



# Annual Report

2017  
2018





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](http://www.fatf-gafi.org)

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# Introductory remarks by the President



FATF President Santiago Otamendi at the FATF/GAFILAT/CFATF Workshop for Judges and Prosecutors, September 2017, Quito, Ecuador



Santiago Otamendi  
FATF President 2017-2018

It is my pleasure to introduce the annual report for the Argentinean Presidency of the FATF.

This year, the FATF continued its focus on leading global action against terrorist financing, with support from the international community, including the G20. Following their July 2017 Summit in Hamburg, G20 Leaders issued a detailed statement on countering terrorist financing, which highlighted a number of the FATF's priorities for this Presidency year. Throughout the year, I updated the international community, mainly the G20 and the United Nations Counter-Terrorism Committee, on FATF's on-going work on the premise that effectively tackling terrorist financing requires global commitment. A Ministerial conference, hosted by French President Emmanuel Macron, raised awareness of the issues at stake. The final statement recognised the FATF's leading role and demonstrated the high-level commitment of participating countries to work together to disrupt and prevent terrorism-related financial flows.

The key to achieving this is for countries to ensure a continued political will and capacity to fully and effectively implement sound measures to tackle terrorist financing as well as money laundering. The FATF Recommendations provide countries with the necessary tools to do so. One of the strengths of the

FATF is to ensure that these standards continue to provide countries with the strongest possible tools to respond to new and evolving threats. Information sharing, whether between authorities or between public and private sectors, is an essential component of an effective anti-money laundering and counter terrorist financing framework. In practice, relevant information is not always collected or shared, so this year we strengthened the standards by clarifying the requirements on information sharing related to unusual or suspicious transactions within financial groups, by promoting domestic inter-agency information sharing among competent authorities and by including requirements to ensure compatibility of AML/CFT requirements and data protection and privacy rules.

A number of our members reached an important milestone this year. They reported back on the steps they have taken to address the deficiencies identified in FATF's assessment of their national anti-money laundering and counter-terrorist financing framework. FATF re-rated the technical compliance of six of these countries. This demonstrates the important impact of the FATF's assessment process, one that provides a country with clear recommendations for a country to act upon.



FATF President Santiago Otamendi and President Mauricio Macri of Argentina at the November 2017 FATF-GAFILAT Plenary in Buenos Aires.

Improving transparency and the availability of beneficial ownership information also remained a high priority for the FATF throughout this year. The assessments that the FATF and the FATF-Style Regional Bodies have completed to date show that the large majority of assessed countries need to make fundamental or major improvements in this area. This year, we completed a study on the measures that countries are taking to collect and maintain accurate beneficial ownership information and, in co-operation with the Egmont Group, we also concluded a revision of how legal persons, legal arrangements and professional intermediaries can help criminals conceal wealth and illicit assets.

In addition to our continued close engagement with the private sector and financial intelligence units, the FATF, under the Argentinean Presidency, initiated a global outreach programme to prosecutorial services and criminal justice systems in the understanding that Judges and

Prosecutors play an important role in underpinning successful suppression of money laundering and terrorist financing. Through a series of regional workshops, the FATF brought together AML/CFT experts, prosecutors, investigative and trial judges to share experiences, challenges and best practices in investigating and prosecuting money laundering and terrorist financing. In June, at the end of my Presidency, I presented the outcomes of this initiative to the Plenary (see page 16) I am convinced that the report will help raise further awareness of AML/CFT among the prosecutorial services and criminal justice systems while contributing to a more effective system for prosecution, assets recovery, mutual legal assistance and international co-operation among jurisdictions.

As the FATF approaches its 30th anniversary, it continued the review of its current mandate and explored ways to improve its institutional basis, with the support of the G20.



FATF President Santiago Otamendi with Sri Mulyani Indrawati, Minister of Finance of Indonesia, at the October 2017 IMF Annual Meeting in Washington



FATF President Santiago Otamendi with Steven Mnuchin, US Secretary of the Treasury at the October 2017 G20 Finance Ministers and Central Bank Governors' Meeting in Washington.

Indeed, as the international community increasingly recognises the important role of the FATF in protecting the integrity of the financial system and entrusts it with taking a leading role on key issues such as preventing the abuse of crypto assets for the purpose of money laundering or terrorist financing, it seems more than appropriate that the FATF sheds the time-bound nature of the temporary task force.

Under the Presidency of my successor, Mr Marshall Billingslea of the United States, I am certain that the FATF will continue to make great progress in contributing to safety and security.

A handwritten signature in blue ink, appearing to read 'Santiago Otamendi'.

Santiago Otamendi  
FATF President 2017-2018





# FATF-MENAFATF Joint Plenary Week Paris, 24-29 June 2018



# Executive Summary

This report summarises the outcomes of the work of the Financial Action Task Force during the Argentinean Presidency year, from 1 July 2017 to 30 June 2018.

During this plenary year, the FATF continued to prioritise work to address the terrorist financing threat. FATF completed its two-year terrorist financing operational plan and adopted a new plan to continue its focus on the evolving threat. It continued to update its knowledge of terrorist financing risks, which included research on the financing of recruitment for terrorism.

Financial innovations are taking place at an unprecedented pace. Therefore, FATF continued its focus on the impact this has on measures to combat money laundering and terrorist financing. This included a stocktake of current regulatory approaches to virtual currencies, and a constructive dialogue with Fintech sectors which provided FATF with valuable input to review how its standards apply to virtual currencies.

The FATF refined its standards to respond to the evolving money laundering and terrorist financing threats and its methodology to assess whether countries have fully and effectively implemented these standards. The FATF published the mutual evaluation or follow-up reports of eight of its members, and continued its work with countries whose evaluations revealed serious weaknesses in their anti-money laundering and counter terrorist financing safeguards.

The FATF continued its engagement with the private sector and initiated an outreach programme to the criminal justice system, a fundamental underpinning to all national and international efforts to combat money laundering and terrorist financing.

The international community, including G20, G7 and leaders attending the international conference “No Money for Terror”, publicly supported FATF’s work throughout the year.

[www.fatf-gafi.org/publications/fatfgeneral/documents/terroristfinancing.html](http://www.fatf-gafi.org/publications/fatfgeneral/documents/terroristfinancing.html)

# Terrorist Financing



Regardless of their size and complexity, the financial activities and channels of terrorists are an essential source of intelligence. Financial investigation can identify terrorist cells, their associates and facilitators, and reveal the structure of terrorist groups, and their logistics and facilitation networks.

Santiago Otamendi's remarks at the Briefing to the UN Counter-Terrorism Committee (CTC), New York, 14 December 2017

Combating terrorist financing has been the main priority for the FATF under the Argentinean Presidency. Terrorism continues to impact our security but also our democracies, freedom, liberties and willingness to live with tolerance, mutual understanding and peace.

Disrupting the financing flows of a terrorist or terrorist organisation deprives them of the funds needed to sustain their organisation and activities. At the same time, the financial footprint of transfers, withdrawals and other transactions provides valuable information that can help in ongoing investigations and prevent future attacks. Preventing and disrupting terrorist financing should therefore be an essential part of the strategy to defeat terrorism, whether from terrorist groups or individuals.

Supported by the G7 and G20, the FATF continues to prioritise global action to rapidly and efficiently tackle all sources, techniques and channels of terrorist financing. At the Hamburg G20 Summit in July 2017, G20 leaders issued a Statement on Countering Terrorism, which called for a swift and effective implementation of the FATF Standards worldwide.

This year, the FATF completed its two-year operational plan to combat terrorist financing and adopted a new operational plan to continue its focus on the evolving threat.



FATF President Otamendi Briefing to the United Nations Counter-Terrorism Committee (CTC), New York, 14 December 2017



FATF President Otamendi with UN Counter-Terrorism Office Under-Secretary-General Vladimir Voronkov

## New Operational Plan

In 2016, the FATF agreed its *Consolidated Strategy on Combating Terrorist Financing*, in response to the intensification of the scope and nature of the terrorist threats posed around the world, including by so-called Islamic State of Iraq and the Levant (ISIL/Da'esh). Since 2016, despite the loss of territory by ISIL/Da'esh, most, if not all, countries continue to face some form of terrorism or terrorist financing threat.

In February 2018, under the Argentinean Presidency, the FATF agreed a new Counter-Terrorist Financing Operational Plan. The Operational Plan provides a renewed focus for FATFs work, setting out a range of projects and activities designed to help tackle the vulnerabilities in countries' counter terrorist financing regimes, and to understand and respond to new and emerging threats. In line with the FATF's Consolidated Strategy, the Operational Plan focuses on improving and updating the

understanding of TF risks; promoting more effective co-ordination, including improving information sharing domestically and internationally; ensuring the FATF Standards provide up-to-date and effective tools to combat TF; and ensuring effective implementation and application of tools, including targeted financial sanctions, to combat TF. The FATF considered the regional nature of some of the threats, and agreed on the need for a focus on regional strategic planning and close collaboration with the Global Network of FATF-Style Regional Bodies.

Under the US Presidency of the FATF, countering the financing of terrorism will continue to be a top priority. The FATF agreed that the 2018 Operational Plan will remain flexible and adaptable in order to address vulnerabilities as they are observed, and tackle emerging threats as they arise. “

## “No Money For Terror“ Summit

Ministers and Heads of International organisations met at the invitation of French President Macron for the international conference on combating the financing of Daesh and Al-Qaeda – “No Money for Terror”, in Paris, France, on 25 - 26 April 2018.

During the conference, FATF President Santiago Otamendi highlighted the FATF’s role as **the** body that leads global action against terrorist financing by setting the global Standards, assessing their implementation, and identifying, mitigating and sharing information on terrorist financing risks.

He also emphasised the steps countries should take to block terrorists’ financial flows: fully and effectively implement the FATF Standards, particularly on information sharing and international co-operation. The conference was an opportunity to raise awareness of the issues at stake and to strengthen the collective response against terrorist financing.

The FATF welcomed the final statement of the conference, which demonstrated the high-level commitment of participating jurisdictions and organisations to work together to combat financial flows with links to terrorist activity, and the support for the work of the FATF and the role it plays in helping combat terrorist financing.



French Minister of Justice Nicole Belloubet, French Minister of the Interior Gérard Collomb, FATF President Santiago Otamendi and French Minister of Economy and Finances Bruno Le Maire.



Foreground, from left to right: US Treasury Secretary Steven Mnuchin, French President Emmanuel Macron and FATF President Santiago Otamendi.

## Recruitment Financing

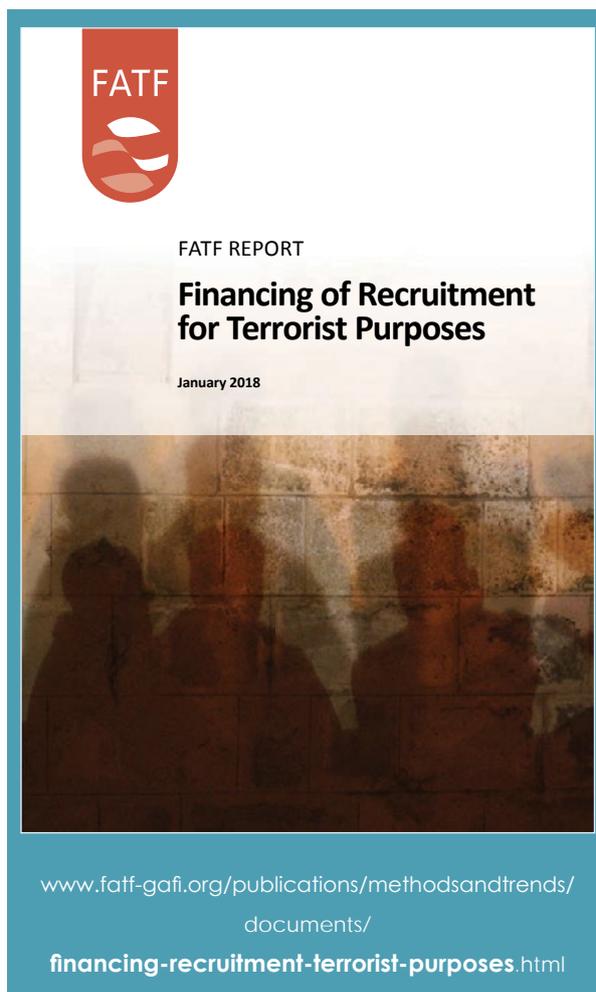
The ability to effectively recruit new operatives, members and supporters is critical for the survival of a terrorist organisation. In January 2018, FATF published its report, *Financing of Recruitment for Terrorist Purposes*. The report analyses the costs associated with different methods and techniques of terrorist recruitment. While terrorist organisations have different recruitment techniques, depending on whether they are a large, small or dispersed network of individuals, the report identifies the most common methods of recruitment used by terrorist organisations and terrorist cells (and their related funding needs).

This study also found that:

1. Recruitment activities on the Internet are often very closely linked to appeals for financial assistance to terrorists.
2. Recruitment and dissemination of terrorist ideology in prisons and correctional centres is increasing. In one case study, individuals in prison received funding for recruitment activities.
3. More information is required on the costs associated with producing high-quality recruitment materials such as the online magazines and video games produced by ISIL. The production of these materials, and their continuous availability online, requires a certain level of expertise and equipment which is likely to have some financial implications and could generate a financial footprint.
4. Some terrorist organisations need specialists in civilian professions who cannot be recruited on ideological grounds

(e.g. engineers, doctors, IT specialists, financiers, professional money managers.). The costs of obtaining and engaging the service of such specialists can significantly exceed the salaries of ordinary members.

Furthermore, jurisdictions provided a range of case studies to demonstrate their experience in examining the funding needs and expenditures related to different methods of recruitment.





## ISIL, AQ and Affiliates Updates

The FATF continues to monitor terrorist financing risks, threats and vulnerabilities associated with the financing of ISIL, Al-Qaeda and affiliates to both groups. Understanding such risks and how they are evolving over time is an important component of the FATF's Operational Plan. Through regular reporting (three times per year), information is collected from delegations across the Global Network and compiled into a non-public report. To date, 39 delegations from around the world have shared information on terrorist financing flows, including in relation to the sources of revenue; expenditure and financial management; movement of funds; facilitation and procurement networks; and actions taken by FATF and FSRB Members to counter these threats, and their impact.

These updates include detailed case studies, with a focus on new and emerging risks. The reports analyse trends, including regional characteristics associated with affiliates to both organisations, and identify estimated financial flows. Besides facilitating international information exchange on this issue, the process has contributed to improving domestic counter terrorist financing co-operation, with information provided covering a wide variety of information sources.



# The Role of Judges and Prosecutors in Tackling ML/TF



The role you play in strengthening the Rule of Law and particularly in the development of our democracies and societies so that we can live in peace places you in a unique focus of responsibility but that is also, at least in my opinion, a completely transcendent privilege.

Santiago Otamendi's remarks at the FATF/GAFILAT Workshop for Judges and Prosecutors, Quito, September 2017

FATF's work to fight money laundering and terrorist financing is focused on effective prevention and disruption, as well as on achieving convictions and asset recovery. The work of the criminal justice system is crucial for stable and effective institutions, accountability, integrity, transparency and the rule of law. This year, under the Argentine Presidency, the FATF initiated an outreach programme to judges and prosecutors of the FATF Global Network. The main objectives of the project were:

- 1 to identify the challenges that judges and prosecutors face in investigating and prosecuting money laundering and terrorist financing, and confiscating criminal assets, and to identify good practices to deal with these challenges;
- 2 to enhance FATF outreach to judges, prosecutors and investigators from different regions, boosting current and potential networks of collaboration, and placing practitioners and relevant actors in close contact to discuss their common challenges; and
- 3 to bring FATF and FSRB's countries together to work on these issues and improve the effectiveness of money laundering and terrorist financing investigations and the recovery of proceeds of crime.

Through a series of regional workshops<sup>1</sup>, the FATF, in a joint effort with the FSRBs and other international organisations<sup>2</sup>, brought together almost 450 judges and prosecutors from over 150 jurisdictions to share experiences and best practices. In June 2018, the FATF President presented a paper to Plenary with the conclusions of this exercise. The main findings are summarised below:

ML and TF investigations, prosecutions and the confiscation of criminal assets are supported by a range of underlying elements in the wider AML/CFT regime:

1. A comprehensive understanding of the jurisdiction's ML and TF risks;
2. Effective and timely domestic co-operation and co-ordination. Some good practices in this area include setting up a permanent multi-agency co-ordinating committee on ML/TF and establishing robust inter-agency working relationships, based on mutual trust;
3. The creation of multidisciplinary agencies or units that focus on ML/TF and/or on asset confiscation, or at a minimum, having expert staff within larger agencies or public prosecution services;
4. Collaborating with the private sector to both provide and obtain information related to ML/TF; and
5. Providing specialised training for investigators and prosecutors (particularly focusing on building skills in gathering information and evidence, financial investigative techniques, and presenting complex cases to judges or juries).

1 Americas (GAFILAT and CFATF). Asia/Pacific (APG and EAG). Africa/Middle East (ESAAMLG, GIABA, GABAC and MENAFATF). Europe (MONEYVAL and the Organization for Security and Co-operation in Europe (OSCE). FATF wrap-up workshop (Korea).

2 In addition to the FATF and FSRB Secretariats and FATF TREIN, relevant organizations such as the Organization for Security and Co-operation in Europe, the International Prosecutors Association, the International Magistrates Association and the various Asset Recovery Networks were invited to participate in and contribute to the discussions.

Investigating and prosecuting ML offences presents a distinct set of challenges.

The overall results of the assessments conducted to-date demonstrate the significant challenges that countries face in obtaining convictions. Good practices include:

1. Properly criminalising the offence: expand the scope of predicate offences to the broadest list of serious offences, or by adopting an all-crimes approach, which may provide clarity and more flexibility for prosecutors, especially when combined with a system that also incorporates the principle of opportunity;
2. Establish, whether through legislation or case precedent, that the predicate offence need not be proven in order to convict for ML, as established in the FATF Recommendations;
3. Fixing plea bargaining and deferral prosecution agreements as a legal possibility, subject to judicial control and oversight; and
4. Having internal guidelines, handbooks or in-person trainings to teach investigators how to begin and pursue basic financial inquiries. Also, countries should have policies or directives, which establish the mandatory requirement of opening a parallel financial investigation in every investigation of a predicate offense to ML.

Investigating and prosecuting TF offences presents a distinct set of challenges. The majority of the jurisdictions reviewed had not prosecuted TF offences or obtained TF convictions at the time of their mutual evaluation. Good practices include:

1. The comprehensive criminalisation of TF is directly related to the jurisdiction's ability to investigate and prosecute TF effectively. Drafting the offence to be as broad as possible: for example, structuring the offence in a way that the suspect's intent to finance specific terrorist acts does not need to be proven;
2. Ensuring that a TF investigation can be launched without an underlying terrorism case, and that the TF investigation can continue even where the linked terrorism investigation has already been concluded;
3. Having legislation or judicial procedures that specifically deal with the use or introduction of classified material or intelligence (e.g. laws or rules may permit judges and/or defence counsel to review information, redactions may be made, information can be "declassified" by the state, etc.);
4. Involving the prosecutor at an early stage to determine which pieces of intelligence may be admissible as evidence, or what steps would need to be taken for it to be admissible; and
5. Having a designated special court to deal with terrorism and terrorist financing cases that often include classified information.

Tracing, freezing and confiscating the proceeds and instrumentalities of crime is fundamental to the effectiveness of measures to combat ML and TF.

Serious crime generates a vast amount of proceeds every year; however, the level of implementation of an effective confiscation regime amongst assessed countries is modest at best.

Some practices particularly useful for asset confiscation are:

1. Ensuring that criminal asset confiscation is a policy priority, with a linked strategy that sets out how all relevant authorities can work to achieve the objectives/goals that are set;
2. Having a full range of powers to trace, freeze and confiscate criminal proceeds and instrumentalities, including the ability to quickly seize assets of the defendant and associated third parties, as well as confiscation powers that rely on a civil standard of proof, are non-conviction based or -- where there are appropriate provisions -- to reverse the burden of proof;
3. A framework to manage or oversee the management of frozen, seized and confiscated property, including by competent authorities that are freestanding or part of a law enforcement agency, and, as needed, the ability to hire outside vendors or contractors for managing complex assets; and
4. Working in co-operation with international partners was seen as a key ingredient of success, especially in early outreach seeking the imposition of provisional measures against assets subject to confiscation.

International co-operation can be critical for the success of ML/TF investigations and prosecutions and also for asset recovery. ML and TF networks are often spread over multiple countries, and foreign jurisdictions may have missing pieces of information or evidence which facilitate a successful prosecution.

1. Devoting sufficient resources to process and respond to requests, including having mechanisms and technology that allow authorities to engage in a dialogue with the requesting countries to facilitate case consultations;
2. Considering informal methods of international co-operation such as Financial Intelligence (FIU)-FIU, police-police or prosecutor-prosecutor co-operation before submitting a formal Mutual Legal Assistance request;
3. Using networks as such as EUROJUST, CARIN and/or ARINs prior to making a formal request to facilitate international co-operation and target the assistance that will be sought;
4. Making contact with overseas authorities and arranging to send a draft copy of a proposed MLA request, so that they can advise on the content and wording of the request; and
5. Using the Mutual Legal Assistance Request Writer Tool (MLA Tool) that has been developed by UNODC to assist states to draft requests, with a view to facilitate and strengthen international co-operation.



Participants at the joint FATF/APG/EAG Workshop for Judges and Prosecutors, January 2018, Shenzhen, China.



## FATF PRESIDENT'S PAPER

### Anti-money laundering and counter terrorist financing for judges & prosecutors

June 2018



The FATF President's paper: *Anti-money laundering and counter terrorist financing for judges and prosecutors*, which identifies the challenges that judges and prosecutors face in investigating and prosecuting money laundering and terrorist financing, and in recovering the proceeds of crime. It highlights useful elements and best practices in the conduct of investigations, prosecutions, convictions and confiscation. Given the transnational nature of many criminal networks, the paper also highlights the need for international co-operation.

[www.fatf-gafi.org/publications/fatfgeneral/documents/aml-cft-judges-prosecutors.html](http://www.fatf-gafi.org/publications/fatfgeneral/documents/aml-cft-judges-prosecutors.html)



[www.fatf-gafi.org/fintech-regtech](http://www.fatf-gafi.org/fintech-regtech)

# Financial Innovation and its Impact on AML/CFT



The FATF strongly supports responsible financial innovation that is in line with the AML/CFT requirements found in the FATF Standards, and will continue to explore the opportunities that new financial and regulatory technologies may present for improving the effective implementation of AML/CFT measures.

FATF Statement, Buenos Aires, 3 November 2017

This is the clear message that FATF issued in November 2017 in its Plenary in Buenos Aires and it continues to be the foundation upon which the FATF is engaging on these issues.

Outreach to the FinTech and RegTech community was a priority throughout the Argentinian Presidency. The Argentinian Presidency recognised that FATF must continue its important work to anticipate, follow up, and be involved in new financial service developments through co-operation with regulators and collaboration in the development of risk mitigation measures. Such dialogue contributes to the integrity of the international financial system, and supports innovation and growth in the global economy, while fostering financial inclusion.

This issue was at the top of the international agenda throughout the Argentinian Presidency. For

example, in March 2018, the G20 Finance Ministers and Central Bank Governors issued a communiqué that committed to implementing the FATF standards as they apply to crypto-assets, looked forward to the FATF review of those standards, and called on the FATF to advance global implementation. These issues were also discussed by the G7 Finance Ministers and Central Bank Governors' at their June 2018 meeting. They recognised that, although the associated technologies have the potential to make the financial sector more efficient, crypto-assets may also be used to carry out illicit transactions and that international co-ordination is needed to ensure that regulatory actions are effective.

In this context, the FATF has made important progress in understanding the impact of financial innovation on AML/CFT and constructively engaging with the FinTech and RegTech industries on these issues.



FINANCIAL ACTION TASK FORCE

# FATF FINTECH & REGTECH FORUM

9 & 10 October 2017  
Bundesministerium der Finanzen  
Berlin, Germany



The second FinTech and RegTech Forum in Berlin, Germany, 9-10 October 2017, chaired by FATF President Santiago Otamendi (second from left).

The FATF held its second FinTech and RegTech Forum in Berlin, Germany on 9-10 October 2017 with over 150 public and private sector participants, including many from the FinTech and RegTech industries. The discussions mainly focused on:

- how to balance the benefits and risks associated with technological developments and the aspects to take into consideration from an AML/CFT perspective when developing innovative products;
- how digital identification (digital ID) is being developed in different ways and the possible implications for customer identification and verification, and financial inclusion;
- the potential applications and challenges presented by the use of distributed ledger technology;
- developments and ongoing initiatives relating to KYC utilities, and
- how FinTech and RegTech could have the potential to enhance public-private information sharing for AML/CFT purposes.

The FATF also met with industry during a dedicated session of its annual Private Sector Consultative Forum (see also Engagement with the Private Sector, page 64) which was held on 24-25 April in Vienna, Austria. The discussions focused mainly on digital ID and crypto-assets including:

- the private sector's experience using digital IDs for customer due diligence purposes as part of the on-boarding process and their growing use;
- the general benefits of digital IDs and the different challenges, including the use of technology, security, risk management and data use;
- how the FATF Recommendations apply in the context of digital ID and whether further clarifications or changes are needed;
- the regulatory landscape for crypto-assets and the extent to which the current FATF standards and guidance adequately address the recent developments in this area, and
- the importance of clarifying the different definitions used, the need for a co-ordinated global approach, and the importance of continuing private and public sector engagement on these issues.

The FATF has also implemented a comprehensive work plan to urgently address the money laundering and terrorist financing vulnerabilities of virtual currencies/crypto-assets. The FATF continues to actively monitor and understand how criminals and terrorists can use virtual currencies/crypto-assets to launder the proceeds of crime or move funds to support terror. Where virtual currencies/crypto-assets afford anonymity, they are particularly vulnerable to exploitation by those seeking to avoid detection when undertaking terrorist financing or money laundering activities.

As the global AML/CFT standard setter, FATF conducted an exercise to take stock of the different regulatory approaches that countries are currently applying to virtual currencies/crypto-assets. The results of that stocktake exercise will be taken into account as the FATF reviews its standards and guidance to determine if changes are needed to clarify how they apply to virtual currencies/crypto-assets and to promote a more consistent regulatory approach.

Constructive engagement with industry will continue to be an important aspect of the FATF's overall approach as it moves forward on these important issues.



Participants at the Private Sector Consultative Forum, in Vienna, Austria, 24-25 April 2018.



[www.fatf-gafi.org/publications/methodsandtrends](http://www.fatf-gafi.org/publications/methodsandtrends)

# Risks, Methods and Trends



Financial crime occurs within a framework of constant innovation due to broad globalisation accompanied by the continuing evolution of information and communication technology (ICT), digital finance, new payment methods and crypto currencies, financial and corporate arrangements. Financial crime also mutates in reaction to the preventive and repressive actions taken by the international community. International criminal organisations are aware of this reality and adapt and modify their methods and approaches accordingly. Therefore, the FATF must be aware of those new risks and be dynamic and flexible to a permanent and tailored update of its focus, guidance and assessment.

Objectives for FATF-XXIX (2017-2018)

Paper by the incoming President, Santiago Otamendi

As countries implement safeguards, criminals and terrorist have to adapt and evolve their methods to raise, use and move wealth or illicit assets. They must look for new loopholes and weaknesses in the financial system to exploit. As global AML/CFT standard-setter, FATF's key role is to understand the evolving money laundering and terrorist financing risks and threats. This knowledge is essential to allow FATF to develop robust measures to protect the international financial system from abuse and to ensure that they remain relevant and up-to-date.

At the same time, FATF's research raises awareness with authorities about the money laundering or terrorist financing risks or vulnerabilities of specific sectors or products.

This year, the FATF focused its research on a number of key areas, which resulted in the publication of dedicated reports, including a report on the financing of recruitment of terrorism (see page 14).

## Beneficial Ownership

Criminals employ a range of techniques and mechanisms to obscure their ownership and control of illicitly obtained assets. Identifying the true beneficial owner or individual(s) exercising control represents a significant challenge for prosecutors, law enforcement agencies, and intelligence practitioners across the globe. Preventing the misuse of legal persons and arrangements is a highly important issue for the global community, including the G20, and the FATF. In June, the FATF completed its joint report with the Egmont Group on the vulnerabilities linked to the concealment of beneficial ownership.

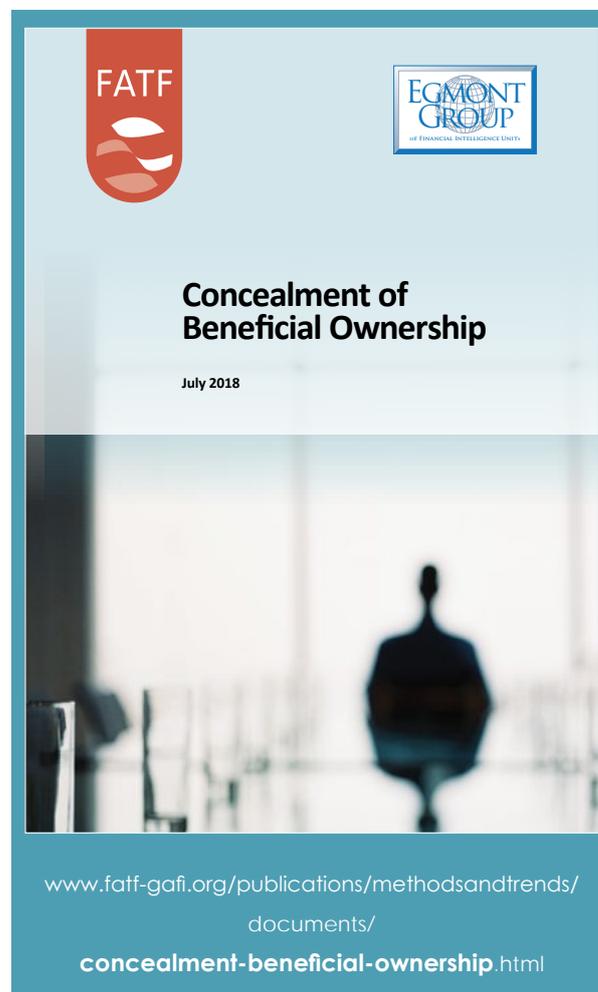
The purpose of the report is to support risk analysis by governments, financial institutions, and other professional service providers. The report assesses:

- The features of legal persons and arrangements that can make them vulnerable for misuse and provides an overview of the methods and techniques used to conceal beneficial ownership, including the following:
  - The ways that complex structures can be built up.
  - The barriers that can be erected to hide the relationship between a criminal and their assets.
  - The professional intermediary sectors involved in the establishment and management of legal persons and arrangements that can be unwittingly or complicitly involved in designed or executing scheme.

- The features specific to jurisdictions that can enhance the risks of ML or TF activity occurring.
- The enforcement and supervision by countries of the requirements under the FATF Standards on beneficial ownership.

The report highlights the challenges associated with the implementation of the FATF Standards, including those that relate to professional intermediaries. It also highlights the importance of measures to limit the misuse of nominees, the need for improved international co-operation between competent authorities, and the importance of undertaking risk assessments so that countries and regulated entities understand the risks relating to domestic and foreign legal persons and arrangements. A list of indicators associated with the concealment of beneficial ownership is included as part of the report.

This report is part of FATF's programme of work to improve transparency and beneficial ownership, a high priority for the FATF, as well as for the Global Forum on Transparency and Exchange of Information and the OECD, with whom the FATF is collaborating. At their Hamburg summit, G20 leaders welcomed FATF's work in advancing the effective implementation of the international standards on transparency and beneficial ownership.

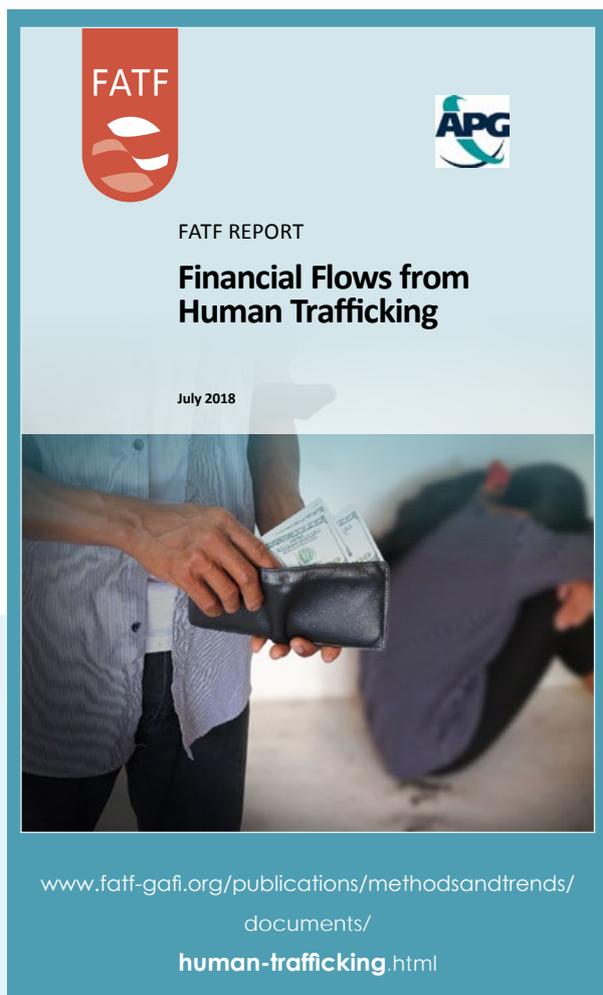


## Human Trafficking

In addition to its enormous human cost, the estimated proceeds that human trafficking generates have increased from USD 32 billion to over USD 150 billion since the FATF produced a comprehensive report on the laundering of the proceeds of these crimes in 2011. The FATF and the Asia/Pacific Group on Money Laundering (APG) jointly undertook this study to improve global understanding of the financial flows associated with the crime of human trafficking, both as a money laundering predicate and potential source of terrorist financing. This report updates the FATF’s 2011 report. This report has brought granularity to indicators of suspected money laundering of the proceeds of human trafficking by separating human trafficking into three categories in line with the Palermo Protocol: human trafficking for forced labour, sexual exploitation or for the removal of organs.

This report also identifies the challenges national authorities frequently face in detecting, investigating and prosecuting money laundering and terrorist financing from human trafficking. This report updates the FATF Global Network’s understanding of the financial flows from human trafficking, and provides tangible indicators and best practices for

national authorities to improve their effectiveness in combating money laundering and terrorist financing from human trafficking. While our understanding is improved, it is by no means complete. This report therefore concludes with practical next steps to develop further precision to the financial flows from human trafficking, both at the global level, and at the regional/national level.



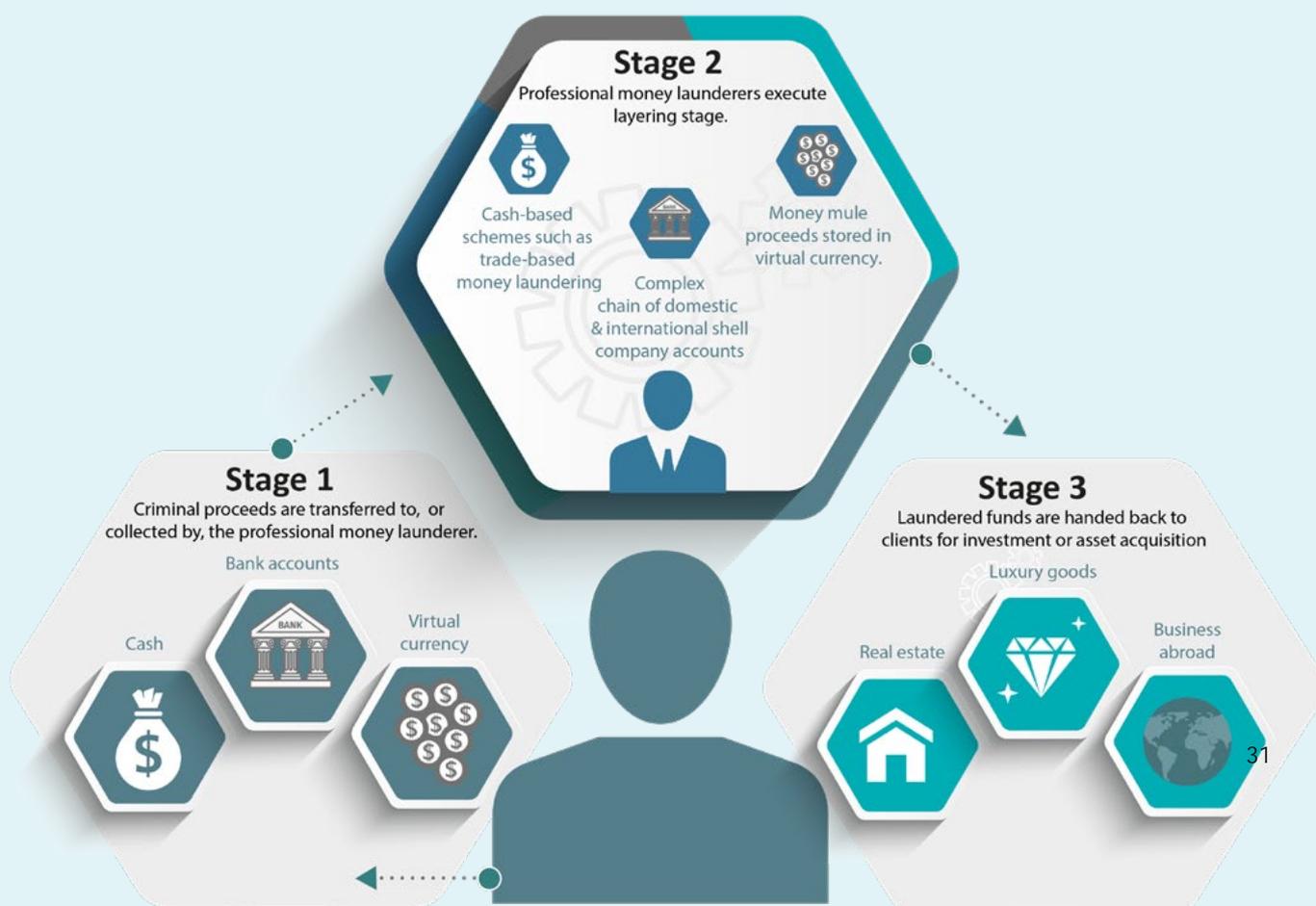
## Professional Money Laundering

FATF completed its report on professional money laundering in June 2018. The report describes the functions and characteristics that define a “professional” money launderer, namely those individuals, organisations and networks that are involved in third-party laundering for a fee or commission. The report focuses on ML threats, and looks at the role played by criminal actors, including organised crime groups, that specialise in the provision of professional money laundering services. It also looks at complicit actors who are knowingly involved, or are deliberately negligent, in the laundering process.

The report identifies the specialist skill sets that professional money launderers offer their clients in order to hide or move their proceeds, and provides a detailed explanation of the roles performed to

enable authorities to identify and understand how these individuals, networks and organisations operate. This can include locating investments or purchasing assets; establishing companies or legal arrangements; acting as nominees; recruiting and managing networks of cash couriers or money mules; providing account management services; and creating and registering financial accounts.

This report also provides recent examples of financial enterprises that have been acquired by criminal enterprises or co-opted to facilitate ML. The analysis shows that professional money launderers use the whole spectrum of ML tools and techniques. Specifically, the report focuses on some of the common mechanisms used to launder funds, such as trade-based money laundering, account settlement mechanisms and underground banking.



Both public and non-public versions of the report are available to the general public and practitioners, respectively. This report is intended to be used at the jurisdictional level to assist authorities to target professional money launderers, as well as the structures that they utilise to launder funds, in order to disrupt and dismantle the groups that are involved in proceeds-generating illicit activity so that crime does not pay.



## Virtual Currencies / Crypto-Assets

The FATF has been collecting risk-related information on the use of virtual currencies/crypto-assets for over a year, including the completion of a comprehensive stocktake on domestic challenges and risk mitigation measures in February 2018. Regular non-public updates provide an overview of new and emerging trends, including the risks, threats and vulnerabilities that members of the FATF Global Network have identified. It provides a snapshot in time of the evolving ML/TF risk landscape of virtual currencies / crypto-assets.

Regular updates have identified a range of new and emerging trends, based on suspicious transaction reporting data shared by FATF and FSRB Members.

Furthermore, these updates cover :

- topical issues to provide an up-to-date analysis of new and emerging virtual currency / crypto-asset products and services,
- specific threats (such as ransomware and cryptojacking),
- good practices to facilitate information sharing and raise awareness of risks, such as the use of inter-agency working groups and public-private partnerships.
- In June 2018, the FATF started new work on the investigative challenges associated with virtual currency / crypto-asset products and services, and best practices and techniques for dealing with these.

“

The use of crypto assets for cyber-crime, money laundering and terrorist financing purposes has been well documented by the FATF. At our last plenary one month ago, we have reviewed our understanding of these risks and the measures countries are taking to mitigate them. [...] We decided to significantly scale-up our work on this issue, notably to consider options for how to mitigate the risks, in a coherent way, including by updating the FATF Standards and guidelines. This work will ensure that measures to mitigate risks are adequate, and accounted for within our Standards. We will keep monitoring risks in this area and will update G20 members on progress and conclusions reached later this year.”

Remarks by Santiago Otamendi at the G20 Finance Ministers and Central Bank Governors’ Meeting, Buenos Aires, 20 March 2018.

FATF Executive Secretary David Lewis, FSB Secretary General Dietrich Domanski, IDB President Luis Alberto Moreno and IMF Managing Director Christine Lagarde (from left to right) at the meeting of G20 Finance Ministers and Central Bank Governors, Buenos Aires, 19 March 2018.





Group photo of G20 Finance Ministers and Central Bank Governors, Washington, 20 April 2018, with FATF President Santiago Otamendi in the fourth row from the bottom, fourth from right.

“

We acknowledge that technological innovation, including that underlying crypto-assets, has the potential to improve the efficiency and inclusiveness of the financial system and the economy more broadly. Crypto-assets do, however, raise issues with respect to consumer and investor protection, market integrity, tax evasion, money laundering and terrorist financing. Crypto-assets lack the key attributes of sovereign currencies. At some point they could have financial-stability implications. We commit to implement the FATF standards as they apply to crypto-assets, look forward to the FATF review of those standards, and call on the FATF to advance global implementation.

Communiqué G20 Finance Ministers & Central Bank Governors, 19-20 March 2018

## Heads of FATF FIUs

The Heads of FATF FIUs Forum continues to provide FATF FIUs with the opportunity to share and discuss issues of importance, including FIU independence and autonomy. In February 2018, the FATF circulated a paper on this issue for discussion at the Heads of FATF FIU Forum. The FATF sets the international standard on FIU autonomy and independence and states that, irrespective of the model of FIU chosen, all FIUs “should be operationally independent and autonomous...”

The FATF FIU Forum also discussed good practices to improve the effectiveness of suspicious transaction reporting and the quality of financial intelligence, in particular by using public-private partnerships and inter-agency information sharing. They also discussed how banks identify suspicious activity and the benefits of a proactive intelligence approach. These discussions resulted in studies on the practical considerations when setting up public-private partnerships, and on co-operation at the domestic level between FIUs and intelligence agencies.

## Joint Experts Meeting and Risk Assessment Workshop

At the Joint Experts Meeting in Busan, Republic of Korea, in May 2018, more than 130 delegates from FATF and FSRB members, as well as other relevant international bodies, such as the World Bank and IMF, gathered to discuss a number of pressing AML/CFT issues. The event was hosted by FATF TREIN and the Republic of Korea.

In a series of breakout discussions, they discussed issues such as professional money laundering networks; virtual currencies / crypto-assets; and TF disruption strategies. Outcomes from the discussions, and new information collected during these breakout sessions, supplemented ongoing work in these areas. Participants also heard updates on terrorist financing risks associated with ISIL, Al-Qaeda and affiliates to both organisations (with an emphasis on the Asia-Pacific Region), along with an update on human trafficking work that is occurring across the FATF’s Global Network.

The final day of the conference was the risk assessment workshop. At the workshop, participants discussed the need for updated guidance on TF risk assessments. Participants shared national experiences in undertaking TF risk assessments, including challenges and best practices. They also discussed regional risk assessments and thematic risk assessments (for example risk assessments on the non-profit sector).

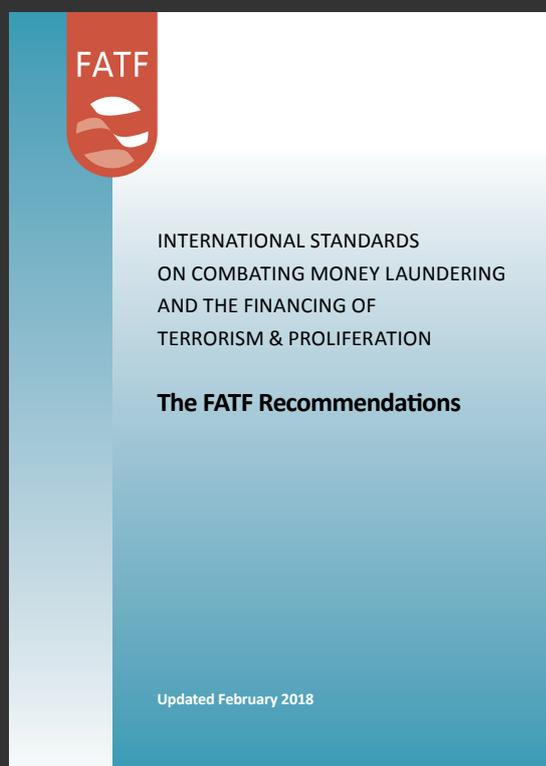
At its June 2018 Plenary, the FATF Plenary, decided to start work on updating the TF risk assessment guidance.

Speaker at the Joint Experts’ Meeting and Risk Assessment Workshop in Busan, Korea



[www.fatf-gafi.org/recommendations](http://www.fatf-gafi.org/recommendations)

# The International Standards



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. Countries have diverse legal, administrative and operational frameworks and different financial systems, and so cannot all take identical measures to counter these threats.

The FATF Recommendations, therefore, set an international standard, which countries should implement through measures adapted to their particular circumstances. The FATF Standards comprise the Recommendations themselves and their Interpretive Notes, together with the applicable definitions in the Glossary.

[www.fatf-gafi.org/recommendations](http://www.fatf-gafi.org/recommendations)

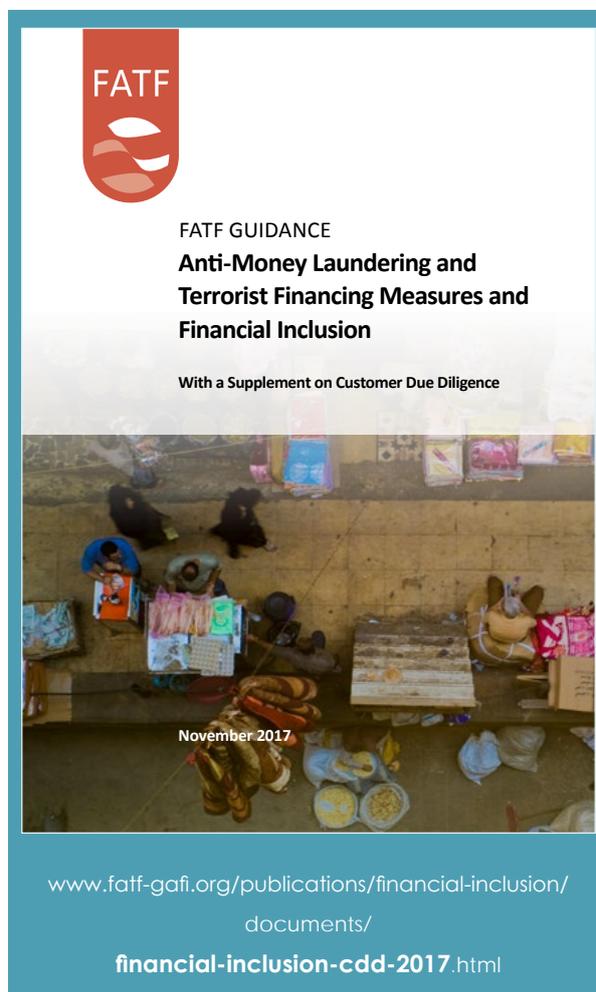
The FATF keeps the international standards and their implementation under ongoing review, in order to identify where there is a need for further guidance and best practices at international level, or where the Standards themselves may need to be updated, clarified, or expanded. This can include responding to new and emerging risks (such as the financing of foreign terrorist fighters); correcting widespread misunderstandings of the Standards with unintended consequences (such as de-risking in the correspondent banking sphere). The FATF also updates its standards and guidance to assist countries with implementing the most difficult aspects of the AML/CFT requirements and to reflect evolving practices and technologies in the public and private sectors. In the past year, the FATF has worked in all these areas, as set out on the following pages.

## FATF and Financial Inclusion

Financial Inclusion was another of the main concerns of the Argentine Presidency.

In 2017, FATF published a Supplement on Customer Due Diligence to its *2013 Guidance on Financial Inclusion*. Financial inclusion has always been important for the FATF. Without access to the formal financial system, unserved or underserved customers will resort to cash and unregulated channels, which limits transparency and increases the risk of crime and money laundering. The FATF recognises that applying an overly cautious approach to AML/CFT safeguards can exclude legitimate businesses and consumers from the formal financial system. FATF Guidance on AML/CFT Measures and Financial Inclusion was published in 2013 to provide support for designing AML/CFT measures that meet the goal of financial inclusion, without compromising their effectiveness in combating crime.

One of the main obstacles to providing appropriate regulated financial services or products to unbanked customers is their lack of reliable identity



To achieve a strong, sustainable, and inclusive economic growth, promote greater inclusiveness and to reduce inequality, the FATF must remain focused on financial inclusion, in line with the FATF Standards and the G20 High-Level Principles for Digital Financial Inclusion. In addition, it is clear that de-risking and de-marketing by global banks can lead to financial exclusion and increase the risks society faces from money laundering and terrorist financing, including by increasing the use of cash and of unregulated channels.

Objectives for FATF-XXIX (2017-2018)

Paper by the incoming President, Santiago Otamendi

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 risk-based approach allows for a certain amount of flexibility to provide access to basic, regulated financial products to a larger proportion of the population.

The 2017 supplement provides country examples of customer due diligence (CDD) measures adapted to the context of financial inclusion. Those examples illustrate how a simplified set of CDD measures or alternative forms of identity verification, for example the use of e-identity tools, can support financial inclusion, while appropriately mitigating the ML/TF risks. The objective of this updated report is to encourage countries to make use of the FATF Recommendations’ flexibility to provide sound financial services to the financially excluded.

FATF has also maintained its close engagement with financial inclusion stakeholders, and in particular the G20 Global Partnership for Financial Inclusion

(GPFI). The GPFI specifically works with global standard-setting bodies (SSBs) on cross-cutting issues for financial inclusion, that are of relevance to multiple SSBs. FATF used this platform to share information on emerging FinTech/RegTech practices and their regulatory approaches, specifically regarding the use of digital IDs for financial inclusion purposes.

FATF’s work on de-risking has an important financial inclusion aspect. The decline in banking relationships due to de-risking can indeed cause financial exclusion, and affect vulnerable and disadvantaged categories of customers, potentially pushing them to underground financial channels. FATF’s efforts to tackle de-risking have therefore integrated the financial inclusion dimension (see page 43).



## Information sharing

Effective information sharing is fundamental for a well-functioning AML/CFT system. Constructive and timely exchange of information is a key requirement of the FATF standards, underlying the risk-based approach, enterprise-wide compliance, and effective public-private co-operation. Barriers to information sharing can and do reduce the effectiveness of AML/CFT efforts. Promoting Information sharing is therefore an important priority for the FATF. In their engagement with the FATF, the private sector has highlighted the need to clarify some FATF requirements on information sharing and for more action to remove obstacles to information sharing at national and international levels.

In November 2017, the FATF adopted revisions to the Interpretive Note on Recommendation 18 to clarify the requirements on sharing of information related to unusual or suspicious transactions within financial groups in order to facilitate more effective ML/TF risk assessment and mitigation by financial institutions. Revisions also allow for sharing this information by the group with branches and subsidiaries when necessary for AML/CFT risk management. The FATF also adopted revisions to Recommendation 21 to clarify the interaction of these requirements with tipping-off provisions and clarifies that these provisions are not intended to inhibit information sharing under Recommendation 18.

The objective of these amendments to the Standards is to provide clarity on the scope and type of information sharing for implementing a group-wide programme by financial institutions against ML/TF. This should help both public authorities and financial institutions to better manage financial crime risks.

In November 2017, the FATF released a Guidance on Private Sector Information Sharing, which identifies the key challenges that inhibit sharing of information both group-wide and between financial institutions that are not part of the same group, their practical impact and measures to address them. The Guidance highlights that these challenges may also emerge from different legal frameworks of data protection and privacy and their implementation.

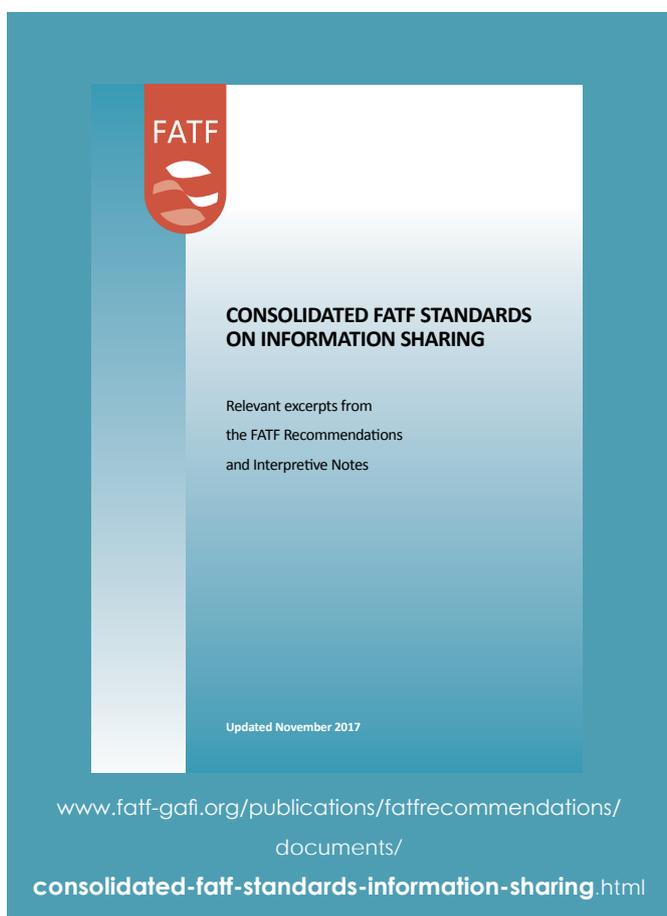
The Guidance articulates how the FATF standards on information sharing should be applied by national authorities and private sector for sharing of customer, account and transaction information, including information on unusual or suspicious transactions. It also sets out practical examples of how authorities can facilitate such sharing of information and highlights recent initiatives in information sharing, including public-private partnerships in a number of countries for wider mutual benefits.



## National co-operation with Data Protection and Privacy Authorities

The Guidance supports the effective implementation of the AML/CFT regime both in the national and international context and encourages national authorities and the private sector to work closely and cohesively in the fight against money laundering, terrorism financing and other financial crimes.

The FATF also recognises the importance of reducing barriers to effective AML/CFT information sharing posed by different regulatory requirements, such as data protection and privacy. There is no incompatibility between the FATF Standards and data protection and privacy rules in principle. However, in practice the detailed regulations at national level for AML/CFT and DPP do sometimes conflict with each other. In recent years, AML/CFT and Data Protection and Privacy (DPP) authorities in many jurisdictions have been working closely together to ensure understanding and compatibility of the two regimes. Co-operation and co-ordination among authorities at national level and on a regular basis is an effective way to avoid conflicts of law at national level.



The FATF expanded Recommendation 2 in February 2018 to include a requirement for information sharing between competent authorities, and emphasise that co-operation and co-operation should include co-ordination with the relevant authorities to ensure the compatibility of AML/CFT requirements with Data Protection and Privacy rules and other similar provisions (e.g. data security / localisation). Improving the compatibility of AML/CFT and DPP rules will facilitate exchange of information within the private sector. It will also facilitate implementation of the FATF requirements on data collection, retention, and use.

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*Dieser Schalter ist vorübergehend nicht besetzt*

*This counter is at present unstaffed*



## De-risking and MVTs

De-risking remains an ongoing challenge. The FATF supports a coordinated approach - in co-operation with other international bodies including the Financial Stability Board (FSB), to help address the underlying drivers of de-risking and promotes an effective implementation of risk-based measures by financial institutions and supervisors. In line with this approach, the FATF has amended its Recommendations, issued a range of guidance papers and public statements clarifying how the RBA applies in the context of supervision and enforcement generally, and in specific sectors including money or value transfer services (MVTs), non-profit organisations (NPOs) and correspondent banking services.

In July 2017, the G20 asked the Financial Stability Board to co-ordinate work with the FATF and the Global Partnership for Financial Inclusion on identifying and addressing issues relating to remittance providers' access to banking services. The FATF took an active role in the work of the Remittance Task Force convened by the FSB to examine this problem and identify potential solutions. The task force concludes that the remittance sector is diverse and a range of different factors seem responsible for loss of access to banking services. These include commercial factors, the economic environment, the structure of the sector, as well as perceived ML/TF risks and a low level of confidence in the supervision of the MVTs sector. There is no single cause of de-risking and unlikely to be a single solution. The report also states that there are no obvious gaps in international standards, though lack of meaningful supervision and risk assessment of the MVTs providers in many jurisdictions appear to be contributing factors. In January 2019, the FATF will explore the extent to which relevant recommendations of the Task Force have been implemented by national authorities.

The FATF has also continued to facilitate a constructive dialogue and engagement on de-risking among stakeholders. In March 2018, the FATF, in co-ordination with other international standard setters, has welcomed the Correspondent Banking Due Diligence Questionnaire published by the Wolfsberg Group as one of the industry initiatives to help address the decline in the number of correspondent banking relationships by facilitating due diligence processes.

In April 2018, the FATF Private Sector Consultative Forum brought together policy makers, supervisors, financial institutions including banks, remittance service providers and NPOs to take stock of the latest developments and ongoing initiatives on de-risking. Participants discussed the challenges and the potential next steps, including initiatives by the national authorities, financial institutions and industry bodies.

The FATF recently completed a survey to understand the extent to which member governments and financial institutions are using the FATF guidance for MVTs and correspondent banking services. With this exercise, FATF aimed to confirm that its efforts to clarify regulatory expectations have reached their intended audience and are leading to changes in practice. The survey feedback generally shows these guidance documents have clarified expectations and that financial institutions are including them in their risk-based approach. However, inconsistent application or interpretation by national authorities and private sector in some cases remains a concern. The FATF encourages authorities and private sector to better align their practices and procedures in line with the RBA.

## Countering Proliferation Financing

Financing is an essential part of proliferation activity. Criminals often exploit weaknesses in legal and operational systems across different jurisdictions to allow them to raise and move funds, and carry out financial transactions. Proliferation networks and their facilitators use the same means.

The FATF Standards set specific requirements to give effect to UN Security Council Resolutions, including targeted financial sanctions to counter proliferation. Recommendation 7 requires countries to implement proliferation financing-related targeted financial sanctions made under UN Security Council Resolutions. Recommendation 2 requires countries to put in place effective national co-operation and, where appropriate, co-ordination mechanisms to combat the financing of proliferation of weapons of mass destruction (WMD). They require jurisdictions to establish the necessary legal authority and identify competent authorities responsible for implementing and enforcing targeted financial sanctions in a timely manner.

The UN Security Council Resolutions have evolved significantly in recent years. The scope and nature of the sanctions regarding DPRK has expanded, given the country's repeated violations of earlier resolutions. There were also significant changes to the resolution regime in relation to Iran. However, certain jurisdictions find it challenging to understand their obligations pursuant to the UN Security Council Resolutions, and to implement effective measures to tackle the proliferation of WMD and terminate sanctions evasion.

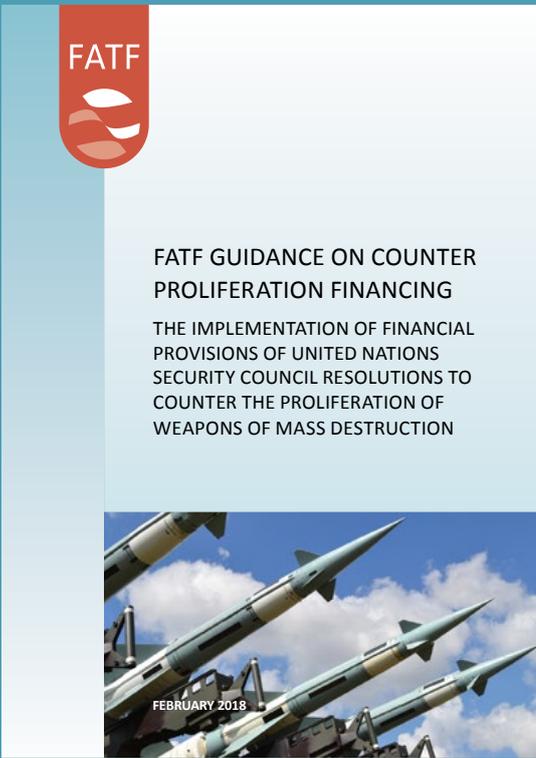
In February 2018, the FATF published an updated guidance on counter proliferation financing. The Guidance elaborates and explains the relevant UN requirements and their interaction with the FATF Standards. It also gives examples of key contextual factors and circumstances, including types of customers and transactions, so that jurisdictions can develop an understanding of means of evading sanctions. These materials are especially useful for

United Nations Security Council at the adoption of the Resolution on Prevention of Use of Weapons of Mass Destruction by Non-State Actors, one of a number of UN Security Council Resolutions that the FATF Standards give effect to.



jurisdictions which have a lower level of technical compliance with the FATF Standards.

In addition, the Guidance includes specific material to assist jurisdictions with domestic co-operation and co-ordination. Other tools include guidance on how to make use of information-sharing mechanisms within the jurisdiction for the purposes of countering proliferation financing. The Guidance also highlights features of an effective supervisory model for the financial sector and relevant professions concerning proliferation financing, including control and monitoring processes, remedial actions and sanctions, general supervision, and promoting understanding of obligations. The Guidance goes further to assist countries in implementing the other proliferation-related measures included in UN Security Council Resolutions - such as vigilance measures and non-targeted financial sanctions.



FATF

**FATF GUIDANCE ON COUNTER PROLIFERATION FINANCING**

THE IMPLEMENTATION OF FINANCIAL PROVISIONS OF UNITED NATIONS SECURITY COUNCIL RESOLUTIONS TO COUNTER THE PROLIFERATION OF WEAPONS OF MASS DESTRUCTION

FEBRUARY 2018

[www.fatf-gafi.org/publications/financingofproliferation/documents/guidance-counter-proliferation-financing.html](http://www.fatf-gafi.org/publications/financingofproliferation/documents/guidance-counter-proliferation-financing.html)



Mutual Evaluations

[www.fatf-gafi.org/publications/mutualevaluations](http://www.fatf-gafi.org/publications/mutualevaluations)

# Mutual Evaluations

To keep funds with links to crime or terror out of the global financial systems, each country must implement sound and effective measures to detect, prevent and punish money laundering or terrorist financing.

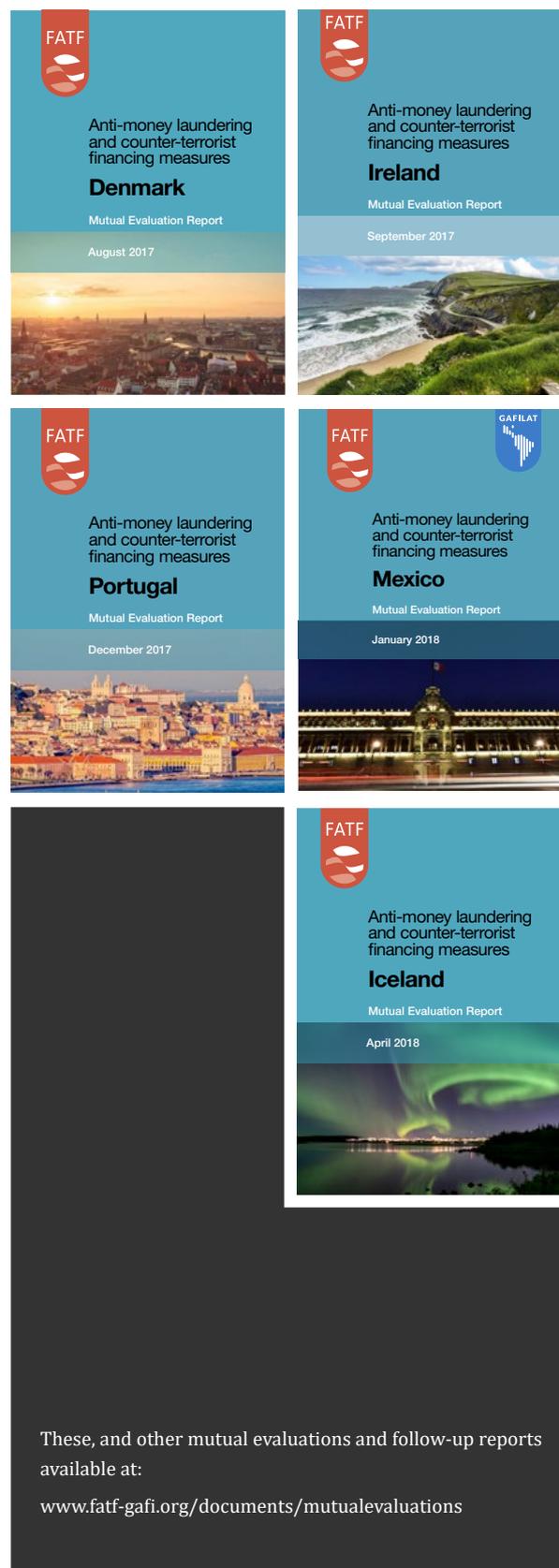
FATF not only sets the global anti-money laundering and counter terrorist financing standards, it also comprehensively assesses and rates its members for compliance with these standards. FATF's assessment process scrutinises whether laws and regulations are in place and, more importantly, analyses whether they are being used and are delivering the expected results.

The G20 recognises the FATF's important role in protecting the integrity of the financial system and has continued to call for the 'swift and effective implementation of the FATF standards worldwide'.

The FATF's robust mutual evaluation process uses a Methodology that applies to all 205 countries in the global AML/CFT network. Countries that are not members of FATF are assessed by their respective FATF-style regional body (FSRB), the IMF or the World Bank.

This Plenary year, the FATF published the mutual evaluation reports of:

- Denmark (August 2017)
- Ireland (September 2017)
- Portugal (December 2017)
- Mexico jointly with GAFILAT (January 2018)
- Iceland (April 2018)



The mutual evaluation process assesses the effectiveness of a country's AML/CFT system against 11 Immediate Outcomes. The goal is to assess the whole of the country's AML/CFT system and how well it works. Assessing effectiveness is intended to: (a) improve the FATF's focus on outcomes; (b) identify the extent to which the country's national AML/CFT system is achieving the objectives of the FATF standards, and identify any systemic weaknesses; and (c) enable countries to prioritise measures to improve their system.

The mutual evaluation process also assesses the country's technical compliance with the FATF's 40 Recommendation. This aspect of the evaluation assesses whether the legislative and institutional framework meets the technical requirements of the FATF Standards. Each country is assessed, taking into account its specific money laundering and terrorist financing risks, issues of materiality (e.g. the size of its financial sector) and other structural or contextual factors that may impact implementation of AML/CFT measures.

The FATF Plenary discusses each mutual evaluation report with its proposed ratings and recommended actions. After adoption, the report undergoes a quality and consistency review. This review is mandatory for all evaluations, regardless of the assessing body. The quality and consistency review ensures that all mutual evaluations conducted in the global network are of a consistently high quality. The report is ready for publication when it has successfully completed the quality and consistency review. If the review reveals inconsistencies then the report is referred back to the assessing body.

## FATF Follow-up process

After a mutual evaluation, a country has clear recommendations on the actions it must take to address weaknesses in its AML/CFT framework and to improve the effectiveness of the action it is taking. The completion of a mutual evaluation is therefore a starting point for a country to further strengthen its safeguards against money laundering and terrorist financing.

Following their mutual evaluation, all countries are placed in a robust follow-up process that is aimed at encouraging countries to strengthen their AML/CFT systems in a timely manner. The country must report back to the FATF Plenary on the steps it has taken to strengthen its AML/CFT framework, based on the recommendations and priority actions identified in its mutual evaluation report. Accountability towards the FATF's Global Network membership encourages countries to take the necessary steps. As a result, this follow-up process is generating very positive results.

This Plenary year, the FATF published three follow-up reports of countries which have made sufficient progress to be re-rated for their technical compliance with the FATF Recommendations

As with the mutual evaluation process, the follow up reports undergo a quality and consistency review, so that any inconsistencies in, for example the re-ratings, are referred back to the relevant assessing body.

## Published follow-up reports



### Austria

originally assessed in 2016,  
re-rated on 10 Recommendations  
in December 2017,

[www.fatf-gafi.org/publications/mutualevaluations/documents/fur-austria-2017.html](http://www.fatf-gafi.org/publications/mutualevaluations/documents/fur-austria-2017.html)



### Norway

originally assessed in 2014,  
re-rated on 8 Recommendations  
in March 2018

[www.fatf-gafi.org/publications/mutualevaluations/documents/fur-norway-2018.html](http://www.fatf-gafi.org/publications/mutualevaluations/documents/fur-norway-2018.html)



### Spain

originally assessed in 2014,  
re-rated on 3 Recommendations  
in March 2018  
now compliant on  
28 of 40 Recommendations.

[www.fatf-gafi.org/publications/mutualevaluations/documents/fur-spain-2018.html](http://www.fatf-gafi.org/publications/mutualevaluations/documents/fur-spain-2018.html)

These, and other mutual evaluations and follow-up reports  
available at:

[www.fatf-gafi.org/documents/mutualevaluations](http://www.fatf-gafi.org/documents/mutualevaluations)

## Revisions to the assessment Methodology

The FATF regularly refines and strengthens the FATF Recommendations to address new threats to the financial system. As a result, this Plenary year, the FATF revised its Methodology to assess how countries are implementing targeted financial sanctions to combat the financing of the proliferation of weapons of mass destruction. This revision reflected the FATF's work to strengthen its standards in this area and ensures that countries will be evaluated for their compliance with the most up-to-date global AML/CFT standards in this area. The FATF also revised its Methodology to clarify how the FATF standards apply to legal arrangements.

## Follow-up from the third round of mutual evaluations

One of the key requirements for FATF membership is to fully implement the FATF Recommendations.

Since the mutual evaluation of Brazil during the previous cycle of assessments, in June 2010, the country has failed to address the serious shortcomings this assessment identified, in particular the criminalisation of terrorist financing. Since then, the FATF has repeatedly called on the country to fulfil its member commitment by taking further action to address these shortcomings. At its June 2018 meeting, the FATF Plenary recognised that Brazil had taken further steps to improve its counter terrorist financing regime, but that deficiencies remained regarding targeted financial sanctions.

Consequently, Brazil had failed to meet the deadlines in the action plan it agreed to. The Plenary decided this was now a membership issue for the FATF to consider in February 2019. Brazil is encouraged to address those deficiencies as soon as possible.

## Assessor training

Mutual evaluations are peer reviews. They are conducted by an assessment team composed of relevant and experienced experts from the FATF membership. FATF regularly organises assessor training for experienced national experts who may take part in a future mutual evaluation. The participation of trained and experienced experts is essential to ensure a consistently high quality of all mutual evaluations.

This year, the FATF organised training sessions in collaboration with four FATF-Style Regional Bodies (APG, CFATF, GAFILAT, MONEYVAL). During these training sessions, future assessors learn more about the mutual evaluation process. They learn how to critically analyse a country's national risk assessment which is the starting point for building a national AML/CFT framework. They learn what kind of information they must look for during a mutual evaluation to determine whether a country has implemented the necessary laws, regulation and operational requirements.

Most importantly, they learn to identify the evidence that will demonstrate whether a country is effective in tackling money laundering and terrorist financing.

A crucial component of the mutual evaluation is to provide the country with clear and concrete recommendations on how to strengthen its AML/CFT framework. The training also provides future assessors with the necessary tools to identify the key actions that a country should take to address the weaknesses that the assessment has revealed.



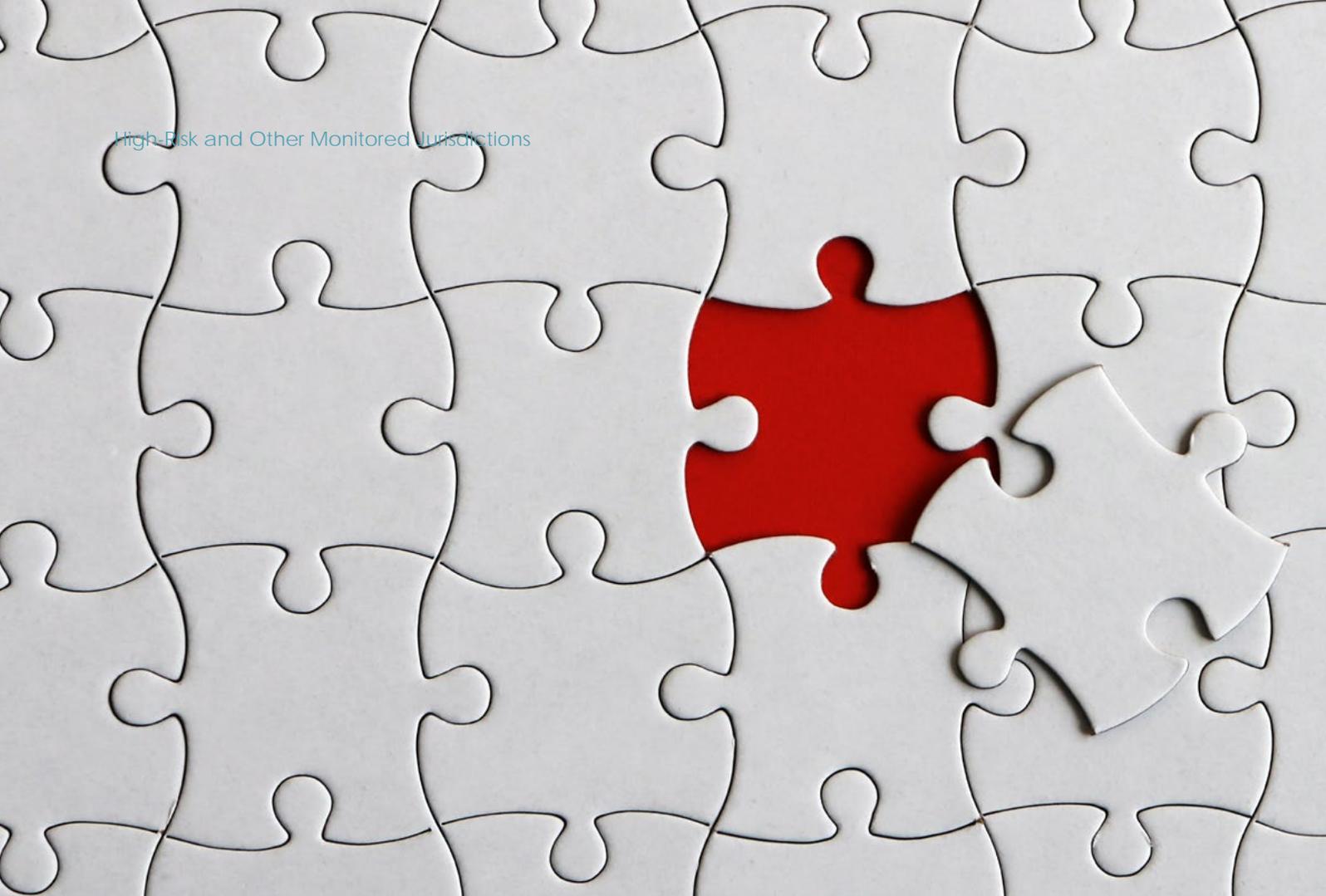
FATF-MONEYVAL Joint Assessor Training  
Larnaca, Cyprus, 23-27 April 2018

## FATF Fourth Round of Mutual Evaluations completed &amp; published between July 2017 - June 2018

		Extent to which the assessed country achieved this objective (High, Substantial, Moderate, Low)				
		Denmark (Aug '17)	Ireland (Sep '17)	Portugal (Dec '17)	Mexico <sup>1</sup> (Jan '18)	Iceland (Apr '18)
Publication date						
1	Risk, Policy and co-ordination - ML and TF risks are understood and where appropriate, actions co-ordinated domestically to combat ML and TF	moderate	Substantial	Substantial	Substantial	Low
2	International co-operation - International co-operation delivers appropriate information, financial intelligence, and evidence, and facilitates action against criminals and their assets	Substantial	Substantial	Substantial	Substantial	Substantial
3	Supervision - Supervisors appropriately supervise, monitor and regulate financial institutions and designated non-financial businesses and professions (DNFBPs) for compliance with AML/CFT requirements commensurate with their risks	Low	Substantial	Moderate	Moderate	Low
4	Preventive measures - Financial institutions and DNFBPs adequately apply AML/CFT preventive measures commensurate with their risks, and report suspicious transactions	Low	Moderate	Moderate	Low	Low
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	Moderate	Moderate	Moderate	Moderate	Low
6	Financial intelligence - Financial intelligence and all other relevant information are appropriately used by competent authorities for money laundering and terrorist financing investigations	Moderate	Substantial	Moderate	Moderate	Moderate
7	Money laundering investigation and prosecution - Money laundering offences and activities are investigated and offenders are prosecuted and subject to effective, proportionate and dissuasive sanctions	Moderate	Moderate	Substantial	Low	Moderate
8	Confiscation - Proceeds and instrumentalities of crime are confiscated	Moderate	Moderate	Moderate	Low	Moderate
9	Terrorist financing investigation and prosecution - Terrorist financing offences and activities are investigated and persons who finance terrorism are prosecuted and subject to effective, proportionate and dissuasive sanctions.	Substantial	Moderate	Substantial	Moderate	Moderate
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 non-profit sector	Moderate	Moderate	Substantial	Substantial	Low
11	Proliferation financing financial sanctions - Terrorists, terrorist organisations and terrorist financiers are prevented from raising, moving and using funds, and from abusing the non-profit sector	Substantial	Substantial	Substantial	Substantial	Low

1. joint assessment with GAFILAT

Consolidated table of all 4th Round ratings available at:  
[www.fatf-gafi.org/documents/mutualevaluations/documents/assessment-ratings.html](http://www.fatf-gafi.org/documents/mutualevaluations/documents/assessment-ratings.html)



[www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions](http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions)

# High-Risk and Other Monitored Jurisdictions

Global safeguards to combat money laundering and terrorist financing (AML/CFT) are only as strong as the jurisdiction with the weakest measures. Criminals and terrorists will seek out loopholes due to weak AML/CFT controls to successfully launder money or to move assets to finance terrorism through the financial system. A key objective of the FATF is to continually identify jurisdictions with significant weaknesses in their AML/CFT regimes that present a risk to the international financial system.

Through the International Co-operation Review Group (ICRG), the FATF works with these jurisdictions to address these weaknesses.

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 closely monitors the progress that these identified jurisdictions are making. It reflects this progress in FATF's public statements after each Plenary meeting.

Since the start of ICRG's process in 2007, the FATF has reviewed over 85 countries and publicly identified 66 of them. Of these 66 countries, 55 have since made the necessary reforms, of which 4 between July 2017 and June 2018: Bosnia and Herzegovina, Iraq, Uganda and Vanuatu.

## Review Process

FATF's ICRG process to identify and review jurisdictions with strategic AML/CFT deficiencies began in 2007 and was enhanced in 2009. It was further updated in 2015 to take into account the revised FATF standards and mutual evaluation process, which assess the effective implementation of AML/CFT measures.

The FATF reviews jurisdictions based on threats, vulnerabilities, or particular risks arising from the jurisdiction. Specifically, a jurisdiction will be reviewed when:

1. It does not participate in a FATF-style regional body (FSRB) or does not allow mutual evaluation results to be published in a timely manner; or
2. It is nominated by an 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
3. It has achieved poor results on its mutual evaluation, specifically:
  - it has 20 or more non-Compliant (NC) or Partially Compliant (PC) ratings for technical compliance; or
  - it is rated NC/PC on 3 or more of the following Recommendations: 3, 5, 6, 10, 11, and 20; 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.

A jurisdiction that enters the ICRG review process as a result of its mutual evaluation results has a one-year Observation Period to work with the FATF or its FATF-style regional body (FSRB) to address deficiencies before possible public identification and formal review by the FATF. The FATF then prioritises the review of those countries with more significant financial sectors – e.g. USD 5 billion or more in financial sector assets.

During the review process the FATF considers the strategic AML/CFT deficiencies identified both in terms of technical compliance and effectiveness of measures in place, and any relevant progress made by the jurisdiction. If the FATF deems the progress insufficient to address its strategic deficiencies, the FATF develops an action plan with the jurisdiction to address the remaining strategic deficiencies.

For all countries under ICRG review, the FATF requires a high-level political commitment that the jurisdiction will implement the legal, regulatory, and operational reforms required by the action plan.

Four regional Joint Groups of the ICRG carry out the reviews, covering: Africa/Middle East, the Americas, Asia/Pacific, and Europe/Eurasia. Each jurisdiction under review has the opportunity to participate in a face-to-face meeting to discuss the analysis of the Joint Group in advance of FATF plenary meetings.

## Public Identification

The FATF publishes two statements at the end of each plenary meeting, in February, June, and October. These statements provide a short summary of the recent actions taken in accordance with each jurisdiction's action plan, as well as a list of the strategic deficiencies remaining to be addressed. The two statements reflect the different levels of risk posed at any given time by the deficiencies in the jurisdictions under review.

### Improving Global AML/CFT Compliance: On-going Process Statement

This statement identifies those jurisdictions with strategic deficiencies in their AML/CFT regimes that are undergoing review by the FATF according to the agreed milestones and timelines. The FATF encourages its members to consider the ML/TF/PF risks arising from the strategic deficiencies of these jurisdictions. If a jurisdiction fails to make sufficient or timely progress, the FATF can decide to increase its pressure on the jurisdiction to make meaningful progress and protect the international financial system from these risks emanating from it by moving it to the FATF Public Statement. As a result of ICRG's process, over the past year the FATF added Pakistan, Serbia, Sri Lanka, Trinidad and Tobago and Tunisia to its on-going process statement.

## FATF Public Statement

The FATF Public 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. Enhanced due diligence measures include obtaining additional information on the customer, obtaining information on the source of funds and source of wealth of the customer, and enhanced monitoring of the business relationship.

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 ML/TF/PF risks emanating from those jurisdictions. Counter measures range from specific elements of enhanced due diligence and systematic reporting of transactions involving the jurisdiction, to a limitation or prohibition of financial transactions with the jurisdiction.

The FATF provides further instructions and examples of enhanced due diligence and counter measures (see the Interpretative Notes to Recommendations 10 and 19), and it is the responsibility of each country to implement the measures.

Over the past year, FATFs Public Statement identified Iran and the Democratic People's Republic of Korea (DPRK).

## Democratic Republic of Korea

In November 2017, the FATF issued a public statement about the proliferation financing risk emanating from DPRK, stressing global obligations and the importance of robust implementation of the FATF standards and relevant UN Security Council Resolutions. In order to address the threat posed by the DPRK's illicit activities related to the proliferation of weapons of mass destruction (WMD) and its financing, the FATF called upon its members and urged all jurisdictions to effectively implement the relevant FATF recommendations and UNSC Resolutions.

Since then, the country has failed to address the significant deficiencies in its AML/CFT regime and continues to pose a serious threat to the integrity of the international financial system. In the June 2018 Public Statement, the FATF reaffirmed its 25 February 2011 call on its members and urged all jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with the DPRK, including DPRK companies, financial institutions, and those acting on their behalf. In addition to enhanced scrutiny, the FATF further calls on its members and urges all jurisdictions to apply effective counter-measures, and targeted financial sanctions in accordance with applicable United Nations Security Council Resolutions, to protect their financial sectors from money laundering, financing of terrorism and WMD proliferation financing (ML/FT/PF) risks emanating from the DPRK. Jurisdictions should take necessary measures to close existing branches, subsidiaries and representative offices of DPRK banks within their territories and terminate correspondent relationships with DPRK banks, where required by relevant UNSC resolutions

## Iran

Since 2008, Iran has been the subject of public warnings by the FATF about the serious risks emanating from the deficiencies in its AML/CFT measures.

In June 2016, the FATF welcomed Iran's high-level political commitment to address its strategic AML/CFT deficiencies, and its decision to seek technical assistance in the implementation of its action plan. Given that Iran provided that political commitment and the relevant steps it has taken, the FATF decided in February 2018 to continue the suspension of counter-measures.

While Iran established a cash declaration regime and introduced draft amendments to its AML and CFT laws, by June 2018 Iran's action plan expired with a majority of the action items remaining incomplete.

In its June 2018 Public statement, the FATF expressed its disappointment with Iran's failure to implement its action plan to address its significant AML/CFT deficiencies. However, given the Iranian government's continued efforts to finalise and pass amendments to its AML and CFT laws, the FATF decided to continue the suspension of counter-measures. FATF urgently expects Iran to enact amendments to its AML and CFT laws and ratify the Palermo and TF Conventions in full compliance with the FATF Standards by October 2018, otherwise, the

FATF will decide upon appropriate and necessary actions at that time.

Iran will remain on the FATF Public Statement until the full Action Plan has been completed. Until Iran implements the measures required to address the deficiencies identified in the Action Plan, the FATF will remain concerned with the terrorist financing risk emanating from Iran and the threat this poses to the international financial system. In its June 2018 public statement, the FATF, therefore, called on its members and urged all jurisdictions to continue to advise their financial institutions to apply enhanced due diligence to business relationships and transactions with natural and legal persons from Iran, consistent with FATF Recommendation 19.

## Removal from FATF Review

To be removed from FATF monitoring, a jurisdiction must substantially address all the components of its action plan. Once the FATF has determined that a jurisdiction has done so, it will organise an on-site visit to confirm that the implementation of the necessary legal, regulatory, and/or operational reforms is underway and there is the necessary political commitment and institutional capacity to sustain implementation. If the on-site visit has a positive outcome, the FATF will decide on removing the jurisdiction from public identification at the next FATF plenary. The concerned jurisdiction will then continue to work within the FATF or the relevant FSRB, through its normal follow-up process, to improve its AML/CFT regime.

This year, between July 2017 and June 2018, the FATF removed the following jurisdictions from its review process:

November 2017:

- Uganda (ESAAMLG)

February 2018:

- Bosnia and Herzegovina (MONEYVAL)

June 2018:

- Iraq (MENAFATF)
- Vanuatu (APG)

Strengthening the Global Network



[www.fatf-gafi.org/countries](http://www.fatf-gafi.org/countries)

# Strengthening the Global Network

As the leader of a global network of like-minded bodies, the FATF has an over-arching responsibility to ensure that countries throughout the world apply the FATF standards consistently and that their AML/CFT regimes are effective.

## FATF Membership

To ensure that the FATF's membership includes the countries that are strategically the most important, and enhance the geographic balance of FATF's membership, the FATF agreed in June 2014 on a limited expansion of its membership. This year, Indonesia joined Israel and Saudi Arabia as observer country to the FATF. Each country is working towards meeting the criteria for full membership which includes the completion of a mutual evaluation that demonstrates that the country has an effective framework to combat money laundering and terrorist financing.

## FATF-Style Regional Bodies

The FATF and the nine FATF-style regional bodies (FSRBs) make up the Global Network and together cover 205 countries. Somalia was the latest country to join the Global Network as FSRB MENAFATF welcomed it as a member in June 2018.

The FATF and FSRBs are independent partners in the global network, but share the common goal of promoting the effective implementation of sound measures to keep criminals and terrorists out of the global financial system.

While the FATF is the only standard-setting body, FATF and FSRBs each assess how effectively their respective members implement the FATF standards, based on the Consolidated processes and procedures for mutual evaluations and follow-up ("Universal Procedures"). FATF and FSRBs have a certain amount of flexibility to determine their procedural arrangements, but the Universal Procedures set out the core elements that must form the basis for all assessments.

Close collaboration between the FATF and the FSRBs is crucial for strengthening the Global Network and ensures that the results of peer reviews – mutual evaluations – remain of high quality and consistency.



FATF President Santiago Otamendi with Dr. Wimboh Santoso, Chairman of the Indonesian Financial Services Authority.

## Quality and Consistency

Maintaining high-quality mutual evaluation and follow-up reports across the Global Network is critical to ensuring a level-playing field among countries. The publication of a low-quality report could negatively affect the credibility of the evaluation process as a measure of implementation and effectiveness.

For this reason, the FATF Secretariat reviews all draft assessments of members of the Global Network at various stages in the process. This review is meant to spot any issues of quality and consistency early on. The FATF also circulates draft reports and adopted reports for post-plenary review by the Global Network. This allows all members of the Global Network to contribute suggestions on ways to improve the reports or to identify major quality and consistency issues. The focus of the quality and consistency review is on the substance of the report and its consistency with existing assessments adopted by the Global network (see also Mutual Evaluations, page 46).

This year, the mutual evaluation or follow-up reports of 20 of the FSRBs' members completed

their quality and consistency review and were subsequently published on the FATF website:

### Mutual Evaluation reports

- Andorra (MONEYVAL)
- Bahamas (CFATF)
- Barbados (CFATF)
- Botswana (ESAAMLG)
- Costa Rica (GAFILAT)
- Ghana (GIABA)
- Macao (APG)
- Nicaragua (GAFILAT)
- Panama (GAFILAT)
- Thailand (APG)
- Ukraine (MONEYVAL)

### Follow-up reports

- Cambodia (APG)
- Cuba (GAFILAT)
- Fiji (APG)
- Hungary (MONEYVAL)
- Mongolia (APG)
- Samoa (APG)
- Slovenia (MONEYVAL)
- Tunisia (MENAFATF)
- Vanuatu (APG)



## Joint FATF/FSRB Plenary Meetings and Other Shared Initiatives

To foster better co-operation between the FATF and FSRBs, the FATF periodically holds joint Plenary meetings with its associate members. During such meetings, all members of the FATF and the FSRB are able to participate under their respective delegations. Two joint Plenary meetings were held this year. One took place in Buenos Aires under the joint chairmanship of FATF and GAFILAT, with both bodies having coincidentally Presidents from Argentina. The second joint Plenary took place in Paris under the joint chairmanship of FATF and MENAFATF.

In joint Plenary meetings FSRB member countries participate directly in discussions alongside FATF members. When the scheduling of mutual evaluations permits, joint plenary meetings are a good opportunity to have both bodies discuss

and adopt mutual evaluation reports of countries that are members of both bodies. The Joint FATF/GAFILAT Plenary adopted the mutual evaluation report of Mexico, and the Joint FATF/MENAFATF Plenary adopted the reports of Bahrain and Saudi Arabia.

In addition to holding joint Plenary meetings, the FATF and FSRBs collaborated this year on important initiatives. The FATF President's effort to highlight the role of judicial and prosecutorial authorities this year was echoed by a similar initiative in GAFILAT. The series of meetings for judges and prosecutors held during the Argentine presidency were organised on a regional basis to reinforce this outreach among the FSRBs. In the area of counter-terrorist financing, this year saw the FSRBs agree to develop strategies at the regional level to address this issue. These regional strategies are intended to extend and strengthen the global CFT strategy and operational plan that the FATF is currently implementing.

(Left page) GAFILAT President Eugenio Curia and FATF President Santiago Otamendi at the joint FATF-GAFILAT Plenary, November 2017, Buenos Aires. (Right page) Joint FATF-MENAFATF Plenary with MENAFATF President Abdul Hafiz Mansour (second from left).

## FATF-MENAFATF Joint Plenary Week Paris, 24-29 June 2018

MENAFATF  
مينا فاتف  
GAFIMOAN



## FATF and FSRBs standards training

The specific needs for standards training vary around the world depending on the level of understanding and implementation of the FATF standards. In some regions, the need for training is concentrated on specific areas (which the FSRBs are often in the best position to identify). In other regions, the need for standards training is much broader, particularly in countries with low capacity and/or limited implementation of the FATF standards.

## FATF TREIN

FATF TREIN was established in 2016 with the mission to promote a better understanding and effective implementation of the FATF Standards, including by providing training. In 2017, FATF TREIN set up a Standards Training Course with the aim to help countries to better implement the FATF standards. FATF TREIN trained around 100 participants by the end of 2017 through 3 events, and it has planned 4 Standards Training Course seminars for 2018. FATF TREIN has also delivered short presentations at two FSRB plenary meetings on specific areas of the standards (for example risk assessment) and plans to provide similar presentations at other FSRBs in the future. It is also developing dedicated training on specific issues (e.g., proliferation financing and counter-terrorist financing). These FATF TREIN training courses have all received positive feedback.

Given the mandate of FATF TREIN and the positive feedback on the standards training given this year, FATF TREIN is well-placed to expand its curriculum to provide more training on the FATF standards to

a wider audience, for example, through e-learning courses.

In addition to its close collaboration with the FSRBs and their respective memberships, the FATF also works closely with its observer organisations such as the United Nations, the IMF, the World Bank and the Egmont Group of Financial Intelligence Unit.

In December 2017, FATF President Santiago Otamendi gave a briefing to the UN Counter-Terrorism Committee (CTC) to present FATF's Terrorist Financing Strategy and to highlight that countering the financing of terrorism remained top priority of his presidency. During his remarks he stressed the importance of the co-operation between FATF and the UN in combating terrorist financing.

# FATF

Strengthening the Global Network





# Engagement with the Private Sector

The private sector plays an essential role in detecting and reporting abuse of the financial system for money laundering or terrorist financing. Their understanding of the techniques that criminals and terrorists use, and their vigilance, is crucial. It allows them to detect attempts to introduce proceeds with links to crime in the financial system and to detect the financial footprints of those who are raising, using and moving funds in support of terror.

The FATF has long recognised the value of a constructive private sector engagement and works in partnership with the private sector where possible. It allows the FATF to stay informed about important developments that impact the financial system and might represent a risk that requires a refining of the FATF Standards. Through its private sector consultative forum, public consultations and other forms of engagement, it can learn about the impact of FATF's decisions and standards on private sector operations. The forum provides a framework for private sector to raise issues of concern to the FATF.

The FATF has undertaken extensive engagement with the private sector under the Argentinian Presidency.

Close engagement with the private sector continues to be an important aspect of FATF work as financial institutions and designated non-financial businesses and professions are on the front line in their implementation of AML/CFT measures.

The FATF is currently working to develop guidance for the life insurance and securities sectors on how to effectively implement AML/CFT measures in line with the risk-based approach. This guidance is being developed in close partnership with private sector experts to ensure that it reflects industry practitioners' understanding of the money

laundering and terrorist financing risks and how they should be mitigated. The FATF has reflected private sector views in the guidance from the beginning. At the June 2018 Plenary, the FATF decided to release the draft guidance papers for a public consultation which will contribute to the finalised papers in October 2018.

The FATF's annual meeting of the FATF Private Sector Consultative Forum was held on 23-24 April 2018 in Vienna, Austria. This Forum focused on a wide range of important AML/CFT topics including de-risking, digital identification, virtual currencies and crypto-assets, implementation of the risk based approach by the insurance and securities sector, and the experience of financial institutions, businesses and professions, and non-profit organisations which have participated in the FATF mutual evaluation process. See *Financial innovation and its impact on AML/CFT* (page 22) for information about the dedicated session on FinTech / RegTech during the annual Private Sector Consultative Forum.

In March 2018, FATF launched its first issue of the FATF Business Bulletin which is a new tool for raising awareness of important FATF outcomes that are of particular interest to the private sector. The Bulletin will be issued periodically and will be published on the FATF public website and circulated to key industry associations for circulation to their membership. The FATF Business Bulletin may also be subscribed to on the FATF public website.



**FATF**  
FINANCIAL ACTION TASK FORCE

**FATF BUSINESS BULLETIN**

This report provides a brief update on outcomes from the February 2018 FATF plenary meeting that are relevant for the private sector. The complete summary of outcomes from the Plenary is available [here](#).

March 2018

**Recent important FATF outcomes relevant for:**

**All private sector**

**Proliferation Financing:**

- The FATF has updated its **guidance on the implementation of financial provisions of UN Security Council Resolutions (UNSCRs) to counter the proliferation of weapons of mass destruction**. This guidance will help public and private sector understand and implement the financial provisions of UNSCRs on proliferation and prevent sanctions evasion. The adopted Guidance is available [here](#).

**National Coordination and Cooperation:**

- The FATF adopted revisions to Recommendation 2 to emphasise that cooperation and coordination should include **coordination with the relevant authorities to ensure the compatibility of Anti Money Laundering and Counter Terrorist Financing (AML/CFT) requirements with Data Protection and Privacy (DPP) rules and other similar provisions (e.g. data security / localisation)**. Improving the compatibility of AML/CFT and DPP rules will facilitate exchange of information between the public and

## Annex 1: Financial statement

At the close of this Plenary year, there are 38 staff members at the FATF Secretariat: an Executive secretary, a deputy Executive secretary, four senior policy analysts, sixteen policy analysts, one communications manager, one resource management advisor, one programme and events coordinator and seven assistants. In addition, the FATF occasionally also hosts short-term interns and consultants. The FATF Secretariat provides support to the FATF, including:

- organising Plenary and working groups meetings
- providing support to the FATF President, the Steering Group and FATF delegations
- preparing and producing policy papers to be discussed in working groups and/or the Plenary
- co-ordinating of and participating in mutual evaluation missions and drafting the related assessment reports.

The FATF Secretariat also liaises on an ongoing basis with the numerous FATF partners, undertakes a representational role at professional events and provides information to the public and the media. Funding for the FATF Secretariat is provided by the FATF members on an annual basis and in accordance with the scale of contributions to the OECD. The scale is based on a formula related to the size of the country's economy. Non-members' contributions are also calculated using the OECD scale calculation method. The two member organisations (Gulf Co-operation Council and the European Commission) also make voluntary contributions to the FATF

### Budget of the FATF for fiscal years 2017 and 2018 (in EUR)\*

Budget items	Budget FY 2017	Budget FY 2018
Staff costs (salaries and indemnities)	3 306 233	4 467 488
Travel	606 220	441 177
Operating costs (incl. office rental)	235 563	413 923
OECD overhead charges	388 083	383 100
Meeting costs, translation, interpretation	125 079	335 000
IT: investments and maintenance costs	179 814	166 471
Total	4 839 992	6 227 159

Note: The 2018 figures include both the budget financed by members' fees and by other sources of income, the 2017 figures only include budget financed by members' fees

## Annex 2: FATF Members & Observers

### Members

Argentina	Japan
Australia	Korea
Austria	Luxembourg
Belgium	Malaysia
Brazil	Mexico
Canada	Netherlands, Kingdom of
China	New Zealand
Denmark	Norway
European Commission	Portugal
Finland	Russian Federation
France	Singapore
Germany	South Africa
Greece	Spain
Gulf Co-operation Council	Sweden
Hong Kong, China	Switzerland
Iceland	Turkey
India	United Kingdom
Ireland	United States
Italy	

### FATF Observers

Indonesia  
Israel  
Saudi Arabia

### FATF Associate Members and FATF-Style Regional Bodies

Asia/Pacific Group on Money Laundering (APG)  
Caribbean Financial Action Task Force (CFATF)  
Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL)  
Eurasian Group (EAG)  
Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)  
Financial Action Task Force of Latin America (GAFILAT)  
Inter Governmental Action Group against Money Laundering in West Africa (GIABA)  
Middle East and North Africa Financial Action Task Force (MENAFATF)  
Task Force on Money Laundering in Central Africa (GABAC)

## Annex 3: FATF Global Network

Country	FSRB
Afghanistan	APG
Albania	MONEYVAL
Algeria	MENAFATF
Andorra	MONEYVAL
Angola	ESAAMLG
Anguilla	CFATF
Antigua and Barbuda	CFATF
Argentina	FATFGAFILAT
Armenia	MONEYVAL
Aruba	CFATF
Australia	FATF-APG
Austria	FATF
Azerbaijan	MONEYVAL
Bahrain	MENAFATF
Bangladesh	APG
Barbados	CFATF
Belarus	EAG
Belgium	FATF
Belize	CFATF
Benin	GIABA
Bermuda	CFATF
Bhutan, Kingdom of	APG
Bolivia	GAFILAT
Bosnia and Herzegovina	MONEYVAL
Botswana	ESAAMLG
Brazil	FATFGAFILAT
Brunei Darussalam	APG
Bulgaria	MONEYVAL
Burkina Faso	GIABA
Cambodia	APG
Cameroon	GABAC
Canada	FATF-APG
Cape Verde	GIABA
Cayman Islands	CFATF
Central African Republic	GABAC
Chad	GABAC
Chile	GAFILAT

Country	FSRB
China, People's Republic of	FATF-APG-EAG
Chinese Taipei	APG
Colombia	GAFILAT
Comoros	GIABA
Cook Islands	APG
Costa Rica	GAFILAT
Côte d'Ivoire	GIABA
Croatia	MONEYVAL
Cuba	GAFILAT
Curacao	CFATF
Cyprus	MONEYVAL
Czech Republic	MONEYVAL
Democratic Republic of Congo	GABAC
Denmark	FATF
Djibouti	MENAFATF
Dominica	CFATF
Dominican Republic	GAFILAT
Ecuador	GAFILAT
Egypt	MENAFATF
El Salvador	CFATF
Equatorial Guinea	GABAC
Estonia	MONEYVAL
Ethiopia	ESAAMLG
Fiji	APG
Finland	FATF
France	FATF-MONEYVAL
Gabon	GABAC
Gambia	GIABA
Georgia	MONEYVAL
Germany	FATF
Ghana	GIABA
Gibraltar	MONEYVAL
Greece	FATF
Grenada	CFATF
Guatemala	GAFILAT
Guernsey	MONEYVAL
Guinea	GIABA

Country	FSRB
Guinea-Bissau	GIABA
Guyana	CFATF
Haiti	CFATF
Holy See	MONEYVAL
Honduras	GAFILAT
Hong Kong, China	FATF-APG
Hungary	MONEYVAL
Iceland	FATF
India	FATF-APG-EAG
Indonesia	APG
Iraq	MENAFATF
Ireland	FATF
Isle of Man	MONEYVAL
Israel	MONEYVAL
Italy	FATF-MONEYVAL
Jamaica	CFATF
Japan	FATF-APG
Jersey	MONEYVAL
Jordan	MENAFATF
Kazakhstan	EAG
Kenya	ESAAMLG-
Kingdom of Saudi Arabia	MENAFATF
Korea, Republic of Korea (South Korea)	FATF-APG
Kuwait	MENAFATF
Kyrgyzstan	EAG
Lao People's Democratic Republic	APG
Latvia	MONEYVAL
Lebanon	MENAFATF
Lesotho	ESAAMLG
Liberia	GIABA
Libya	MENAFATF
Liechtenstein	MONEYVAL
Lithuania	MONEYVAL
Luxembourg	FATF
Macao, China	APG
Madagascar	ESAAMLG

Country	FSRB
Malawi	ESAAMLG
Malaysia	FATF-APG
Maldives	APG
Mali	GIABA
Malta	MONEYVAL
Marshall Islands, Republic of	APG
Mauritania	MENAFATF
Mauritius	ESAAMLG
Mexico	FATFGAFILAT
Moldova	MONEYVAL
Monaco	MONEYVAL
Mongolia	APG
Montenegro	MONEYVAL
Montserrat	CFATF
Morocco	MENAFATF
Mozambique	ESAAMLG
Myanmar	APG
Namibia	ESAAMLG
Nauru	APG
Nepal	APG
Netherlands Kingdom of	FATF
New Zealand	FATF-APG
Nicaragua	GAFILAT
Niger	GIABA
Nigeria	GIABA
Niue	APG
Norway	FATF
Oman	MENAFATF
Pakistan	APG
Palau	APG
Palestine	MENAFATF
Panama	GAFILAT
Papua New Guinea	APG
Paraguay	GAFILAT
Peru	GAFILAT
Philippines	APG
Poland	MONEYVAL

Country	FSRB
Portugal	FATF
Qatar	MENAFATF
Republic of Congo	GABAC
Romania	MONEYVAL
Russian Federation	FATF-EAG-MONEYVAL
Rwanda	ESAAMLG
Saint Kitts and Nevis	CFATF
Saint Lucia	CFATF
Saint Vincent and the Grenadines	CFATF
Samoa	APG
San Marino	MONEYVAL
Sao Tome and Principe	GIABA
Senegal	GIABA
Serbia	MONEYVAL
Seychelles	ESAAMLG
Sierra Leone	GIABA
Singapore	CATF-APG
Sint Maarten	CFATF
Slovak Republic	MONEYVAL
Slovenia	MONEYVAL
Solomon Islands	APG
South Africa	FATF-ESAAMLG
Spain	FATF
Sri Lanka	APG
Sudan	MENAFATF
Suriname	CFATF
Swaziland	ESAAMLG
Sweden	FATF
Switzerland	FATF
Syrian Arab Republic	MENAFATF
Tajikistan	EAG
Tanzania	ESAAMLG
Thailand	APG
The Bahamas	CFATF

Country	FSRB
The Former Yugoslav Republic of Macedonia	MONEYVAL
Timor-Leste	APG
Togo	GIABA
Tonga	APG
Trinidad and Tobago	CFATF
Tunisia	MENAFATF
Turkey	FATF
Turkmenistan	EAG
Turks and Caicos Islands	CFATF
Uganda	ESAAMLG
Ukraine	MONEYVAL
United Arab Emirates	MENAFATF
United Kingdom	FATF
United States	FATF-APG
Uruguay	GAFILAT
Uzbekistan	EAG
Vanuatu	APG
Venezuela	CFATF
Vietnam	APG
Virgin Islands	CFATF
Yemen	MENAFATF
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