black list, and thanks to the organisation and the important work it spearheads, Israel has made substantial progress up to the point it has even become one of the most effective countries in the field, as was demonstrated in the recent mutual evaluation report.

Shlomit Wagman, Director of the Israel Money Laundering and Terror, Financing Prohibition Authority and Head of the delegation of Israel to the FATF



GAFISUD (now GAFILAT) assessment training, 17-19 September 2001.



FATF President Bjorn Aamo at the opening ceremony of the CFATF Plenary Meeting, 21 November 2012

While the FATF's own membership has grown from its original 16 members, the FATF also looked beyond its own membership. From the beginning, FATF realised that it was important to build external relations. Since 1993, regional bodies have been established in nine regions of the world. They have endorsed the FATF Recommendations and committed to promoting the implementation of robust anti-money laundering and counter-terrorist financing measures among their respective member countries. Following the example of the FATF, each of these regional bodies also established evaluation processes to assess how its members had implemented the FATF's Recommendations.

The regional bodies play an essential role in promoting sound anti-money laundering and counter-terrorist financing measures among its members. Today's FATF Recommendations are the result of three decades of evaluations, enriched by members' experiences and lessons learnt. For some members of the Global Network, particularly those with a less mature legal, regulatory and operational framework, it can be challenging to implement the FATF Recommendations. Especially as they must meet the mutual evaluation criteria.

An unsatisfactory assessment can have a negative impact on the country's position in the global economy, so it is important that they use their resources wisely. FSRBs act as the liaison between its members and the FATF. Each FSRB understands its members' regional context, the risks they face, the particular constraints they face, and can provide training or technical assistance where necessary.

They analyse the new or developing methods in which criminals or terrorists abuse the financial system in their region. These reports are important to raise awareness and contribute to further strengthening the FATF Recommendations.

Today, each regional body, or FATF-style regional body (FSRB) has the official status of Associate member. Together with the FATF and its members, they form the FATF Global Network, a growing network of currently 205 countries and jurisdictions around the world that have committed to fully and effectively implement the FATF Recommendations. The FATF and FSRBs are independent organisations that meaningfully contribute to each other's projects and share the common goal of protecting the integrity of the financial system by addressing new and emerging threats and through mutual evaluation and follow-up processes.



(Above and below) Strasbourg, 21 February 2007. Joint FATF-MONEYVAL Plenary meeting. From left: MONEYVAL Executive Secretary John Ringguth, MONEYVAL President Vasil Kirov, FATF President Frank Swedlove (Canada), FATF Executive Secretary Alain Damais, FATF Policy Analyst Vincent Schmolli.



Members of the FATF Global Network

Alghanistan; Australia; Bangladesh; Bhutan; Kingdom of; Brunei Darussalam; Cambodia; Canada; China, People's Republic of; Cook Islands; Fiji; Hong Kong; China; India; Indonesia; Japan; Korea, Republic of; Lao People's Democratic Republic; Macao China; Malaysia; Maldives; Marshall Islands; Republic of; Mongolia; Myanmar; Nauru; Nepal; New Zealand; Niue; Pakistan; Palau; Papua New Guinea; Philippines; Samoa; Singapore; Solomon Islands; Sri Lanka; Chinese Taipei; Thailand; Timor Leste; Tonga; United States; Vanuatu; Vietnam

APG
Asia/Pacific Group on Money Laundering

CFATF
Caribbean Financial Action Task Force

EAG
Eurasian Group

ESAAMLG
Eastern and Southern Africa Anti-Money Laundering Group

FATF
Financial Action Task Force

GABAC
Task Force on Money Laundering in Central Africa

GAFILAT
Financial Action Task Force of Latin America

GIABA
Inter Governmental Action Group against Money Laundering in West Africa

MENAFATF
Middle East and North Africa Financial Action Task Force

MONEYVAL
Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism

Argentina; Australia; Austria; Belgium; Brazil; Canada; China; Denmark; European Commission; Finland; France; Germany; Greece; Gulf Cooperation Council; Hong Kong; China; Iceland; India; Ireland; Israel; Italy; Japan; Republic of Korea; Luxembourg; Malaysia; Mexico; Netherlands; Kingdom of; New Zealand; Norway; Portugal; Russian Federation; Singapore; South Africa; Spain; Sweden; Switzerland; Seychelles; Tanzania; Uganda; Zambia; Zimbabwe

Cameroon; Central African Republic; Chad; Congo, Democratic Republic of; the; Congo, Republic of the; Equatorial Guinea; Gabon

Argentina; Bolivia; Brazil; Chile; Colombia; Costa Rica; Cuba; Dominican Republic; Ecuador; Guatemala; Honduras; Mexico; Nicaragua; Panama; Paraguay; Peru; Uruguay

Benin; Burkina Faso; Cabo Verde; Comoros; Cote d'Ivoire; Gambia, The; Ghana; Guinea; Guinea-Bissau; Liberia; Mali; Niger; Nigeria; Sao Tome and Principe; Senegal; Sierra Leone; Togo

Algeria; Bahrain; Djibouti; Egypt; Iraq; Jordan; Kuwait; Lebanon; Libya; Mauritania; Morocco; Oman; Palestinian Territories; Qatar; Saudi Arabia; Somalia; Sudan; Syria; Tunisia; United Arab Emirates; Yemen

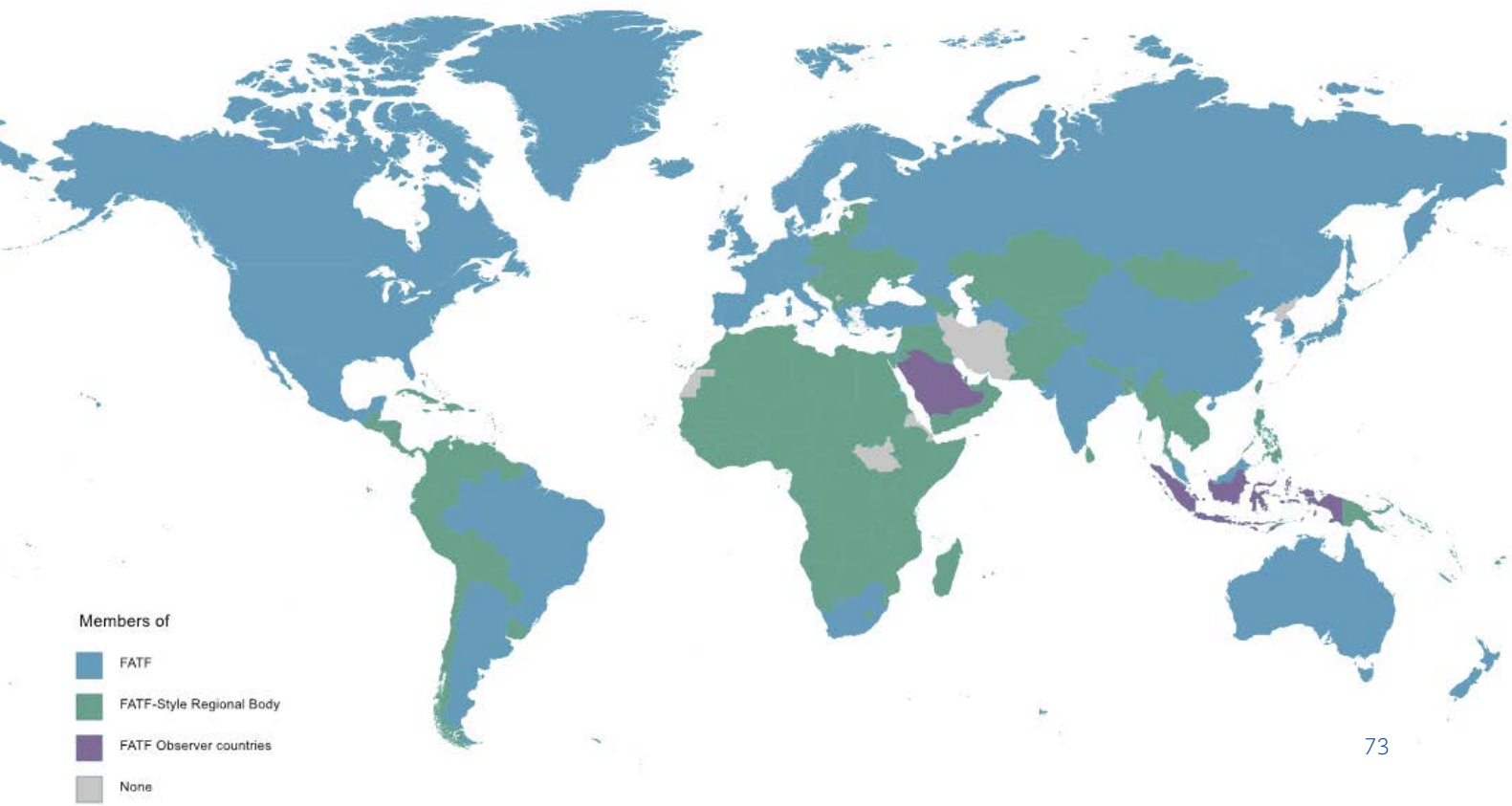
Albania; Andorra; Armenia; Azerbaijan; Bosnia and Herzegovina; Bulgaria; Croatia; Cyprus; Czech Republic; Estonia; Georgia; Hungary; The Holy See; Israel; Latvia; Liechtenstein; Lithuania; Malta; Moldova; Monaco; Montenegro; Poland; Romania; Russian Federation; San Marino; Serbia; Slovak Republic; Slovenia; "The former Yugoslav Republic of Macedonia"; The UK Crown Dependencies of Guernsey, Jersey and the Isle of Man; The British Overseas Territory of Gibraltar; Ukraine

205 Global Network Members

The FATF is the only standard-setting body and the guardian and arbiter of the application of its standards. However, in setting the standard, the FATF must ensure that they remain relevant and applicable globally. FATF therefore depends on input from the FSRBs as much as from its own members.

The common objectives of the FATF and FSRBs make them part of a larger whole.

The success or failure of one organisation affects all of them.



Financial Inclusion

Financial inclusion has always been important to the FATF. It reinforces financial integrity and financial stability. AML/CFT requirements should not create yet another obstacle to providing people access to the financial system. One of the main obstacles to providing appropriate, regulated financial services or products to unbanked customers is their lack of reliable identity documentation and data verification. Low income individuals or displaced persons such as refugees, often do not possess the proper identification documentation and are therefore not able to meet “traditional” customer due diligence requirements.

The FATF Recommendations, through the risk-based approach, allow flexibility to provide access to basic, regulated financial products to a larger proportion of the population. Financial exclusion is in itself a money laundering or terrorist financing risk. The FATF has issued guidance to clarify the application of the risk-based approach to avoid the indiscriminate exclusion of entire groups of customers or regions from access to regular financial system.

Unfortunately, not every country is properly implementing these recommendations and guidance, and over-compliance remains frequent. During their assessments, the FATF and the FSRBs must ensure that the assessed country has taken the necessary steps to identify the money laundering and terrorist financing risks and is managing these risks, not avoiding them. Particularly in the case of the FSRBs whose members include developing countries, or countries with both developed and underdeveloped economic sectors, the assessment process can reveal occasions where the FATF’s requirements are not properly understood. Some countries may have a less mature regulatory system to fight financial crime, while others may face capacity constraints that make it hard for them to implement the FATF’s requirements. The FSRBs have an essential role in helping their members fully and effectively implement the FATF Recommendations, and making use of the flexibility that the risk-based approach provides to develop sound financial services for the financially excluded. In 2017, the FATF issued guidance to encourage countries to make full use of the risk-based approach to promote financial inclusion.



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FATF’s new recommendations do hold the potential to bring many more people into the formal financial system without compromising the purpose of combating financial crime. And by doing this, they also greatly reduce risks associated with financial exclusion.


H.M. Queen Máxima of the Netherlands, UN Secretary-General’s Special Advocate for Inclusive Finance for Development, FATF Plenary, Oslo, June 2013

Observer Organisations

The FATF's work on fighting financial crime intersects with that of a number of other international bodies, such as the World Bank and IMF, who use the FATF Methodology to assess their respective members' anti-money laundering and counter-terrorist financing measures. Twenty-three organisations, which also includes the United Nations, OECD, Egmont Group of Financial Intelligence Units and Interpol, are now actively involved in FATF's work to detect, prevent and punish financial crime. Each actively participates in the FATF meetings and provides substantive input in the FATF's research and policy development.

Terrorist financing is one of the focus areas of the United Nations. Building on the International Convention for the Suppression of the Financing of Terrorism, it has issued a number of security council resolutions that call on states to prevent and suppress the financing of terrorism, including through the full and effective implementation of the FATF Recommendations. The most recent United Nations Security Council Resolution, recognises the essential role of the FATF in setting global standards to combat money laundering, terrorist financing, and weapons of mass destruction (WMD) proliferation financing and welcomes FATF's on-going work to mitigate the risks from virtual assets and virtual assets service providers.

The FATF's work complements that of the UN. The FATF Recommendations provide clear instruction to help countries meet their obligations pursuant to the relevant UN Conventions and Security Council Resolutions. Meanwhile, the FATF and FSRBs' mutual evaluations provide important information about the actions that countries have taken to implement the necessary laws and regulations and can reveal valuable information for the UN about possible needs for technical assistance.

A photograph of Christine Lagarde, Managing Director of the IMF, speaking at a podium. She is wearing a dark blazer and a green and blue patterned scarf. A microphone is in front of her. The podium has a nameplate that reads "Christine Lagarde Managing Director, IMF". The background is blurred, showing other people in a meeting setting.

Christine Lagarde
Managing Director, IMF

“ We both are deeply committed to supporting countries in building defenses against money laundering and the financing of terrorism through the AML/CFT standards. We both know that these global challenges cannot be resolved by countries working alone.

By Christine Lagarde, IMF Managing Director, at the FATF Plenary Meeting,
Valencia, June 22, 2017



New York, 13 December 2016. Juan Manuel Vega-Serrano (FATF President 2016-2017) at the Joint special meeting of UN Security Council Committees.

The United Nations programme of technical assistance and training is essential in enhancing the capacity in developing countries to build an effective framework to fight financial crime. Particularly from this perspective, the United Nations brings valuable experience to FATF's policy development and research.

The importance of the FATF's work to protect the financial system is also evident from its increasing engagement in other international fora, such as the G20. Since 2017, the FATF now takes part in meetings of the G20 Finance Ministers and Central Bank Governors and reports directly to the G20 Summit on its latest actions.

FATF has also worked more directly with G20 stakeholders on specific issues. The FATF and G20 Anti-Corruption Working Group meetings brought together anti-money laundering/counter-terrorist financing experts and anti-corruption experts.



THIRD MEETING OF FINANCE MINISTERS AND CENTRAL BANK GOVERNORS
21 - 22 July / Buenos Aires, Argentina

Buenos Aires, April 2016, Marshall Billingslea (FATF President 2018-2019) at the meeting of the G20 Finance Ministers and Central Bank Governors (middle row, far right).

Preventing the misuse of legal persons and arrangements remains a top priority on both the FATF and G20 agendas. It is of particular interest to the international community overall since the high-profile leaks of legal documents revealed the ease with which criminals had been able to hide their assets behind complex corporate structures. The FATF and G20 Anti-Corruption Working Group meetings contributed to the FATF's work on improving transparency and access to beneficial information. Today, other organisations such as the OECD use the FATF's standards as the point of reference on beneficial ownership requirements.

The FATF also worked closely with financial inclusion stakeholders, in particular the G20 Global Partnership for Financial Inclusion (GPII). The GPII specifically works with global standard-setting bodies (SSBs) on cross-cutting issues for financial inclusion, that are of relevance to multiple SSBs. The FATF used this platform to share information on emerging FinTech/RegTech practices and their regulatory approaches, specifically regarding the use of digital identity for financial inclusion purposes.

Private Sector & Civil Society

The fight against money laundering and the financing of terrorism and proliferation depends on the awareness, understanding and vigilance of those on the forefront such as banks, lawyers, accountants and others who need to apply the relevant customer due diligence measures to their business relationships. They need to understand the red flags that indicate possible attempts to launder money or move funds in support of terror. They need to report transactions with suspected links to crime or terror to their financial intelligence unit for further investigation.

A proactive co-operation between authorities and financial institutions can have a significant impact. In 2017, following terrorist attacks in London, financial institutions pro-actively reached out to the country's financial intelligence unit to offer assistance in identifying the terrorist networks involved. A full financial picture of payments and spending patterns emerged rapidly, allowing investigators to confirm those involved in organising the attack.

Berlin, Germany, 9 October 2017, the second FinTech and RegTech Forum in Berlin, chaired by Santiago Otamendi (FATF President 2017-2018)





The Institute of International Finance (IIF) commends the Financial Action Taskforce on thirty years at the forefront of the global fight against financial crime.

The FATF is a critical organisation in the effort to counter the threats that illicit financial flows pose to the integrity of the international financial system. Cross-border criminal finance supports some of the worst problems confronting society today; including money laundering, terrorism, human trafficking, drug smuggling, and cyber-attacks. The financial services industry values the opportunity to work collectively with the FATF, its member states and its affiliate organisations to combat these activities through proactive and concerted efforts to strengthen the anti-money laundering and countering the financing of terrorism (AML/CFT) framework on a consistent global basis.

The new FATF mandate and its long-term commitment to the organisation's core work will enhance these capabilities and support the collective efforts of the international community in making our financial system - and our wider society - safer and more secure.

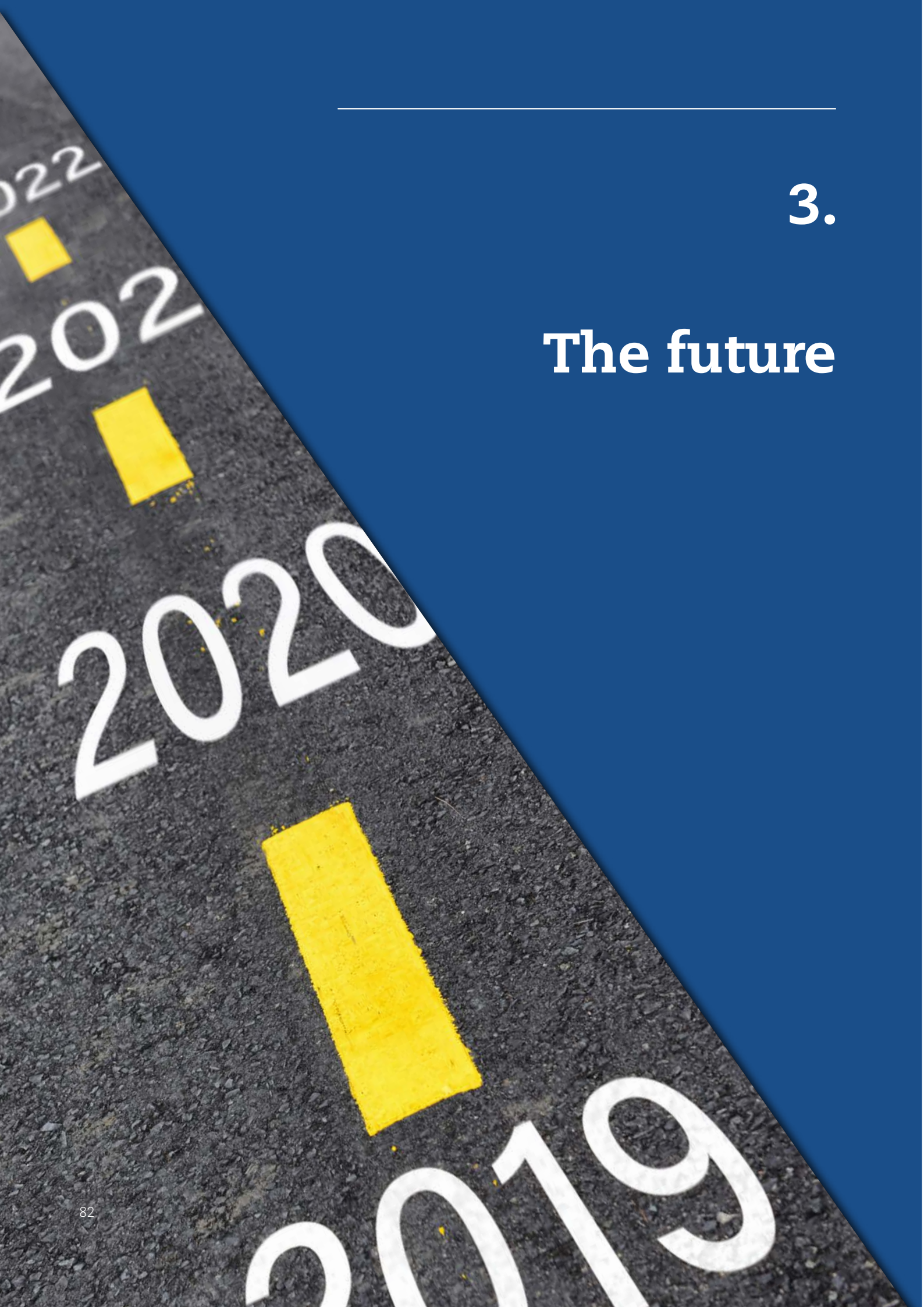
Timothy D. Adams, President and CEO, Institute of International Finance

The FATF recognises that in order for its standards to remain relevant, it must engage with the private sector. Through its private sector consultative forum, the FATF has established a constructive dialogue with private sector representatives. They have been able to review and comment on the FATF's ongoing work and raise issues of concern to the FATF. In addition to the private sector consultative forum, many of the FATF's guidance has been subject to a public consultation to confirm that it provided the clarification needed by the relevant sector (s). This process informed the FATF's policy development and typologies research to ensure that it was relevant to its target audience.

Private sector and civil society also provide valuable input into the FATF's process to determine the effectiveness of a country's measures to detect, prevent and punish abuse of the financial system. This input ranges from the publicly available information that the assessment team collects during the course of the assessment process, to face-to-face meetings with private sector, civil society and non-profit sector representatives. This process ensures that each evaluation report is grounded in the reality faced by those dealing with the impact of anti-money laundering and counter-terrorist financing measures on a daily basis.

3.

The future



FATF's New Mandate as an International Organisation

Three decades ago, the G7 created the FATF as a temporary forum to find a solution to the money laundering problem that was a global priority at the time. Since then, the FATF has made a valuable contribution to safety and security by ensuring a sustained public and political commitment to fight money laundering, terrorist financing, and proliferation financing.

Through its work, the FATF has demonstrated that decisive, co-ordinated and effective action against these threats is not a temporary exercise, but that it requires a continued global focus. The FATF's work enhances financial transparency and stability, which are the foundations for economic growth.

Criminals, including transnational criminal groups, need access to financial services to support their criminal activities and benefit from the proceeds of their crimes. Similarly, terrorists exploit vulnerabilities in the financial system to raise and move funds that are used to carry out attacks on innocent citizens. State and non-state actors take advantage of loopholes and weak oversight to channel funding for the development of weapons of mass destruction. As echoed in United Nations Security Council Resolution 2462, the FATF continues to have an essential role in setting global standards to combat money laundering, terrorist financing, and weapons of mass destruction proliferation financing, and assessing countries against these standards.



Washington, 12 April 2019, FATF Ministerial Meeting.



This year, Ministers recognised that the FATF had evolved from a time-bound task force to an international organisation whose work was crucial to the integrity of the global financial system.

They agreed to make the FATF's mandate open-ended. This reflects the fact that money laundering, terrorist financing and the financing of proliferation are enduring challenges for the integrity of the financial system, and that a sustained political commitment to fight money laundering, terrorist financing, and proliferation financing is required.

The FATF members also agreed to greater ministerial engagement and support for the FATF through regular and more frequent ministerial-level meetings. They also agreed to extend the term of the FATF Presidency, and, to abide by a new funding model for the organisation.

The FATF's new mandate recognises the need for the FATF to continue to lead decisive, co-ordinated and effective global action to counter the threats of the abuse of the financial system by criminals and terrorists, and strengthens its capacity to respond to these threats that all countries face.

Washington, 12 April 2019, FATF Ministers agree to meet every two years to discuss strategic issues and FATF's progress in its mandate.





New Challenges for the Global Financial System

Our society, economy and political context never ceases to evolve. As a result, new challenges appear. Recent years saw the emergence of serious terrorist financing threats from organisations such as ISIL, Al Qaeda and affiliates. Financial innovation is creating efficiencies and providing access to alternative financial products, including to those who have not had access to traditional financial services, in developing countries for example.

At the same time, financial innovation is opening up a whole new spectrum of potential loopholes that could attract those who are looking to use, raise and move money with links to crime and terrorism. Without a doubt, in the years to come, new threats and risks to the integrity of the financial system will emerge that today, few could imagine.

One of the strengths of the FATF has always been its ability to respond rapidly to the evolving threats and risks to the financial system. Since the FATF fully revised its global standards in 2012, it has already refined and strengthened 10 of its 40 Recommendations to respond to new threats, for example to foreign terrorist fighters.

With the support from its members and the G20, the FATF will continue to lead global efforts to understand money laundering, terrorist financing and proliferation financing risks. The FATF will develop and promote policies and standards that are relevant and responsive to counter these risks and assess countries against those standards. The FATF will work more closely with the FATF-style regional bodies, the IMF and the United Nations to implement these standards. The FATF will continue its crucial work to identify and isolate the weak links in the global financial system by holding countries to account that have not taken the necessary action.

Innovation

The financial landscape is evolving at an unprecedented pace. New technologies have introduced a whole new spectrum of money laundering opportunities. At the same time, these technologies provide an opportunity to develop a sophisticated response to this problem. Innovations such as artificial intelligence and machine learning could facilitate the processing of large volumes of data to spot patterns and anomalies that a human might miss.

After the FATF took the important initiative of bringing industry and regulators together, it is now taking the lead role in ensuring that new products are resilient to being abused by money laundering and terrorist financing. At the same time, the FATF is exploring the positive impact that technology can make to anti-money laundering and counter-terrorist financing efforts worldwide.

Financial innovation can offer many benefits, such as access to efficient, flexible and cheap financial products. This can have a positive impact on financial inclusion of the two billion 'unbanked' people around the world. For customers who do not possess classic identification, digital ID solutions for example, could improve customer identification and verification of identity for on-boarding and authorizing account access as well as other customer due diligence measures.

The FATF has developed a constructive dialogue with the private sector to explore the opportunities that new financial and regulatory technologies may present. This partnership with the private sector is important. It allows the FATF to remain proactive in developing global standards, guidance and best practices. The engagement helps the FATF anticipate and be involved in new developments.

Virtual Assets

A major innovation that has drastically changed the financial landscape is the introduction of virtual assets whose anonymity, speed and global reach have provided significant efficiencies. However, these same characteristics have made them attractive to both criminals and terrorists. Without adequate regulation, virtual assets could facilitate the movement of proceeds of crime. The risks are real. We have seen ransomware attacks, such as the 2017 WannaCry ransomware, where the perpetrators received over USD 140 000 in bitcoin ransom payments. We have seen cases of terrorists actively seeking and receiving donations using virtual assets. Organised Crime groups have also used virtual assets to finance their criminal activities and move the proceeds across borders undetected. In April 2019, the State of New York made its first convictions for the laundering of USD 2.3 million of illicit drug proceeds received primarily through virtual assets.

Countries around the world have all responded differently to prevent the misuse of virtual assets. The patchwork of regulatory responses, ranging from robust regulation to the complete prohibition of virtual assets, has left significant loopholes that increase the risks of misuse for money laundering or the financing of terrorism and proliferation.

During the past year, the 38 members of the FATF reached a global consensus on the need to supervise and monitor activities or operations involving virtual assets, including virtual currency exchanges and some “wallet providers”. Implementing these new requirements will not be without challenges for many countries. They will need to learn how virtual asset providers work, license them and help them strengthen their internal controls. They need to be able to shut down those that do not comply. Effectively regulating virtual asset providers will not be easy, but FATF will provide guidance and best practices to help countries take the necessary action.

In the near future, the FATF will assess how effectively countries are regulating virtual assets and virtual asset service providers. At the same time, given the speed of innovation, the FATF will monitor developments and review its standards to ensure that they remain relevant and provide countries with the strongest possible tools to prevent abuse by illicit actors. This work is vital, to protect the integrity of the financial system, contribute to stable economies and most importantly, global safety and security.



Terrorist Financing

The global threat from terrorism continues to grow and evolve, from returning terrorist fighters to right-wing extremists. Recent attacks around the world have shown that no country is immune.

Terrorists and terrorist organisations need money for weapons, travel, and accommodations used to plan and conduct attacks, but also to sustain themselves as an organisation, to recruit new members and to create a veil of legitimacy for their activity. Disrupting terrorism-related financial flows remains one of the most effective way to limit terrorists' capacity to maintain their networks and to carry out attacks. Financial intelligence can also help trace the individuals involved, including those in highly complex networks within and across borders.

National authorities cannot work in isolation to disrupt terrorist activity, whether from large organisations, small groups or lone actors. It requires more effective information sharing and coordination among national law enforcement, intelligence agencies, customs and border patrol agents, and financial intelligence units. Disrupting terrorists' financial flows also involves the private sector, given that the terrorists establish their financial footprint when they carry out a cash withdrawal, purchase goods or conduct any other financial transaction. To maximise their effectiveness, governments must have sufficient resources, facilitate cooperation between relevant authorities both domestically and internationally and support information sharing with the private sector.

Prosecution of those involved in terrorist financing is the foundation of an effective counter-terrorist financing system. But successful prosecutions for terrorist financing are not easy and the FATF's assessments reveal that many countries have faced challenges in prosecuting this activity when it has occurred. The FATF will continue working closely with its regional bodies and the United Nations to help countries develop the expertise and capacity necessary to combat the ever-evolving threat from terrorist financing more effectively, including their capacity to successfully prosecute terrorist financing cases.

Terrorists and those who finance them will continue to look for ways to circumvent the safeguards that countries have put in place. As echoed in United Nations Security Council Resolution 2462, the FATF plays an essential role in analysing the evolving threats and strengthening its standards.

Proliferation Financing

The proliferation of weapons of mass destruction by countries such as Iran and North Korea, poses an extreme threat to international peace and security.

The United Nations Security Council has long recognized the threat posed to international security by the proliferation of weapons of mass destruction.

Acquiring weapons of mass destruction requires a significant amount of funding to purchase the necessary goods and materials. Detecting and disrupting the financial flows is therefore one of the most effective tools to expose and dismantle proliferation networks.

In addition, suspicious transaction reports can provide intelligence about attempts to illegally transfer sensitive goods, and can help authorities identify those supporting proliferation networks.

The FATF Recommendations give effect to UN Security Council Resolutions, including the 2016 resolution that specifically notes the need for counter-proliferation financing measures. The FATF Recommendations call for targeted financial sanctions or asset freezing in relation to proliferation. But these are not the only financial measures that exist. The FATF Recommendations set out a range of financial measures in the context of terrorist financing that do not yet fully apply to proliferation financing.

Effective counter-proliferation financing efforts rely on the same range of measures to combat money laundering and terrorist financing. These measures include the full criminalisation of the act of providing funding towards the development and proliferation of weapons of mass destruction. Financial institutions need to conduct due diligence and report suspicious transaction that indicate the possible illegal transfer of sensitive goods and materials.

Proliferators have developed sophisticated networks to evade sanctions. By taking the additional measures, countries can help protect global peace and security.

The FATF Standards in the Future

The FATF Recommendations provide countries with a toolbox of measures that will help them protect the financial system from money laundering, the financing of terrorism and proliferation, and other threats. But, these threats continue to evolve for example as a result of technology. The measures that were effective in detecting and preventing illicit finance twenty years ago, would leave significant loopholes today. In another 30 years' time, we will no doubt face different challenges.

The FATF will be at the forefront of efforts to identify and understand new threats to the safety and security of the financial system. It will continue to prioritise work to ensure that countries have the right policy response to tackle existing and emerging threats to the integrity of the financial system.

In doing so, it must strike the right balance between protecting the global financial system and allow space for innovation, and financial and economic growth.



Assessing the Effectiveness of AML/CFT Tools

The current fourth cycle of mutual evaluations has significantly raised the FATF's level of ambition and expectations from each country. Through a set of tough new targets, they must demonstrate that they are taking robust and effective action to tackle money laundering, terrorist financing and the financing of proliferation. Over three quarters of the FATF's members have undergone their mutual evaluation. This means that the majority of the FATF's members and indeed many other countries in the FATF global network, are now working on strengthening their framework to detect, prevent and punish financial crime.

This year, the FATF entered a new phase in the 4th round assessments. For the first time, the FATF will conduct follow-up assessments. The follow-up assessments, conducted in the 5th year after a country's initial mutual evaluation, provide a comprehensive update on a country's progress. The scope of the follow-up assessment is targeted primarily on areas where the country achieved low or moderate levels of effectiveness and can lead to a re-rating of the results achieved during the mutual evaluation.

The FATF's mutual evaluation process ensures that countries don't just work on ensuring that they have the right laws, regulations or agencies but that they also remain focused on whether these measures are effective in delivering the expected results.

The financial landscape is evolving at an unprecedented pace. Now, more than ever, it is vital that countries around the world implement robust frameworks to address these risks.

Assessing the effectiveness of countries' efforts, and holding to account those with weaknesses that pose a threat to the financial system will remain at the core of what the FATF does. As it continues to refine and strengthen its standards, it will also continue to strengthen its assessment processes, taking on board the lessons learnt from each assessment along the way.

There has been progress, but more must be done

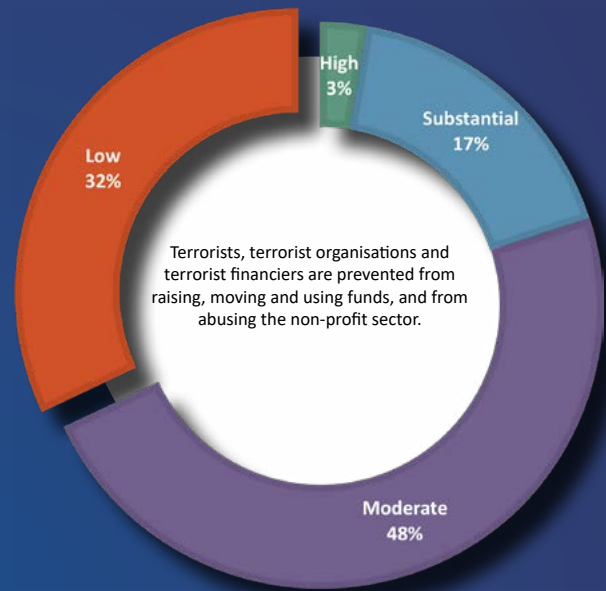
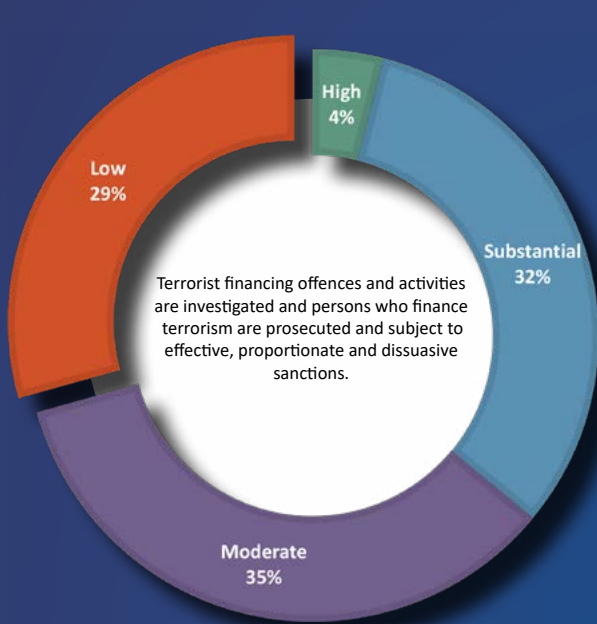
Central to the FATF Recommendations is the requirement for a country to identify and understand the money laundering and terrorist financing it is exposed to. More than a third of the members of the Global Network have now been assessed against the FATF Recommendations adopted in 2012. These assessments show that 50% of countries have a low or moderate level of effectiveness on understanding the risks and coordinating actions domestically.

FATF has developed guidance to help governments and the private sector assess the risks they face, and is working on guidance on assessing terrorist financing risk.

Risk assessment



Terrorist financing



Two thirds of the assessments completed to date across the FATF Global Network show that countries are not effectively prosecuting terrorist financing. The FATF will focus on providing more guidance to countries on this issue. During its follow-up processes, the FATF will also focus on efforts to strengthen prosecution efforts.

Information sharing

Relevant, up-to-date and timely information can be the turning point in the investigation of financial crime. The exchange of information between private sector and authorities, but also between authorities nationally and internationally is crucial for the relevant information to be identified and shared. Our assessments have shown that progress is being made, but more can be done to build trust and enable better information sharing. Public-private partnerships need to be promoted and developed, making the most of new technology to facilitate this.



FATF



Global Approach to AML/CFT

Three decades after its creation, the FATF is now recognised as the global standard-setter for measures to protect the global financial system from abuse.

The word 'global' is crucial. The FATF Recommendations need to provide countries all around the world with legal, regulatory and operational tools to fight money laundering and terrorist financing. The FATF's membership criteria therefore place great value on the geographic balance of its members to ensure that the most strategically important countries are involved in the FATF's work. The experience of its members is crucial to helping the FATF identify and understand new threats to the global financial system and formulate a robust response to these threats.

Technology is making the world smaller in many ways, from the way we communicate and interact with each other to the way we do business and conduct financial transactions. Easier, faster and cheaper international transactions have a positive impact on global trade, but these same efficiencies can also attract those who wish to avoid scrutiny. By seeking out a country with weak preventive measures, criminals and those seeking to provide financial support for terrorism can easily integrate their funds into the financial system. Now, more than ever, it is critical that every country is aware of the money laundering and terrorist financing risks it faces and takes effective action to mitigate them.

The work of the FATF therefore reaches beyond its own membership and works closely with its nine FATF-style regional bodies. This close collaboration has never been more important. The collective experiences of the 205 countries of the FATF global network will allow the FATF to understand how criminals and terrorists use the financial system, and ensure global implementation of sound measures to detect, prevent and punish these acts when they occur.

Training and Capacity Building

The FATF programme of assessments is revealing that many countries around the world are facing challenges in implementing effective safeguards. In addition to a comprehensive body of guidance, best practices and typologies reports, the FATF will continue delivering targeted training on its standards for its assessors and assessed countries.

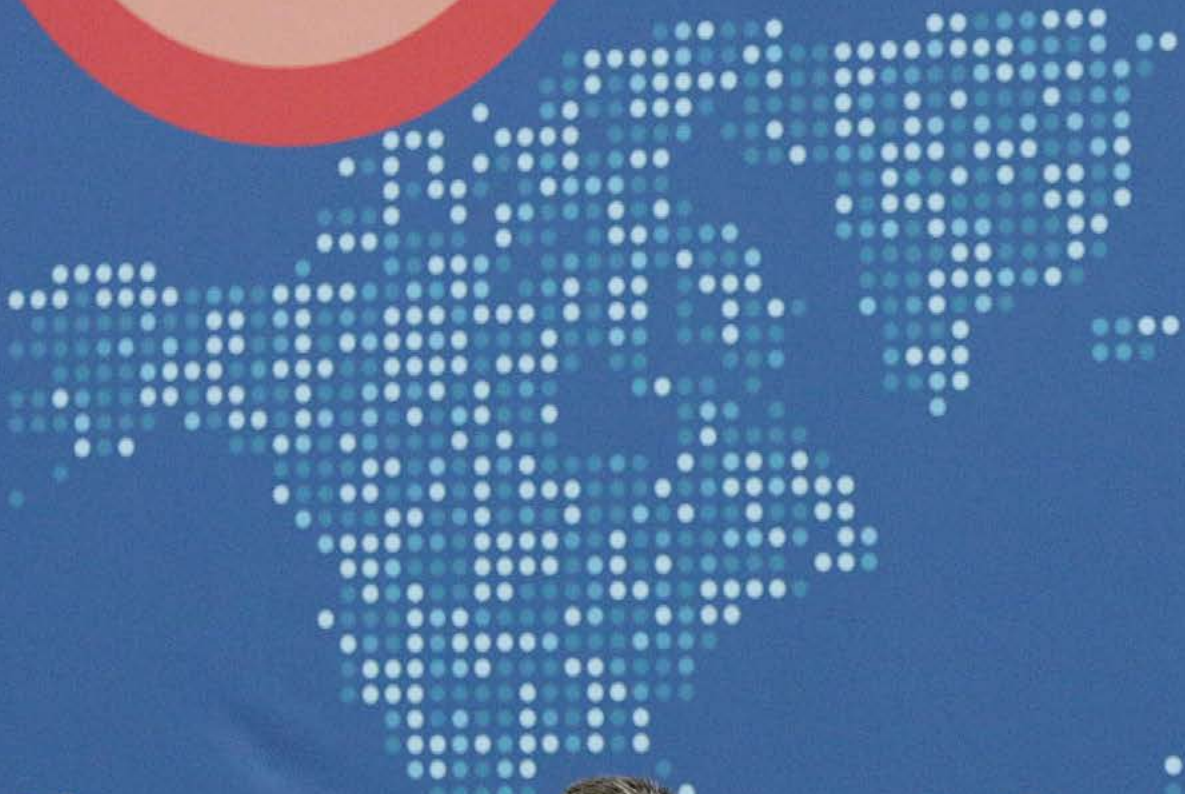
The FATF provides government officials from all member countries of the FATF Global Network access to a comprehensive training programme. Ultimately, training will increase the capacity of all countries to fully and effectively implement sound measures to protect the integrity of the financial system and ensure that the FATF and FSRBs take a consistent approach to measuring the effectiveness of each country's efforts to tackle threats to the integrity of the international system.

In addition, the FATF will work closely with FSRBs as well as international financial institutions, the World Bank, the IMF and the United Nations to contribute to additional capacity-building efforts.

The FATF Training and Research Institute (FATF TREIN) in Busan, Korea.



FATF



Thirty years ago, most countries had not even criminalized money laundering and terrorist financing. Thanks to the FATF, most countries around the world have now done that.

Marshall Billingslea, FATF President 2018-2019

FATF Ministerial, 12 April 2019

The success of the FATF would not have been possible without its members' commitment and dedication to contribute to safety and security by preventing funds with links to crime, terror or proliferation of weapons of mass destruction from entering the financial system.

During the past three decades, countries have established robust domestic policies and authorities have started to cooperate effectively to pursue the financial flows of criminals and terrorists. We have seen progress in investigating and prosecuting these crimes which is helping to protect our society from the harms caused by drugs, human trafficking, fraud and now cybercrime.

As a member-driven organisation, the FATF has benefited from the experience of the experts involved in its work. Over the years, thousands of officials have contributed countless hours on top of their own demanding workload to contribute to policy development, peer reviews and typologies research into the methods that criminals use to launder the proceeds of their crimes, and terrorists and proliferation networks use to raise funds.

After 30 years, the FATF's objective is and remains to protect financial systems and the broader global economy, thereby strengthening financial sector integrity and contributing to safety and security of citizens around the world.



During the G7 Summit at the Arche de la Défense in France, G7 leaders created the Financial Action Task Force. They mandated this new task force, FATF, with examining money laundering techniques and trends, reviewing the action which had already been taken at a national or international level, and setting out the measures that needed to be taken to combat money laundering.

This publication retraces the progress that has been made since, and the work that lies ahead for the members of the FATF global network.

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