

FATF



# ANNUAL REPORT

2016  
2017



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)

This document and/or any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

Citing reference:

FATF (2018) FATF Annual Report 2016-2017, FATF, Paris  
[www.fatf-gafi.org/publications/fatfgeneral/documents/annual-report-2016-2017.html](http://www.fatf-gafi.org/publications/fatfgeneral/documents/annual-report-2016-2017.html)

© 2018 FATF/OECD. All rights reserved.

No reproduction or translation of this publication may be made without prior written permission.

Applications for such permission, for all or part of this publication, should be made to

the FATF Secretariat, 2 rue André Pascal 75775 Paris Cedex 16, France

(fax: +33 1 44 30 61 37 or e-mail: [contact@fatf-gafi.org](mailto:contact@fatf-gafi.org)).

Photocredits on page 2.

# Contents

<b>5</b>	Juan Manuel Vega-Serrano, FATF President 2016-2017
<b>8</b>	Executive summary
<b>10</b>	Terrorist Financing
<b>14</b>	Risks, Trends & Methods
<b>20</b>	The International Standards
<b>28</b>	Mutual Evaluations
<b>36</b>	High-risk and other monitored jurisdictions
<b>42</b>	Engagement with the private sector
<b>50</b>	Strengthening the global network
<b>56</b>	Annex 1: Financial statement
<b>57</b>	Annex 2. FATF Members and Observers
<b>59</b>	Annex 3. FATF Global Network
<b>62</b>	Annex 4: FATF Publications and Speeches
<b>67</b>	References

#### Photocredits

FATF (pages 16, 19, 21, 27, 30, 33, 44, 45, 46, 51, 54), Thinkstock (cover and pages 11, 14, 20, 28, 36, 42, 48, 50), the Kremlin (page 18), the United Nations (pages 17, 22, 27 ) and the World Bank (page 23)



# Juan Manuel Vega-Serrano FATF President 2016-2017



From left to right: Juan Carlos Moragues, Spain Government Delegate; Rafael Catalá, Minister of Justice of Spain; Juan Manuel Vega-Serrano, FATF President and David Lewis, FATF Executive Secretary, at the June 2017 Plenary of the FATF in Valencia, Spain .



Juan Manuel Vega-Serrano of Spain  
FATF President July 2016 - June 2017

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

Throughout the Spanish Presidency, tackling terrorist financing and in particular the financing of ISIL/Da'esh, was top priority for the FATF. Through its consolidated strategy, the FATF achieved important results in five key areas of work that include increased understanding of terrorist financing risks with the adoption of the joint FATF-GIABA-GABAC report Terrorist Financing in West and Central Africa, and close monitoring of ISIL's sources and methods of financing. FATF ensured that its standards remain strong and robust to tackle terrorist financing and provided guidance to explain what the terrorist financing offence must cover in national

legal system. The United Nations Security Council recognised the value of this guidance in a new resolution aimed at strengthening international judicial cooperation.

This year saw an unprecedented support for FATF's activities, and a recognition of the important role that the FATF has to play in protecting the integrity of the financial system and contributing to safety and security. This was the first year the FATF was invited to be represented and participate in the Ministerial meeting of the G20 and the G7. I would like to thank the German Presidency of the G20 and the Italian Presidency of the G7 for their support and trust. It was an honour to represent the FATF in these meetings.

The much publicised cases showing abuse of corporate

vehicles drew attention to the FATF's ongoing work to improve transparency and the integrity of financial flows, including through the implementation of the FATF standards on beneficial ownership.

FATF's strength is its ability to respond to changing risks and threats to the financial system and provide countries with the strongest possible tools to identify or track funds with links to crime and terror. A new initiative under the Spanish Presidency was outreach to the FinTech and RegTech communities to join forces and foster innovation that is resilient against terrorist financing and money laundering. This dialogue will also help FATF explore how FinTech and RegTech can contribute to more effective action to fight abuse of the financial system. Through a



From left to right: Michel Sapin, Minister of Finance of France and Juan Manuel Vega-Serrano, FATF President and David Lewis during a meeting in the margins of the FATF Plenary in Paris, February 2017.

number of events that included the FATF FinTech and RegTech Forum in San Jose, hosted by PayPal, the FATF developed a constructive dialogue which resulted in the adoption of the San Jose Principles. These principles are an important milestone for the FATF. They set out the framework for future constructive engagement that reflects the fact that FATF and the FinTech and RegTech communities have a shared interest in ensuring that new products are not used for money laundering or terrorist financing. Only by working together may governments and the private sector effectively achieve this.

This year, the FATF also placed a greater operational focus on its activities through enhanced collaboration with financial intelligence units and the private sector. Under the Spanish Presidency, the FATF Heads of Financial Intelligence Units met in the margins of each Plenary meeting to discuss challenges and share best practices to increase the effectiveness and impact of the investigation of the suspicious financial transactions that the private sector submits to them. The FATF also increased its engagement with the private sector, whose awareness, vigilance and ability to share the right information in a timely manner plays an important role in the

early detection of possible cases of money laundering or terrorist financing activity.

These initiatives have been in addition to the ongoing assessment of the effective implementation of the FATF Standards.

Nearly thirty years after its creation as a task force with a time-bound mandate, the FATF considered ways to strengthen its institutional basis and enhance the effectiveness of the global network of FATF and FATF-Style Regional Bodies. With the support of the G20, the FATF Plenary will continue this work.



From left to right: Christine Lagarde, Managing Director of the International Monetary Fund, during the FATF Plenary in Valencia, June 2017.

In the June Plenary in Valencia, FATF has decided to extend the President's term to two years and enhance the role of the Vice President. With the experience of the FATF Presidency behind me, I applaud this decision which will ensure greater continuity and consistency for the FATF work and its important outputs.

During this successful Plenary year, it was my pleasure to work with Vice-President Santiago Otamendi of Argentina, my successor. I am confident that under his leadership, the FATF will continue to make important progress in protecting the financial system from abuse and contributing to safety and security.

Juan Manuel Vega-Serrano  
FATF President 2016-2017

# Executive summary



This report summarises the key outcomes of the work of the Financial Action Task Force (FATF) during the Spanish Presidency year, from 1 July 2016 to 30 June 2017.

Tackling the threat of terrorist financing to the global financial system continued to be a priority for the FATF during this Plenary year. The FATF issued additional guidance to help countries fully and effectively criminalise this serious threat. The FATF also continued to update its understanding of evolving terrorist financing threats, which included a research project on terrorist financing in West and Central Africa, a region particularly affected by the one of the most deadliest terrorist organisations, Boko Haram.

The financial landscape is radically changing as a result of financial

innovations, some of which are attractive to criminals and terrorists and pose new regulatory challenges. This year, the FATF reached out to the FinTech sectors to develop a constructive dialogue to strike a balance between supporting innovation and managing money laundering and terrorist financing risks.

To respond to the evolving money laundering and terrorist financing threats the FATF refined its standards as well as methodology for the mutual evaluations to assess whether countries have fully and effectively implemented its standards. FATF published the mutual evaluation of six of its members and continued its work with the countries whose evaluation identified weaknesses in their national framework to protect the financial system from abuse.

The FATF deepened its engagement with Financial Intelligence Units (FIUs) to increase their impact and effectiveness in investigating suspicious transactions and identifying new money laundering and terrorist financing trends. The FATF also continued its engagement with the private sector and in particular on the barriers that exist in the effective sharing of information that could contribute to ongoing investigations, or earlier detection of cases of abuse of the financial system.

Throughout the year, the FATF received support from the international community for its work, including the G20 and the G7, publicly supporting FATF work on terrorist financing and improving transparency.

# Terrorist Financing

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



We should not allow any safe havens for terrorists and those who finance them.

Juan Manuel Vega-Serrano,  
Joint special meeting of UN Security Council  
Committees and the FATF  
12 December 2016

Terrorism has continued to grow and threaten citizens worldwide. Countering the financing of terrorism has continued to be a priority for the FATF. FATF has an important role to play, deepening our understanding of the terrorist financing risks, developing robust policy responses and standards to counter these risks and monitoring countries' implementation of these measures.

This year, the FATF has made significant progress in its strategy on combating terrorist financing which focuses on five key areas of work.



## Improve and update the understanding of terrorist financing risks, in particular the financing of ISIL/ Da'esh.

FATF closely monitors the methods that terrorists, and in particular ISIL, use to raise, move and use their funds. FATF members considered developments in October 2016, February 2017 and June 2017. This allows countries to make timely and informed decisions about their actions to tackle terrorist financing.

This year, the FATF focused specifically on the funding of ISIL recruitment efforts. FATF delegates provided valuable input into the project, which is expected to be completed later in 2017. The FATF is also looking at use of new payment products and technology, including the use of crypto currency, to finance terrorism related activities.

Together with the regional bodies GABAC and GIABA, the FATF developed and published a research project on *Terrorist Financing in West and Central Africa*, a region that is particularly vulnerable to terrorism.

See page 14.

## Ensure that the FATF Standards provide up-to date and effective tools to identify and disrupt terrorist financing activity.

The FATF revised its interpretive note to Recommendation 5 on criminalising terrorist financing and issued a *Guidance on Criminalising Terrorist Financing* which explains the various aspects that the terrorist financing offence must cover in national legal systems. This will assist countries in effectively implementing each of the FATF's requirements for the criminalisation of terrorist financing.

See page 20.

**Ensure countries are appropriately and effectively applying the tools, including UN targeted financial sanctions, to identify and disrupt terrorist financing activity.**

In 2015, the FATF started a targeted review of countries' legal framework to criminalise terrorist financing and impose United Nations terrorism-related targeted financial sanctions. Since then, FATF has reviewed 205 jurisdictions and over 36 have passed new legislation and many committed to doing so.

Measures to prevent terrorists and terrorist organisations from raising, moving and using funds are only effective if they have been properly implemented. Through its peer review process, the members of the FATF Global Network are reviewed to ensure that they have implemented a robust and effective framework to terrorist financing. Assessors pay particular attention to the evidence that demonstrates that a country is effectively using measures to detect and stop terrorist financing. To facilitate requests to foreign countries to freeze terrorism-related funds, the FATF invited all members of the global network to share relevant information, via a handbook for

jurisdictions that will be updated on a regular basis.

The FATF revised its methodology to assess how countries criminalise terrorist financing as well as the assessment of measures pertaining to non-profit organisations to ensure that counter-terrorist financing measures do not disrupt or discourage legitimate charitable activities.

See page 28.

**Identify and take measures in relation to any country with strategic deficiencies for terrorist financing**

In today's inter-connected world, a country with strategic weaknesses in its counter terrorist financing measures, can make the global financial system vulnerable to terrorist financing. Since the start of the FATF's targeted review of countries' legal framework to combat terrorist financing, the FATF has reviewed 205 jurisdictions. Last year, 7 of the jurisdictions that were identified as having fundamental deficiencies, passed new legislation and others are making progress in doing the same.

See page 36.

## Promote more effective domestic co-ordination and international co-operation to combat the financing of terrorism.

Effective sharing of information is one of the cornerstones of an effective framework to combat terrorist financing. The FATF published a report on inter-agency information sharing for agencies. The report provides good practices and practical tools to improve cooperation and exchange of information.

The FATF worked on a guidance for private sector information sharing, to be published in late 2017.

See page 20.

# FATF PLENARY WEEK

Paris, 18-24 February 2017



Left to right: FATF Executive Secretary David Lewis, FATF President Juan Manuel Vega-Serrano, French Minister of Finance and Public Accounts Michel Sapin, French Ambassador to the OECD Pierre Duquesne at the opening of the opening of the FATF Plenary meeting 22 February 2017.

## Support from the international community for FATF work to combat terrorist financing

Throughout the year, the international community reiterated its support for the FATF as the global standard-setter to tackle terrorist financing. Political leaders, international organisations and fora voiced their support for the important work that the FATF is carrying out.

This includes the G20, who called for the swift and universal implementation of the FATF Standards at both the Chengdu and Hangzhou meetings in 2016 and the Baden Baden meeting in 2017. This was echoed by G7 leaders in May 2017, who discussed the importance of tackling illicit financial flows and terrorist financing and committed to fully and effectively implement the FATF standards.

At the opening of the February 2017 Plenary meeting of the FATF, French Minister of Finance and Public Accounts, Michel Sapin, emphasized the FATF's important role in ensuring the integrity of the international global system from threats such as terrorist financing.

In December 2016, the FATF President addressed the Joint special meeting of United Nations Security Council Committees, the FATF and other relevant international and regional organizations on "Depriving Terrorist Groups from Accessing, Raising, and Moving Funds: Practices and Lessons Learned" and the Security Council high-level open debate on "Preventing catastrophe: a global agenda for stopping the proliferation of weapons of mass destruction". That same month, the UN Security Council adopted a new resolution (2322) aimed at strengthening international judicial cooperation, which emphasized the FATF guidance on criminalising terrorist financing for any purpose.

# Risks, Trends & Methods

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



The development of robust measures to protect the financial system from abuse, relies on an in-depth understanding of the methods that criminals use to launder proceeds of their crimes and that terrorists use to raise, use and move funds. This knowledge and understanding is critical to ensure that the FATF Recommendations remain relevant and powerful tools to detect, prevent and punish money laundering and terrorist financing.

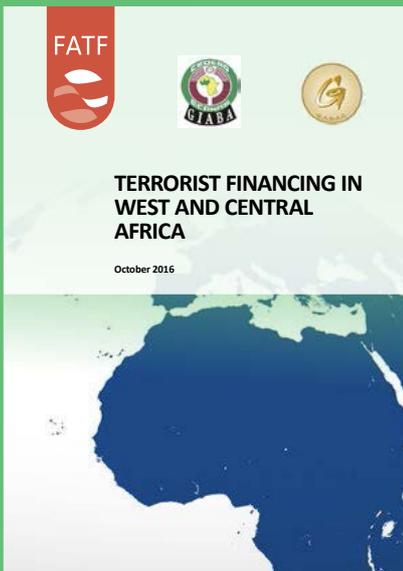
Criminals and terrorist adapt and evolve their methods. As governments implement measures to detect, prevent and punish abuse of the financial system, they must find new methods to continue to benefit from or finance their criminal activities. They will exploit loopholes and weaknesses in the financial system. FATF continues to update its knowledge about new and developing money laundering and terrorist financing threats as well as the vulnerabilities for certain products or sectors. This research raises awareness with authorities and private sector, including financial institutions, so that they are better able to detect and prevent the proceeds of crime and sources of financing for terrorism.

This research will also allow the FATF to determine whether additional guidance is required to clarify the application of relevant FATF Recommendations to mitigate the specific money laundering or terrorist financing risk. The research will also help

reveal whether the standards itself needs to be clarified or refined.

Work to combat terrorist financing continued to be the priority this year. Throughout the year, the FATF deepened its knowledge and understanding of terrorist financing strategies and new and developing terrorist financing methods. The FATF members received updates in October 2016, February 2017 and June 2017, which updated the reports published earlier on *Emerging Terrorist Financing Risks* and *Financing of Terrorist Organisation ISIL*. To preserve the usefulness of the information contained in these updates, the reports were not published, but shared with member authorities only. These updates allow countries to make informed decisions about their actions to tackle terrorist financing.

This year, the FATF focused specifically on the funding of ISIL recruitment efforts. FATF delegates provided valuable input into the project, which is expected



## FATF-GABAC-GIABA report on Terrorist Financing in West and Central Africa

In 2013, the FATF and GIABA published a report on terrorist financing in West Africa. Continuing violence in the West and Central African Region have made this area particularly vulnerable to terrorism and three years after the last study, Boko Haram has developed as one of the deadliest terrorist organisations in the region. FATF, GABAC and GIABA have now updated the 2013 report and expanded it to include Central Africa. The report reveals a number of threats and vulnerabilities that are specific to the region, and highlights the role of cash, including foreign currency. The report looks at the contextual factors and the challenges that the region faces to regulate financial products and sectors. It acknowledges that further work is needed in the area; in particular it highlights the need for countries in the region to work closer together as well as with the broader international community to identify and disrupt terrorist financing.

[www.fatf-gafi.org/publications/methodsandtrends/documents/terrorist-financing-west-central-africa.htm](http://www.fatf-gafi.org/publications/methodsandtrends/documents/terrorist-financing-west-central-africa.htm)

to be completed later in 2017. The FATF is also looking at use of new payment products and technology, including the use of virtual currency, to finance terrorism related activities.

In October 2016, the FATF, together with the FATF-Style Regional Bodies GABAC and GIABA, published a report on *Terrorist Financing in West and Central Africa*. Terrorism not only threatens the lives of the civilians living in this region, it is also contributes to political instability and undermines economic growth and development. As ISIL has demonstrated, a regional threat can quickly become a global threat which is why it is critical that the global community works with this region to deprive terrorists of their funds and their ability to finance attacks.

The FATF's research into the methods and techniques for money laundering and terrorist financing, will contribute to countries' identification, assessment and understanding of the risks they are exposed to. This understanding is a cornerstone to building an effective national framework that prevents the misuse of the financial system for crime and terrorism and a requirement of the FATF Recommendations.

To increase global understanding of money laundering and terrorist financing risks, the FATF has published examples of these national risk assessments, as well as regional and supranational risk assessments.



## Forum Heads of FATF Financial Intelligence Meetings

National Financial Intelligence Units (FIUs) play a crucial role in the fight against money laundering and terrorist financing. The FATF Recommendations require banks, financial institutions and other reporting agencies to report suspicious transactions that suggest illicit transactions or activities to their national financial intelligence units. FIUs are tasked with investigating the large numbers of suspicious transaction reports submitted to them on a daily basis, in addition to other information that is relevant to money laundering or the financing of terrorism and proliferation. They analyse all this information to find evidence of illicit assets or the movement of funds in support of terrorist or terrorism-related activities. This allows FIUs to identify and report on new trends and techniques that criminals use to launder the proceeds of crime and that terrorists use to raise and move their funds.

A priority of the Spanish Presidency was to increase the operational focus of the FATF, including through deepening its engagement with Financial Intelligence Units (FIUs) through meetings with the Heads of FATF FIUs in the margins of the FATF Plenary meetings. Alongside

the Chairman of the Egmont Group on Financial Intelligence Units, participants exchanged information about the latest terrorist financing developments, particularly ISIL's financing strategy as it loses territory. They discussed the FIUs role in identifying small cells and individual terrorists and the misuse of virtual currencies to support terrorism. In the wake of the Panama papers, which highlighted a large-scale misuse of legal persons and arrangements, they explored the challenges and best practices in information sharing, including with the private sector, and obtaining beneficial ownership information.

To optimise the operational benefit that FIUs can deliver to increase the effectiveness of international AML/CFT efforts, the Forum participants held productive discussions on the challenges and obstacles they face in their investigations and identified areas where further work would increase the impact and effectiveness of their efforts.

## Experts' Meetings

In December 2016, the FATF, together with the UN Security Council Counter-Terrorism Committee, the 1267/1989/2253 ISIL (Da'esh) and Al-Qaida Sanctions Committee, held a joint meeting on depriving terrorist groups from accessing, raising, and moving funds: practices and lessons learned. The purpose of the meeting was to share and examine national practices and regional initiative to tackle terrorist financing, since the adoption of United Nations Security Resolution 2253 in December 2015. Participants, which included UN members and observers, international organisation and specialised agencies as well as members of

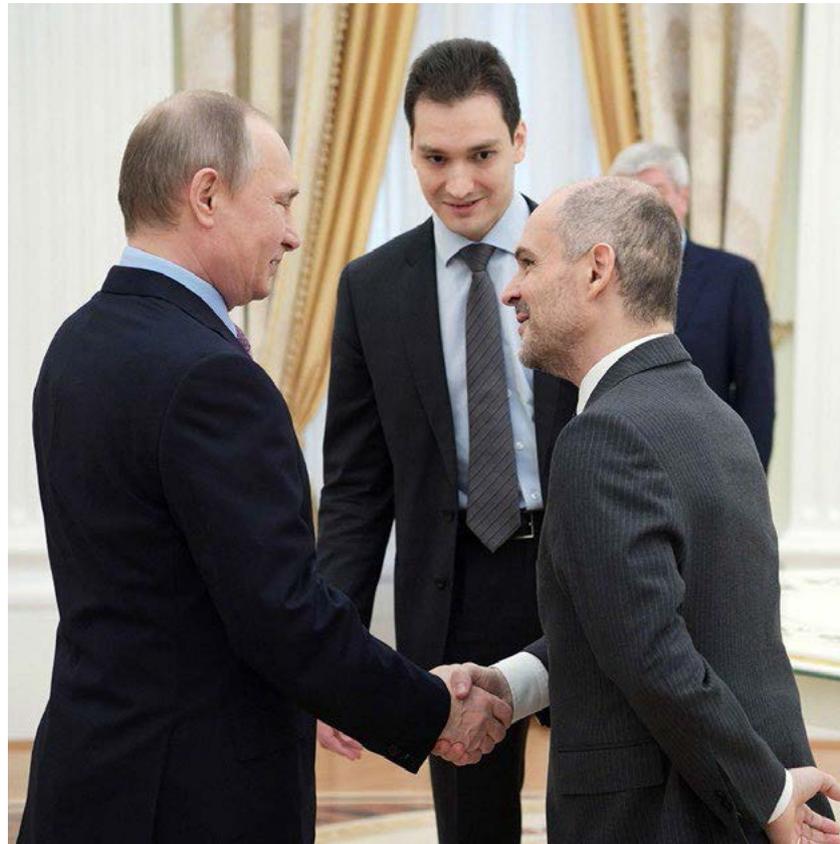


the press, also discussed terrorist financing trends and shared practices and effective tools to choke off terrorists' funds.

The annual joint experts' meeting took place in Russia on 24-27 April 2017, hosted by the Russian Eurasian Group Presidency. This annual event is an important opportunity to discuss current money laundering and terrorist financing risks with a relevant expert audience. This year's event brought together over 250 participants from more than 40 countries, including 28 private sector participants from banks, money remitters, Fintech, law societies and trust and company service providers.

Separate workshops allowed project teams to discuss the preliminary findings of ongoing projects and to determine if any areas needed further clarification. Given the continued prioritisation of work to combat terrorist financing, two of the discussions focused on this issue:

- Domestic Inter-Agency Information Sharing
- Financing of Recruitment for Terrorist Purpose
- Vulnerabilities of Beneficial Ownerships



Vladimir Putin, President of Russia, with FATF President Juan Manuel Vega-Serrano on 26 April 2017. (Photo © Kremlin)

The discussions provided valuable input into these ongoing projects and contributed in particular to the update of ISIL financing.

Information sharing is critical to effective efforts to combat money laundering and terrorist financing. The discussions on the domestic inter-agency information sharing project contributed to the development of good practices and practical tools to improve information sharing at a national level. The project resulted in a report that the FATF Plenary

adopted at its June meeting, and shared with key agencies involved in tackling terrorism and its financing, as well as agencies not traditionally involved in counter-terrorist financing activities.

In the margins of the joint experts' meeting, the FATF President met with President Vladimir Putin of Russia, who highlighted Russia's commitment to facilitate all initiatives to counter any types of terrorist activities.

## FATF Training and Research Institute FATF TREIN

In September 2016, the FATF officially opened its training and research institute in Busan, Korea. FATF TREIN, created following a proposal by the Korean government, will provide countries with practical assistance in the implementation of the FATF Recommendations.

With the full support of all FATF members, it will work for the FATF and the FATF-Style Regional Bodies, and provide all member countries access to a comprehensive training and research programme. FATF TREIN will provide training and research facilities that will ensure a consistent approach to assessing compliance with the FATF Recommendations across the FATF Global Network.

The institute will help all countries, and in particular low capacity countries, to fully and effectively implement sound measures to protect the integrity of the financial system.



From top, clockwise: Opening ceremony of the FATF Training and Research Institute in Busan, Korea on 20 September 2016; Kevin Stephenson, FATF TREIN Director; Jong-yong Yim, Chair of the Korea Financial Services Commission.

# The International Standards

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



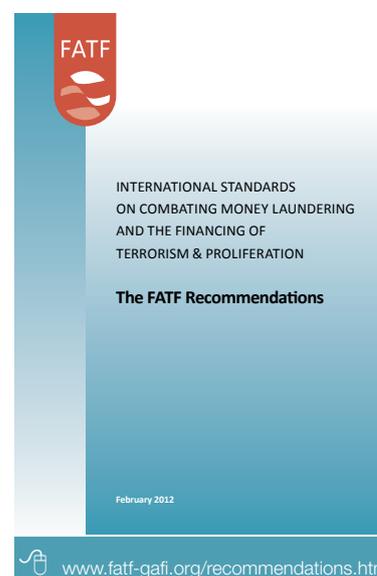
Protecting the financial system from illicit asset flows and from abuse for terrorist financing purposes requires a set of robust tools. The FATF Recommendations provide countries with the necessary legal, law enforcement and operational measures.

## Revisions to the FATF Recommendations

The financial system continuously evolves, as a result of new technologies, markets and countries' shifting role in the global economy. Over the years, countries have strengthened their measures to detect, prevent and punish money laundering and terrorist financing. However, terrorist and criminals will continue to adapt and explore new options to obtain and move their funds. Therefore, on a continuing basis, the FATF explores whether its Recommendations need refining or strengthening. It can do so by issuing additional guidance or best practices to clarify the technical requirements of specific FATF Recommendations which will help countries implement them in a way that delivers results. Sometimes it is the Recommendation itself or the interpretive note to the FATF Recommendation that needs to be adjusted. This ongoing process ensures that the FATF Recommendations continue to

provide countries with effective measures to counteract current threats to the financial system.

This past year, the FATF revised the interpretive note to Recommendation 5 on terrorist financing, and issued a guidance to help countries with the implementation of this Recommendation. It revised the Interpretive note to Recommendation 7 and issued Guidance on correspondent banking services.





Top: FATF President Juan Manuel Vega-Serrano at the Joint special meeting of UN Security Council Committees, 13 December 2016.

## *Terrorist Financing*

In October 2016, the FATF revised its interpretive note to the Recommendation 5 which focuses on the terrorist financing offence. This is an essential Recommendation in the fight against terrorist financing which starts with countries making it a crime to finance terrorists or terrorist acts.

In October 2015 the FATF strengthened the Recommendation to criminalise the funding of travel for foreign terrorist fighters. This was followed this year by the revision to the interpretive note which clarifies the scope of the term ‘economic support’ to cover a broad range of economic support, including trade in oil and other natural resources and other assets which could be used to obtain funds.

These changes reflect recent United Nations Security Council

Resolutions, in particular 2199 and 2253. They ensure that important sources of ISIL funding are comprehensively included. Consequently, the revised interpretive note now refers to ‘funds or other assets’, so that specific forms of support highlighted in UNSCRs are within the scope of the definition.

## *Proliferation Financing*

FATF Recommendation 7 clarifies the legal requirements of the United Nations Security Council Resolutions (UNSCRs) concerning the financing of the proliferation of weapons of mass destruction.

Since the FATF adopted the current Recommendations in February 2012 – which for the first time included measures to prevent and disrupt the financing of proliferation of weapons of mass destruction - the United Nations Security Council adopted five new relevant resolutions.

In June 2017, three weeks after the adoption of the fifth UNSCR, the FATF revised the interpretive note to Recommendation 7, to bring it in line with the requirements of these recent resolutions. The revision further clarifies the implementation of targeted financial sanctions to comply with the UNSCRs.



From left to right, Francine Lacqua, Bloomberg; Zhou Xiaochuan, Governor of the People's Bank of China; Her Majesty Queen Máxima of the Netherlands, UN Secretary-General's Special Advocate for Inclusive Finance for Development; Jim Yong Kim, President World Bank Group; Arun Jaitley, Union Minister of Finance and Corporate Affairs, India; Sri Mulyani Indrawati, Minister of Finance, Indonesia; and Juan Manuel Vega-Serrano, President Financial Action Task Force.

## Assessing and addressing declines in corresponding banking relationships

The decline in correspondent banking relationship has continued to be a concern for the FATF ever since it started publicly drawing attention to the negative impact of this phenomenon in 2014. The practice of some of the large banks to indiscriminately exit or restrict their business relationship with whole classes of customers in order to avoid rather than address money laundering and terrorist financing risks, increases financial exclusion in certain regions of the world. Driving customers to use unregulated alternatives or cash also increases the potential for movement of proceeds of crime or funds in support of terrorism and frustrates investigations into money laundering and terrorist financing. The loss of correspondent banking relationships makes it harder to make cross-border payments in some countries, which can potentially damage the resilience

and stability of the financial system.

In response to concerns by global leaders, including the G20, the FATF issued a *Guidance on Correspondent Banking Services* in October 2016 (see page 26). This guidance explains how money laundering and terrorist financing risks should be managed, rather than avoided, customer-by-customer, using the risk-based approach. G20 Finance Ministers and Central Bank Governors welcomed this guidance which was developed with input from the private sector and with the Financial Stability Board.

Following the publication of the guidance, the FATF is monitoring its impact and in particular how national supervisors and the financial sector are using it.

At a World Bank event in October 2016, FATF President Juan Manuel Vega-Serrano joined global leaders and leading advocates such as Queen Máxima of the Netherlands, US Treasury Secretary Jack Lew, and Sri Mulyani Indrawati, Indonesia's Minister of Finance to discuss the important development goal of financial inclusion, not exclusion. He highlighted the importance of bringing transactions into the regulated financial system, where they could be tracked and monitored. The financial services landscape is changing rapidly, particularly as a result of technological innovations. It has the potential to provide services to unserved or underserved customers, and increase financial inclusion. It is important for regulators to adapt to these innovations but also for them to see the potential benefits of using technology-based innovations to

better fight money laundering and terrorist financing.

The FATF is working closely with the Financial Stability Board, who is coordinating international work to assess and address the extent and causes of the decline in correspondent banking relationship, as well as the IMF and other relevant organisations to tackle this issue. It continues to monitor the impact of de-risking, for example on remittances services.

### *Transparency and Beneficial Ownership*

Effectively implemented measures to prevent, detect and abuse money laundering and terrorist create an environment where it is difficult for corruption to thrive and remain undetected.

The FATF's standard on beneficial ownership requires the identification of actual persons that are behind legal structures and arrangements. An effective implementation of this standard means that criminals, as well as corrupt officials, can't hide behind companies and trusts to launder the proceeds of their crimes and illegal activities. Over the years, and in particular during the last year, the international community, including G20, has voiced its support for FATF's efforts to improve transparency and access to beneficial ownership, and called for full and effective implementation of the FATF Recommendations.

Effective implementation is currently the challenge. Most countries have laws and regulations in place, but too few use them effectively. FATF's current cycle of assessments is identifying weaknesses in the level of implementation of the FATF's standard on transparency and beneficial ownership of legal persons and arrangements. The

large scale misuse of companies, trusts and corporate vehicles in the Panama papers in April 2016 underscored the extent to which many countries had failed to effectively implement these standards.

In October 2016, the FATF responded to a call by the G20 Finance Ministers and Central Bank Governors to report back on proposals to improve implementation of the FATF's standards on transparency, including on the availability and exchange of beneficial ownership information.

The FATF proposed to focus its work on the following areas in order to improve countries' implementation:

- More emphasis on beneficial ownership in the follow-up processes to FATF mutual evaluations.
- Clear and consistent recommendations to assessed countries on how to improve effective implementation of beneficial ownership requirements.
- Enhanced cooperation between the FATF and the Global Forum on Transparency



G20 Finance Ministers and Central Bank Governors Meeting, 6 October 2016, Washington. FATF President Juan Manuel Vega-Serrano, third row from bottom, second from right.

and Exchange of Information for Tax Purposes (Global Forum) to reinforce each other's work to improve transparency in relation to beneficial ownership.

Following the publication of this report, the FATF progressed its work in a number of areas, which included a research project with the Egmont Group of Financial Intelligence Units to identify the risks and mechanisms used to hide and obscure beneficial ownership of companies, trusts and other corporate vehicles. This research project also focused on the role that professional intermediaries play in obscuring true beneficiaries.

The project benefited from expert input from banks, law societies and trust and company service providers at the Joint expert meeting in Moscow in May.

The FATF also conducted a study of effective supervision and enforcement of beneficial ownership obligations. This study allowed the FATF to review the different models that countries can use to ensure oversight of gatekeepers and proper implementation of the FATF Recommendations. The results of this study can inform FATF's possible future actions to strengthen the effective enforcement and supervision

of the beneficial ownership measures.

The FATF and Global Forum also conducted a mapping exercise to identify corresponding areas in each body's peer processes. This exercise will ensure that an assessed country will receive consistent recommendations from both FATF and the Global Forum. While respecting the independent nature of both bodies, these recommendations will be mutually reinforcing and will ultimately improve transparency and access to beneficial ownership information.

## Joint Meeting of the FATF and the G20 Anti-Corruption Working Group

For the sixth year in a row, the annual joint FATF and G20 Anti-Corruption Working Group (ACWG) meeting took place in Paris on 16 October 2016.

Transparency and beneficial ownership information was an issue high on both the FATF the G20 agendas, and the main focus of this joint FATF/G20 ACWG. Anti-money laundering/countering the financing of terrorism (AML/CFT) experts and anti-corruption experts discussed the work that was carried out at international level to prevent the misuse of legal persons and arrangements and improve the collection of and access to beneficial ownership information. In particular, the participants discussed possible synergies in the work by the FATF, the Global Forum, the World Bank and the OECD to improve implementation of the international standards on beneficial ownership.

Implementing the beneficial ownership standard in a way that is effective and delivers results, can be challenging. Participants discussed countries' experiences and practical obstacles to implement the relevant measures. They shared the lessons they had learned and ways to overcome the challenges they encountered.

The discussions also focused on measures to ensure the accuracy, quality and timely access of beneficial ownership information collected at both domestic and international levels, including national experiences of establishing central registries, and how the information is being used to enhance AML/CFT and anti-corruption efforts while balancing transparency and data protection.

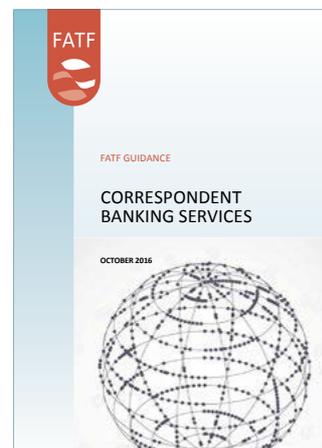
G20 members can play an important role, by leading by example and ensuring that the beneficial ownership measures are fully and effectively implemented but also through capacity building and technical support. Participants discussed the specific actions that the G20 and FATF members as well as FATF-Style Regional Bodies and other international bodies and stakeholders can take to improve the collection of and access to beneficial ownership information and to ensure the use of beneficial ownership information to tackle corruption in a concerted effort.

The meeting brought together 104 delegates from 36 jurisdictions and 16 international organisations.

## New Guidance

The **FATF Guidance on Correspondent Banking Services** explains the application of the risk-based approach to correspondent banking services. It clarifies that money laundering and terrorist financing risks should be managed, customer-by-customer, using the risk-based approach. Correspondence banking relationships play a crucial role in the international financial system, in particular for the remittance sector. Correspondence banking relationships are essential in the global payment system and vital to international trade and the global economy, especially for emerging markets and developing economies.

Excluding customers, in particular remittances services, from correspondent banking services can have serious consequences for those who rely on this service as a financial lifeline. In addition, de-





Top: The United Nations Security Council adopts UNSCR 2322 on 13 December 2016. This resolution aims to strengthen judicial cooperation in fighting international terrorism and emphasizes the FATF guidance on criminalising terrorist financing.

risking reduces transparency by driving financial transactions into unregulated sectors or products. Ultimately, this will make it more difficult to follow the money in a suspicious transaction and increase the money laundering and terrorist financing risk.

The FATF developed this guidance in response to concerns by global leaders, and its publication received public support, including from the G20. It was developed with input from the private sector, and in collaboration with other interested international bodies, including the Financial Stability Board who is coordinating a four-point action plan to assess the extent of the de-risking problem and identify possible policy responses. This guidance addresses one of the points of this action plan: the clarification of regulatory expectations.

The ***Guidance on Criminalising Terrorist Financing***, adopted in October 2016, will help countries

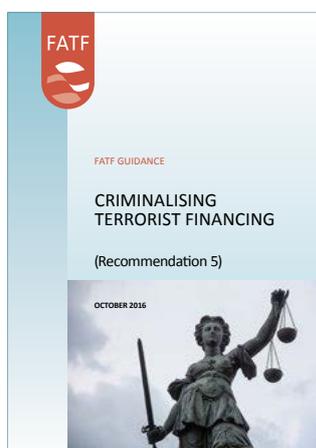
fulfil the legal requirements of the International Convention for the Suppression of the Financing of Terrorism (the Terrorist Financing Convention), and relevant United Nations Security Council Resolutions.

However, the requirements of Recommendation 5 goes further than these international legal obligations, and this guidance will help countries effectively implement robust measures to disrupt terrorist financing.

Countries have significant flexibility in determining how

they implement these measures, given diverse and different legal, administrative and operation frameworks, but the guidance clarifies the aspects that the criminal offence must cover in national legal systems.

In addition to the above published guidance, the FATF also issued a report on inter-agency information sharing. Sharing good quality information, in a timely way, is crucial to detect, prevent and punish terrorist financing. This report provides good practices and practical tools to help cooperation between the key agencies involved in tackling terrorism and its financing, as well as agencies traditionally not involved in counter-terrorist financing activities. To preserve its usefulness, this report was shared with relevant authorities only.



Guidance & best practices available at:  
[www.fatf-gafi.org/documents/guidance](http://www.fatf-gafi.org/documents/guidance)

# Mutual Evaluations

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



For the past 27 years, the FATF Recommendations have provided countries with powerful tools to protect criminals and terrorists from abusing the financial system.

## Fourth Round of Mutual Evaluations

In 2016 the Mossack Fonseca papers brought the FATF Recommendations to the forefront when it illustrated what FATF peer reviews had already revealed: that countries had not effectively implemented the FATF Recommendations regarding beneficial ownership. The G20 has continued to voice its support for the FATF's work to protect the integrity of the international financial system and has repeatedly called for full and effective implementation of the FATFs Recommendations to combat money laundering and the financing of terrorism and proliferation.

The FATF's robust peer review process will assess how well countries have implemented the standards. The process goes beyond looking at whether the laws and regulations are in place. These are important, but it is more important that they are used effectively so that they can detect

and prevent money laundering and terrorist financing.

Each mutual evaluation is an in-depth assessment that will determine whether the country has implemented the technical requirements of each of the 40 FATF Recommendations. At the same time, the assessment team will look at whether, in practice, the assessed country's legal, regulatory and operational framework is delivering the expected results so that it can protect financial systems and the broader economy from the threats of money laundering and the financing of terrorism and proliferation.

The FATF measures the effectiveness of a country's efforts to tackle money laundering and the financing of terrorism and proliferation on the basis of outcomes in 11 distinct areas. The assessment team will take into account the country's particular

## Mutual Evaluations

risk context, which is unique for every country.

The assessment results in two sets of ratings, one set of 40 ratings that indicate how well the assessed country has met the technical requirements of the FATF Recommendations, and one set of 11 ratings that correspond to the level of effectiveness of its efforts to protect the financial system from the threats of money laundering and the financing of terrorism and proliferation.

The FATF Plenary discusses the assessment team’s findings, including the proposed ratings and recommended priority actions, following which, the report undergoes a quality and

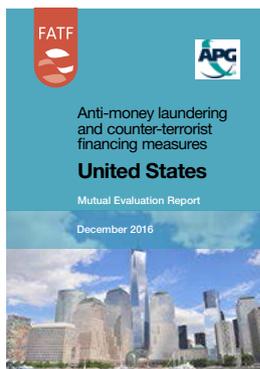
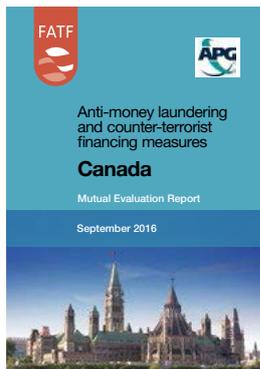
consistency review. This review is mandatory for all mutual evaluations, regardless of the assessing body. The review ensures a consistently high standard for all assessments conducted in the FATF Global Network. The assessment process ends when a report has successfully completed the quality and consistency review. If the review reveals inconsistencies, then the report is referred back to the assessing body.

After a successful completion, the report is ready for publication.

This Plenary year, the FATF published the mutual evaluation reports of Austria, Canada and Singapore in September 2016

(the latter two assessments jointly with APG). These reports were discussed at the end of the previous Plenary year. The FATF also published the assessments of the United States (jointly with APG) and Switzerland in December 2016 and the assessment of Sweden in April 2017. In June 2017, the FATF Plenary discussed the assessments of Denmark and Ireland.

The following table shows the level of effectiveness of each assessed country’s efforts to tack money laundering and terrorist financing in the current cycle of mutual evaluations, the fourth cycle.



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

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

*FATF Fourth Round of Mutual Evaluations completed and published between  
(July 2016 and June 2017)*

Extent to which the assessed country achieved this objective  
(High, Substantial, Moderate, Low)

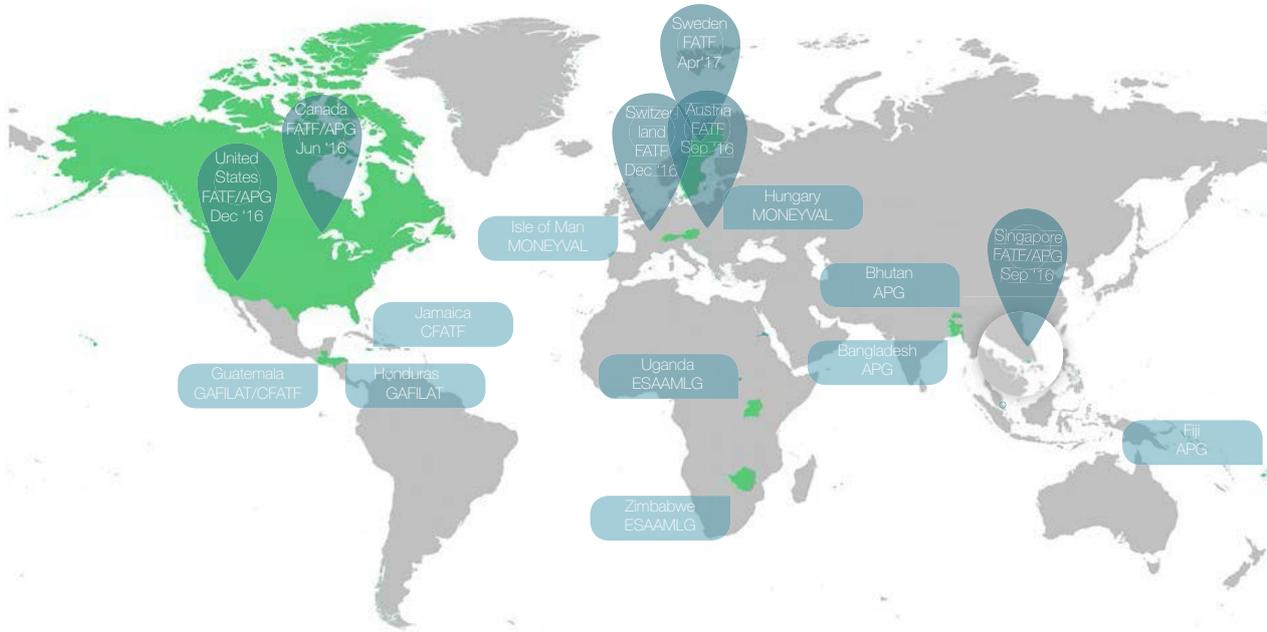
Publication date		Austria <sup>1</sup>	Canada <sup>1</sup>	Singapore <sup>1</sup>	Sweden	Switzerland	United States <sup>1</sup>
		Sep 2016	Sep 2016	Sep 2016	Apr 2017	Dec 2016	Dec 2016
1	Risk, Policy and coordination - ML and TF risks are understood and where appropriate, actions co-ordinated domestically to combat ML and TF	Moderate	Substantial	Substantial	Moderate	Substantial	Substantial
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	High	Moderate	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	Moderate	Substantial	Moderate	Moderate	Moderate	Moderate
4	Preventive measures - Financial institutions and DNFBPs adequately apply AML/CFT preventive measures commensurate with their risks, and report suspicious transactions	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate
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	Low	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	Low	Moderate	Substantial	Moderate	Substantial	Substantial
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	Low	Moderate	Moderate	Substantial	Substantial	Substantial
8	Confiscation - Proceeds and instrumentalities of crime are confiscated	Moderate	Moderate	Moderate	Substantial	Substantial	High
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	Substantial	Low	Substantial	Substantial	High
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	Substantial	Moderate	Moderate	Substantial	High
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	Moderate	Substantial	Substantial	Substantial	High

1. joint assessment with APG

 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)

*Mutual Evaluations completed and published (July 2016 to June 2017)*



**FSRB Mutual Evaluations**

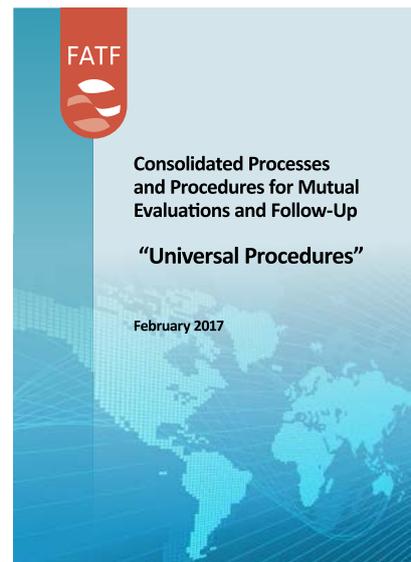
In addition to the mutual evaluation reports of its own members, the FATF also publishes the assessments that were conducted under the responsibility of one of the FATF-Style Regional Bodies and that have successfully completed the quality and consistency review.

All assessments, regardless of the assessing body, are in principle conducted in accordance with the 2013 assessment methodology. While there is some flexibility in the procedural arrangements, all assessments must meet the core elements as set out in the *Consolidated Processes and Procedures for Mutual Evaluations*

and *Follow-up*, also referred to as the *Universal Procedures*.

This year, the FATF published the following reports:

- Bangladesh (APG)
- Bhutan (APG)
- Fiji (APG)
- Guatemala (GAFILAT-CFATF)
- Honduras (GAFILAT)
- Hungary (MONEYVAL)
- Isle of Man (MONEYVAL)
- Jamaica (CFATF)
- Uganda (ESAAMLG)
- Zimbabwe (ESAAMLG)



‘Universal Procedures’ available at:  
[www.fatf-gafi.org/publications/fatfgeneral/documents/universal-procedures.html](http://www.fatf-gafi.org/publications/fatfgeneral/documents/universal-procedures.html)

## Consolidated Assessment Ratings

This year, the FATF published the consolidated assessment ratings on its website.

This table provides an up-to-date overview of the ratings on both effectiveness and technical compliance for all countries assessed against the 2012 FATF Recommendations and using the 2013 Assessment Methodology.

This table is continuously kept up-to-date as new assessment reports are published.

 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)

## Assessor training

The quality of the mutual evaluation process relies on the participation of relevant and experienced experts from the membership in each assessment team. To ensure a consistently high quality of all mutual evaluations, the FATF organises regular training sessions for future assessors. Only trained assessors with relevant experience in the field, can join an assessment team.

The assessor training sessions explain the mutual evaluation in great detail. The risk assessment is the foundation for each country to building a framework that mitigates the risks it is exposed to. Future assessors will learn how to critically analyse the country's risk context and its national risk assessment to determine whether the country has sufficiently understood the money laundering and terrorist financing threats it is exposed to and whether it has taken sufficient action. The assessors will learn more about the information they should look for during a mutual evaluation to determine whether the country has implemented the required legal, regulatory and operational framework. Most importantly, they will learn to identify the evidence needed to demonstrate that a country's efforts are effective in

tackling money laundering and terrorist financing.

The aim of the mutual evaluation is not only to identify where a country's weaknesses lie. A crucial element is to provide the assessed countries with clear and targeted recommendations that will help it to strengthen its measures swiftly and effectively. The assessor training will give future assessors the necessary tools to identify the key action items that the country should take to address the weaknesses in its AML/CFT framework and improve the effectiveness of its efforts.

This year, the FATF organised a training for future FATF and IMF assessors in Washington DC in September 2016.

## FATF Follow-up Process

The completion of a mutual evaluation is a starting point for the country to further strengthen its measures to tackle money laundering and terrorist financing. The mutual evaluation report provides the country with a set of clear recommendations and priority actions it must take to address the weaknesses that the assessment team has identified. These actions will improve the country's technical compliance with the FATF Recommendations as well as the effectiveness of its efforts.

Countries that have undergone a mutual evaluation will provide

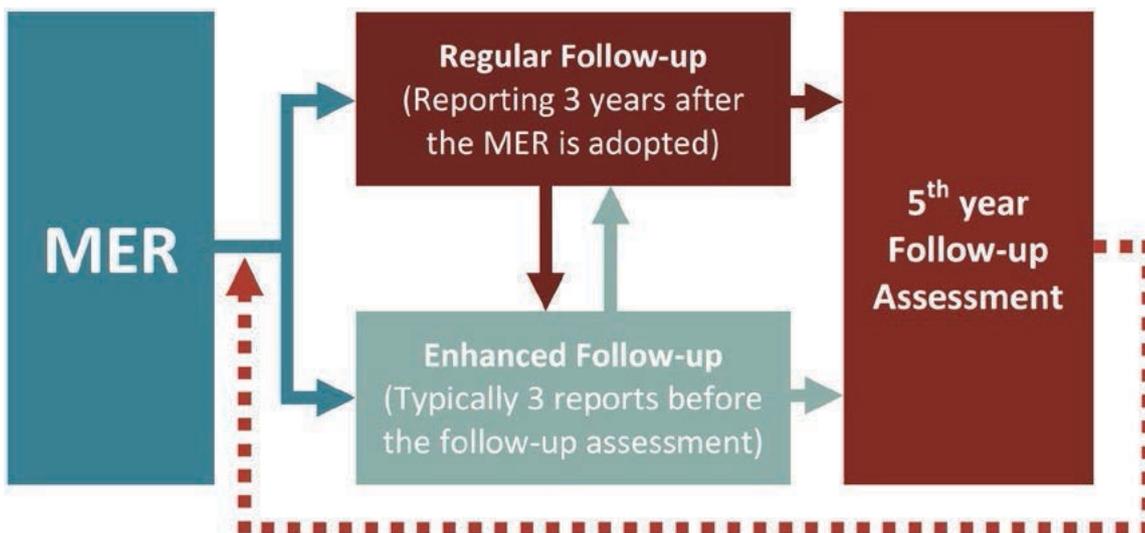
regular updates on the progress they have made through the FATF's follow-up process. Accountability towards the FATF membership encourages countries to take the necessary action.

When a mutual evaluation identifies a serious weakness in a country's AML/CFT framework, or if a country is not taking any meaningful action to address them, then the assessing body may decide to publicly identify the country and draw attention to the weaknesses in its AML/CFT regime. If a country continues to ignore the seriousness of these AML/CFT deficiencies and fails to

take action, then it can be referred to the FATF's *International Co-operation Review Group* who will look at the country's deficiencies in the context of its work on identifying high-risk and non-cooperative jurisdictions.

This year, ESAAMLG referred Ethiopia and Uganda to the FATF on the basis of the important key deficiencies in their measures to protect the integrity of the financial system that the March 2015 and September 2016 mutual evaluation reports respectively had identified. Similarly, the CFATF published a statement on Haiti's lack of

### FATF Follow-up process



Source: Procedures for the FATF Fourth Round of AML/CFT Mutual Evaluations, [www.fatf-gafi.org/media/fatf/documents/methodology/FATF-4th-Round-Procedures.pdf](http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF-4th-Round-Procedures.pdf).

progress to address strategic deficiencies in its AML/CFT regime. The FATF republished this statement as it contains relevant information that countries and the private sector should be aware of as part of their implementation of the risk-based approach.

## Follow-up from the Third Round of Mutual Evaluations

One of the key requirements of FATF Membership is the full implementation of the FATF Recommendations. Brazil is one of the last countries that has not yet addressed the serious shortcomings from its third round mutual report, in particular the criminalisation of terrorist financing.

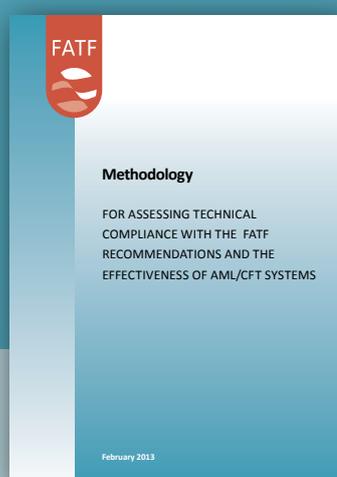
This year, the country made considerable progress. However important issues remain unresolved, and in June 2017, the FATF called on the country to fulfil its member commitment by taking further action to fully address these shortcomings. Should the country continue to fail to adequately rectify these deficiencies, then the FATF may consider the next steps in its follow-up process.

## Changes to the Assessment Methodology

The FATF Recommendations are regularly refined and strengthened, and as a result, the methodology that assesses how well countries have implemented the FATF Recommendations must sometimes also be adjusted.

In June 2016, the FATF revised its Recommendation 8 on protecting non-profit organisations from terrorist financing abuse, to ensure that its implementation is in line with the risk-based approach and does not disrupt or discourage legitimate non-profit activities. In October 2016, and with input from the non-profit sector, the FATF updated its assessment methodology for Recommendation 8 and Immediate Outcome 10 to bring it into line with these revisions.

Following this revision, the assessment teams will focus on the extent to which a country's measures to non-profits are focused and proportionate and in line with the risk-based approach. The FATF Recommendations aim to protect non-profit organisations from terrorist financing abuse without disrupting or discouraging legitimate charitable activities.



 FATF Methodology available at:

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

# High-risk and other monitored jurisdictions

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



Strategic weaknesses in one country's measures to tackle money laundering or the financing of terrorism or proliferation puts the integrity of the global financial system at risk. Identifying countries with such strategic weaknesses is a key priority for the FATF.

The international financial system is increasingly interconnected, particularly as a result of technical innovations. Conducting financial transactions with businesses and individuals on the other side of the world takes little time and effort. Such an interconnected global financial system, also means that its integrity can be put in jeopardy by the weaknesses in one country's measures to detect and prevent financial fraud. Criminals and terrorists will look for such loopholes to infiltrate the financial system and use it to launder the proceeds of their crimes or raise, move and use terrorism-related funds. By transferring the funds to a different country, they will make the link to the original crime or source of funds harder to detect.

Through the work of the *International Cooperation Review Group*, the FATF works with these jurisdictions to address these serious deficiencies and strengthen their measure to tackle money laundering and terrorist

financing. The process of public identification raises awareness about the specific money laundering and terrorist financing risks that emanate from the country and it also puts pressure on the country take the necessary action.

The FATF closely monitors the progress that these jurisdictions are making, which is reflected in the statements that it updates after each Plenary meeting. Inclusion in FATF can have serious consequences for a country's position in the global economy and foreign direct investment.

The FATF's ICRG process started in 2007, since then, the FATF has reviewed over 80 countries and publicly identified 61 of them, of these 61, 51 have since made the necessary reforms, of which two between July 2016 and June 2017: Afghanistan, Guyana and Lao PDR.



### The review process

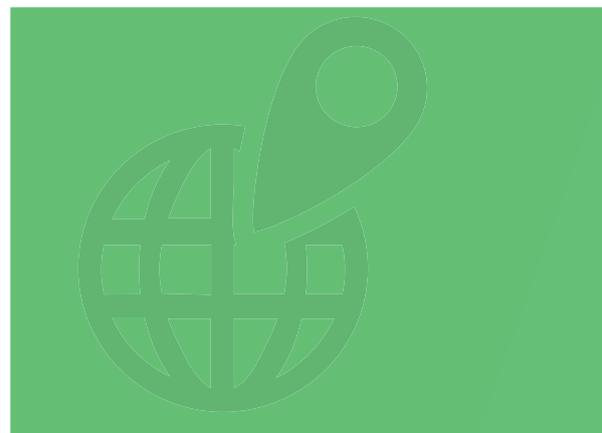
The review process that leads to the public identification of high-risk and non-cooperative jurisdictions is an on-going process.

Four FATF regional review groups will assess the threats emanating from countries with strategic AML/CFT weaknesses. The regional groups cover the Africa/Middle East, the Americas, the Asia/Pacific and Europe/Eurasia regions and each country under review has the opportunity to take part in a face-to-face meeting to discuss the outcomes of their review.

Countries are referred for review on the basis of information on the threats and risk they pose to the international financial system. This can be information that has come to light during a mutual evaluation or it can be the fact that the country is not cooperating in the work of the FATF-Style Regional Bodies and

not committing to implementing global standards to detect, prevent and punish financial crime.

The FATF review looks at the progress that these countries are making in addressing their deficiencies. It will determine whether these weaknesses pose a significant risk to the integrity of the international financial system by enabling criminals and terrorists to introduce and move assets undetected. Together with the country, the FATF will develop an action plan which will help it strengthen its defences against this abuse and address potential loopholes. The country must make a high-level commitment that it will implement the necessary reforms to its legal, regulatory and operational framework.



### Public identification

An important, and very effective, step in the FATF's process is the public identification of countries and jurisdictions with potential loopholes and their measures to prevent, detect and punish money laundering and the financing of terrorism and proliferation.

Publicly naming and shaming the weak links in the international financial system has proven to be a very successful tool to drive the important reforms that are necessary. A country that has been identified by the FATF as having a weak AML/CFT framework can suffer serious consequences. Many countries and financial institutions place considerable restrictions on the financial transactions involving countries by the FATF. International trading partners will have to deal with stricter compliance measures and often face significantly higher costs. In some cases, financial transactions with jurisdictions

identified by the FATF, is no longer possible at all.

This will continue until the country implements the reforms that the FATF has called for. The threat of losing its position in the global economy as a result of the public identification puts pressure on the governments to swiftly prioritise the implementation of the necessary reforms.

This FATF updates its statements after each Plenary meeting when it publishes two separate documents that provide a summary of the specific AML/CFT weaknesses for each of the countries.

The *Public Statement* identifies the jurisdictions with the most serious weaknesses:

- Countries and jurisdictions that pose such a severe risk to the international financial system that the FATF calls on its members and non-

members to apply counter-measures.

- Countries and jurisdictions with serious strategic deficiencies, that should be subject to enhanced due diligence measures, proportionate to the risks to the financial system that these countries represent.

This year, Iran and the Democratic People's Republic of Korea (DPRK) were identified on the FATF's Public Statements. DPRK has continued to fail to address its significant AML/CFT weaknesses. The FATF reaffirmed its 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.

Iran has been the subject of public warnings by the FATF about the serious risks emanating from the

deficiencies in Iran's AML/CFT measures. These public warnings included a public statement calling for counter-measures in February 2009, which was subsequently reaffirmed after every Plenary meeting. Following the FATF's statement each country took different measures regarding its business relationships and financial transactions with Iran, they varied from enhanced due diligence measures to a complete prohibition of any trade relationship.

In June 2016, Iran committed at the highest political level to address its strategic AML/CFT deficiencies and it sought technical assistance in the implementation of its action plan. This is a positive development. While the country's AML/CFT deficiencies have not yet been addressed, the FATF decided to suspend its call for counter-measures for a period of one year. Throughout the year, the FATF monitored the progress

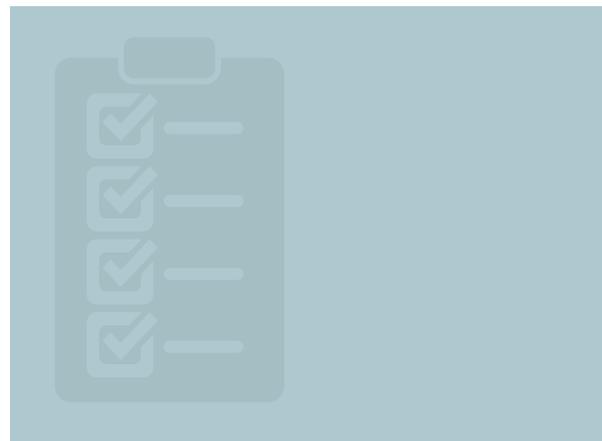


that the country was making in implementing its Action Plan. In June 2017 the FATF decided to continue the suspension of counter-measures for Iran, in recognition of the country's high-level political commitment and the progress it had already made.

However, FATF remains concerned about the strategic deficiencies in Iran's AML/CFT framework and the country will therefore remain on the public statement until it has fully completed its Action Plan.

The statement *Improving Global AML/CFT Compliance: on-going process* lists countries that have weaknesses in their measures to prevent, detect and punish financial fraud and terrorist financing, but that have provided a high-level commitment to an action plan developed with the FATF. The FATF closely monitors the actions that the countries and jurisdictions on this statement

are making, and each country must demonstrate it is making meaningful progress. If the country makes insufficient progress in implementing its action plan, then the FATF can decide to include them in the public statement. The threat of inclusion on the public statement is often enough to drive swift and meaningful reforms.



### Removal from the review process

The FATF removes a country from its review progress if it has implemented the majority or all of the components of its Action plan. On on-site visit will determine whether the necessary reforms are being implemented and will require the country to demonstrate that it is committed at the highest political level to continue the reforms and complete any outstanding components of the action plan and remaining deficiencies in its AML/CFT framework. After a successful outcome of such an on-site visit, the FATF Plenary can decide to remove the country or jurisdiction from its review progress.



This year, between July 2016 and June 2017, the FATF removed the following jurisdictions from its review process:

### *June 2017*

- Afghanistan (APG)
- Lao PDR (APG member)

### *October 2016*

- Guyana (CFATF)

# Engagement with the private sector





I would like to commend President Vega-Serrano—and the FATF more generally—for addressing both the opportunities and the new issues raised by technology, including through your recent roundtables with the private sector.

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

The FATF recognises the value of a continued engagement with the private sector and over the years, has developed a constructive dialogue through the private sector consultative forum, public consultations and other forms of engagement.

FATF's dialogue with the private sector provides a framework for the private sector to raise issues of concern with the FATF. It also allows the FATF to benefit from private sector insights into the impact of its work and stay informed about important developments that impact the financial system and that could present additional risk for the financial system that require a refining of the FATF's standards.

## Fintech and Regtech

Looking ahead at new developments has always been a priority for the FATF, as this allows it to ensure that the FATF Recommendations continue to provide countries with the strongest possible tools to protect the integrity of the financial system. This year, the FATF focused on the impact of technology-based innovations on efforts to combat money laundering and terrorist financing. In previous years, the FATF conducted substantive work to understand the vulnerabilities of new payment products and services and to ensure that AML/CFT measures remained up to date. Traditional financial institutions are now using and developing new tools, and new providers of innovation-based financial services are entering the financial landscape. The next step and one of the priorities of the Spanish Presidency was to build a constructive dialogue with the Fintech and Regtech community to support



FinTech and RegTech Forum hosted by PayPal at its Headquarters in San Jose, 25-26 May 2017.

innovation in financial services, while maintaining transparency and mitigating potential money laundering and terrorist financing risks. Financial innovations have introduced efficiencies and provide alternatives to traditional financial products, particularly for underserved populations. However, if developed without consideration for their potential use by criminals and terrorists, these same innovations could end up being used to launder illicit assets or to move funds in support of terror.

Leading up to the FATF FinTech and RegTech Forum in May 2017, the FATF organised two events that brought together anti-money laundering and counter-terrorist financing professionals, national supervisors, international organisations and private sector to understand how technology-based innovations change financial services and their impact on the integrity of the financial system in order to address these new risks and vulnerabilities.

Participants discussed the impact of the current AML/CFT measures on financial innovation and the approaches used by some countries to help promote innovation in financial services while at the same time mitigating the risk that they could facilitate the introduction of illicit assets into the financial system or the financing of terrorists or terrorist acts.

The discussions also focused on experiences in Fintech and Regtech solutions such as distributed ledger technologies, new payment methods and techniques, digital currency, regulatory reporting solutions and products and technologies facilitating initial and ongoing customer due diligence measures. These solutions have the potential to make a positive contribution to more effective anti-money laundering and counter-terrorist financing efforts. The FATF's priority is to strike the right balance between supporting innovation and ensuring that innovation does not make life easier for criminals and terrorists.

In May 2017, the FATF organised a FinTech and RegTech Forum, hosted by PayPal at its Headquarters in San Jose. Over 150 representatives from FinTech and RegTech sectors, financial institutions and FATF members and observers attended this event. Discussions focused on the positive contribution that financial innovations could make to risk monitoring and money laundering and terrorist financing investigations. Big data, artificial intelligence and machine learning could improve the detection of suspicious activities and help identify illegal activity and criminal networks.

The discussions resulted in a guiding principles for future dialogue between the FATF and the Fintech and Regtech communities: the San José Principles. It is in the interest of both policy-makers, regulators and the FinTech and RegTech communities themselves to ensure that financial innovation is resilient to money laundering and terrorist financing.

As highlighted by Mr Luis de Guindos<sup>1</sup>, Spanish Minister of Economy, Industry and Competitiveness at the FATF Plenary meeting in Valencia, reaching out to the Fintech and Reg Tech communities has been an important initiative. “Such partnership will help both parties: It will help FATF to become more proactive in developing standards, guidance and best practice, as well as in anticipating new developments. And it will also help the FinTech and RegTech industry by getting them to identify the risks in their business models and to manage them. “

The San José principles will ensure a continued constructive dialogue and will help strike the right balance between supporting innovation and managing money laundering and terrorist financing risks.

<sup>1</sup> De Guindos, Luis (2017)

## Guiding Principles 'San Jose Principles'

1. Fight terrorism financing and money laundering as a common goal. Combatting ML deals a significant blow to the many profit-driven criminal activities, while countering terrorism financing limits the capabilities of terrorist groups to prepare or carry out attacks. As stakeholders, we have a shared interest to prevent the misuse of the financial system from the threats of ML and TF, thereby strengthening financial sector integrity and contributing to safety and security. Only by working together may governments and the private sector effectively achieve these goals.
2. Encourage public and private sector engagement. Close engagement between governments, the private sector and academia on financial innovations helps to foster a shared understanding of these developments, identify pertinent issues, and facilitates collaboration to address any concerns as they arise.
3. Pursue positive and responsible innovation. Be on the lookout for innovations that present opportunities to mitigate risks, increase the effectiveness of anti-money laundering and countering the financing of terrorism (AML/CFT) measures, and benefit society in general.
4. Set clear regulatory expectations and smart regulation which address risks as well as allow for innovation. Better understanding of how existing AML/CFT obligations apply to new technologies, products, services, and new paradigms for the provision of financial services is best achieved by governments and the private sector working together to increase awareness and establish clear guidelines as needed.
5. Fair and consistent regulation. Aim for a regulatory environment that is commercially neutral, respects the level playing-field and minimises regulatory inconsistency both domestically and internationally.

## Private Sector Consultative Forum

The FATF also engaged with the private sector on a range of other issues, primarily through the framework of the **private sector consultative forum** and in particular the annual meeting of this forum which took place in March 2017 in Vienna.

As primary entry points to the financial system, the private sector, and banks in particular, play an important role in effectively tackling criminal use of the financial system. In their daily interactions with customers, they may come face to face with criminals attempting to launder the proceeds of crime or individuals wishing to use their services to finance acts of terrorism. To detect these cases of abuse, it is essential that they have a thorough awareness and understanding of the anti-money laundering and counter terrorist financing requirements that

apply to them. This means that they need to conduct customer due diligence on new and existing customers. They need to be aware of the methods that criminals and terrorist use, and remain vigilant so as to detect the red flags that indicate possible cases of criminal activity. Most importantly, they need to share relevant information with their national financial intelligence unit for further investigation. The investigations following terrorist attacks in Belgium, France and other parts of the world demonstrated that the private sector, and financial institutions in particular, possess a vast amount of untapped intelligence. However, contrary to money laundering, the source of terrorist funding is often legitimate and the amounts small, which makes it challenging to detect whether a customer is trying to use financial services to transfer funds for terrorist

activities. The FATF developed risk indicators to help private sector, in particular banks and money services businesses, detect possible cases of terrorist financing. Participants at the annual private sector consultative forum in March 2017 welcomed this report and requested the development of specific risk indicators for individual sectors. These indicators will help private sector detect suspicious transactions and share them with the relevant authorities. The suspicious transaction reports submitted by private sector can contain valuable information for ongoing investigations and lead to earlier detection of terrorists as well as criminals attempting to introduce illicit assets into the financial system.

The FATF Recommendations reflect the importance of information sharing. Twenty-



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

five of the 40 recommendations contain requirements on the types of information to be shared and when and how to share it. However, these requirements are not always clearly understood. Even when they are, there may be barriers that prevent effective sharing of information. This year, the FATF worked on developing a guidance which aims to improve information sharing.

During the annual private sector consultative forum in March, in Vienna, over 250 representatives from the financial sector and other business, civil society and FATF members and observers took part in discussions on the barriers to information sharing and how to address them. The participants discussed which information needed to be collected to improve the effectiveness of the AML/CFT efforts of financial institutions within the same group and the

interplay with data protection and privacy concerns. Participants also shared practical examples of information sharing between financial institutions which are not part of the same group. This valuable input contributed to a draft guidance on information sharing. In June 2017, a public consultation on this draft guidance invited comments from private sector stakeholders. In particular, the public consultation sought confirmation whether the guidance provided sufficient clarification on sharing of information within a financial group in a cross border environment.

Participants at the private sector consultative forum also discussed the impact of the October 2016 *FATF Guidance on Correspondent Banking*. This guidance explains the FATF's AML/CFT requirements in the context of correspondent banking and in particular, that

financial institutions are not required to conduct customer due diligence on individual customer of their respondent institutions' customers. The FATF developed this guidance as to address the negative impact of 'de-risking' on correspondent banking relationships, in particular concerning remittances services. In recent years, an increasing trend saw financial institutions decide to avoid, rather than manage, possible money laundering and terrorist financing risks by terminating business relationships with entire classes of customers. Correspondent banks play a crucial role in the global payment system, in particular for emerging markets and developing economies. This guidance addresses the feedback from private sector which called for further clarification on how to properly apply the risk-based approach when entering and maintaining a correspondent



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

banking relationship. The FATF developed this guidance in close collaboration with the Financial Stability Board and the Committee on Payments and Market Infrastructure and with input from the private sector.

Now that FATF has clarified its requirements, it is important that national regulators and regulators follow up to ensure that this is properly reflected in their national frameworks. The FATF will monitor the use that is being made of its guidance.

In addition to information sharing and correspondent banking, this year's private sector consultative forum also addressed technology-driven innovation to reach financially excluded and underserved customers and promote financial inclusion. Participants also discussed beneficial ownership information in the context of trusts and other legal arrangements.



## Non-profit organisations

During the past years, the FATF has established a constructive dialogue with the non-profit sector. Non-profit organisations provide a valuable service to society and many charities offer a lifeline to vulnerable members of the public. Unfortunately, some non-profit organisations can attract terrorist and terrorist organisations who use them to raise and move funds in support of terrorism, often without knowledge of the organisation and its donors. FATF Recommendation 8 requires countries to review their laws concerning non-profit organisations to prevent their misuse for terrorist financing. Last year, with considerable input from non-profit organisations and the private sector, the FATF refined FATF Recommendation 8 to ensure that the implementation of this Recommendation is in line with the risk-based approach and does not disrupt or discourage legitimate non-profit activities.

This year, the FATF updated its assessment methodology in line with these revisions. Future assessments will focus on the extent to which measures being applied to non-profit organisations and charities are focused and proportionate, and in line with the risk-based approach. A correct application of AML/CFT measures should result protect non-profit organisations from terrorist financing abuse but not hinder legitimate and essential charitable activities.

The FATF continues its engagement with non-profit organisations. During the private sector consultative forum, representatives from governments and non-profit organisations shared their experiences with the assessment of Recommendation 8 and Immediate Outcome 10 during the mutual evaluation process.

The discussions highlighted the importance of a continued engagement and collaboration between governments and non-profit organisation. In particular, involving non-profit organisations in the mutual evaluation process at an early stage will allow them to fully understand the process and its expectations so that they are well-prepared for the on-site visit which looks for evidence that effective measures to prevent terrorist financing abuse are in place.

# Strengthening the global network



Terrorist and criminals will exploit any country's weaknesses in anti-money laundering and counter-terrorist financing measures. With an interconnected global financial system, where funds can move from one country to the next in a few clicks, it is essential that effective safeguards are in place everywhere to detect, prevent and punish abuse of the financial system.

Since its creation, the FATF has extended its reach to a global network of over 200 countries and jurisdictions through its collaboration with nine FATF-Style Regional Bodies (FSRBs). Each country or jurisdiction has committed to implementing the FATF Recommendations to prevent funds related to crime or terrorism from entering the financial system.

Beyond its close collaboration with the FSRBs and their respective membership, the FATF also works closely with its observer organisations which include the United Nations, assessing bodies IMF and World Bank and

the Egmont Group of Financial Intelligence Units.

Global collaboration is important, as highlighted by IMF Managing Director, Christine Lagarde during her speech<sup>1</sup> at the FATF Plenary meeting in Valencia, Spain. Ms. Lagarde emphasized that both IMF and FATF are deeply committed to supporting countries in building defences against money laundering and the financing of terrorism through the AML/CFT standards and that both organisations know that these global challenges cannot be resolved by countries working alone.

<sup>1</sup> Lagarde, C. (2017),



FATF President Juan Manuel Vega-Serrano and IMF Managing Director Christine Lagarde at the FATF Plenary in Valencia, 22 June 2017

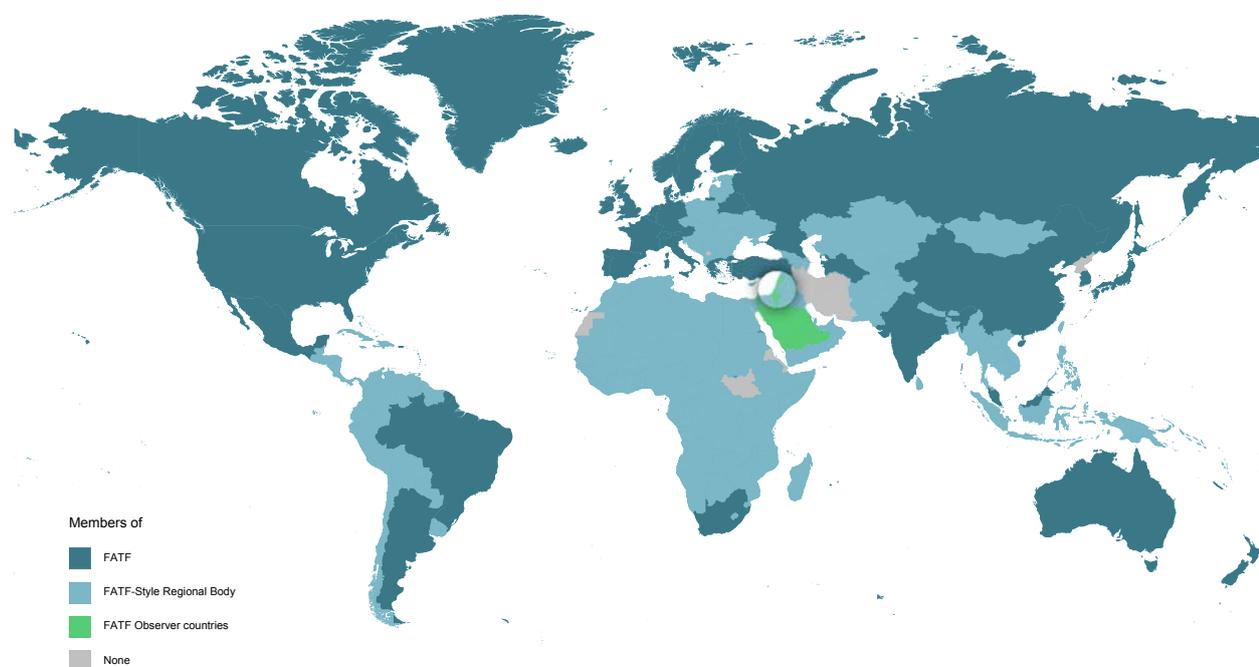
## FATF Membership

FATF currently has 37 Members, including two regional organisations. Each member country is a strategically important country both in terms of the size of their banking sector and their impact of the financial system.

To further improve the geographic balance of its membership and ensure that its membership includes new important actors in the global financial system, the FATF agreed on a limited expansion of its membership in June 2014.

Israel and Saudi Arabia were both identified candidates countries and became observers of the FATF in February 2016 and June 2015. Both countries are working towards meeting the criteria for membership, which includes the completion of a mutual evaluation that demonstrates that the country has an effective AML/CFT system and a satisfactory level of compliance with the FATF Recommendations.

### *Members of the FATF Global Network*



## FATF-Style Regional Bodies

FATF-Style Regional Bodies (FSRBs) play a critical role in driving effective implementation of measures to tackle money laundering and terrorist financing in their respective memberships and identifying and addressing threats to the financial system.

The FATF and FSRBs bring together over 200 countries that have each committed to implement the FATF's Recommendations.

FATF and FSRBs are interdependent partners in the FATF's global network but share a common goal, to promote the effective implementation of sound measures that will protect the integrity of the financial system by keeping criminals and terrorists out. The relationship between the FATF and FSRBs is governed by a set of high-level rights and obligations that apply to both FATF and FSRBs. This ensures a consistently high standard of operating and reciprocity within the global network.

Poor performance or insufficiently rigorous assessments by one of the organisations has a negative impact on the global network as a whole and the credibility of the work it delivers.

The FATF is the only standard-setting body, but FATF and FSRBs are all assessing bodies that evaluate how effectively their respective members have implemented measures to tackle money laundering and terrorist financing and the extent to which these measures meet the technical requirements of the FATF Recommendations.

Each assessment is conducted in accordance with the FATF assessment methodology. FATF and FSRBs each have a certain amount of flexibility in determining the procedural arrangements for their mutual evaluations, but there is a set of core elements that apply to all assessment, regardless of the assessing body. In February 2017, the FATF finalised the *Consolidated Processes and Procedures for Mutual Evaluations and Follow-Up* – “Universal Procedures” which set out these core elements that form the basis for all evaluations and are based on the FATF 4th Round of AML/CFT evaluations.

These procedures will ensure that assessments within the global network are of a consistently high quality.

## Developments in FSRBs

Each FSRB brings together countries from the region that often share similar challenges in implementing effective measures to tackle money laundering and terrorist financing.

In September 2016, Madagascar joined ESAAMLG as a full member. Occasionally, practical obstacles such as geographic location, or language may prevent a country from fully benefiting from its participation in the work of the FSRB. It may decide it may benefit more from an association with a different FSRB. In August 2016, the Dominican Republic became a member of GAFILAT and subsequently withdrew its membership from CFATF. Guatemala, member of both CFATF and GAFILAT, changed its status with CFATF from a full member to an observer member.



## Training and Research

The FATF Training and Research Institute (FATF TREIN), established following a proposal by the Korean Government during the Presidency of Je-Yoon Shin of Korea, officially opened its doors in September 2016. The institute meets the need for training and capacity-building to help the members of the FATF Global Network implement effective measures to tackle money laundering and terrorist financing. Countries with a less mature AML/CFT regime in particular will benefit greatly from the research and training that FATF TREIN.

After two workshops to identify the main challenges in implementing effective AML/CFT measures, the FATF held its first pilot FATF Standards training course on 15-19 May 2017. This course will be the flagship course of FATF TREIN and will be further refined to improve understanding and implementation of the FATF Standards within the FATF Global Network.

During this first year of FATF TREIN's existence, it focused on establishing a secretariat of experienced experts who will support FATF TREIN's programme of work. FATF TREIN representatives also actively participated in meetings organised by observers to the FATF such as UNODC and World Bank as well as private sector organisations involved in relevant work. Engagement with these organisations allowed FATF TREIN to increase its understanding of some of the challenges that its research and training could address.

FATF TREIN will continue its work on building a robust training programme to meet the needs of the FATF Global Network which will ultimately improve global effectiveness of AML/CFT measures. FATF TREIN will also conduct research that will inform FATF's work on policy development and identifying money laundering and terrorist financing methods and trends.

## Egmont Group of Financial Intelligence Units

The FATF Recommendations require each country to establish an independent financial intelligence unit (FIU) and for that FIU to apply for membership of the Egmont Group of Financial Intelligence Units (Egmont Group).

Financial intelligence can make a valuable contribution to law enforcement investigations. Financial transactions such as transfers, cash withdrawals and purchases leave a trail behind that can lead to earlier detection of activities related to crime or terror.

Finding this money trail often starts with the private sector. Financial institutions, accountants, real estate agents or other reporting agencies have to understand and assess the money laundering and/ or terrorist financing vulnerabilities of their business or products. Their understanding of the risk they are exposed to, and their vigilance to possible cases of abuse, means that they can detect transactions that

may involve funds with a link to crime or terror which. As required by the FATF Recommendations, they must report these suspicious transactions to their national FIU.

The FIU is responsible investigating the suspicious transactions submitted by financial institutions and other reporting entities. Combined with other information relevant to money laundering or the financing of terrorism, the FIU must analyse large amounts of data, every day. In their analysis, they will look for evidence to determine whether the financial activity has links to crime or terror. If necessary, FIUs should be able to obtain additional information from reporting agencies. Finally, they must share the results of their analysis with the relevant authorities.

The analysis of large volumes of financial transactions provides FIUs with valuable intelligence that can help identify new methods that criminals and terrorist use

to circumvent the AML/CFT safeguards that country. This is particularly important in the context of FATF's work to tackle terrorist financing,

The FATF and Egmont Group have built up a mutually reinforcing relationship, participating in each other's activities as observers. This year, the FATF increased its operational focus and organised meetings with Heads of the FATF FIUs, alongside the Egmont Group Chairman, in the margins of each Plenary. The use of financial intelligence is an important element of an effective framework to tackle money laundering and terrorist financing. FIUs play a key role in this process which is why FATF values its continued collaboration with the Egmont Group.

# Annex 1: Financial statement

At the close of this Plenary year, there are 31 staff members at the FATF Secretariat: an Executive secretary, a deputy Executive secretary, four senior policy analysts, sixteen policy analysts, one resource management advisor, one communications manager and six 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-OECD 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 2016 and 2017 (in EUR)

Budget items	Budget FY 2016	Budget FY 2017
Staff costs (salaries and indemnities)	2 818 200	3 306 233
Travel	346 093	606 220
Operating costs (incl. office rental)	217 400	235 563
OECD overhead charges	368 200	388 083
Meeting costs, translation, interpretation	220 644	125 079
IT: investments and maintenance costs	123 163	179 814
<b>Total</b>	<b>4 093 700</b>	<b>4 839 992</b>

# Annex 2. FATF Members and 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

Israel  
Saudi Arabia

## FATF Associate Members

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)

## FATF Observer Organisations

African Development Bank  
Anti-Money Laundering Liaison Committee of the Franc Zone (CLAB)  
Asian Development Bank  
Basel Committee on Banking Supervision (BCBS)  
Egmont Group of Financial Intelligence Units  
European Bank for Reconstruction and Development (EBRD)  
European Central Bank (ECB)  
Eurojust  
Europol  
Group of International Finance Centre Supervisors (GIFCS)  
Inter-American Development Bank (IDB)  
International Association of Insurance Supervisors (IAIS)  
International Monetary Fund (IMF)  
International Organisation of Securities Commissions (IOSCO)  
Interpol  
Interpol/Money Laundering  
Organization of American States / Inter-American Committee Against Terrorism (OAS/CICTE)  
Organization of American States / Inter-American Drug Abuse Control Commission (OAS/CICAD)  
Organisation for Economic Co-operation and Development (OECD)  
Organization for Security and Co-operation in Europe (OSCE)  
United Nations -

- United Nations Office on Drugs and Crime (UNODC)
- United Nations Counter-Terrorism Committee Executive Directorate (UNCTED)
- The Analytical Support and Sanctions Monitoring Team to the Security Council Committee pursuant to resolutions 1267 (1999) and 1989 (2011) concerning Al-Qaida and associated individuals and entities
- The Expert Group to the Security Council Committee established pursuant to resolution 1540 (2004)
- Panel of Experts to the Security Council Committee established pursuant to resolution 1718 (2006)
- Panel of Experts established pursuant to Security Council resolution 1929 (2010)

The Al-Qaida and Taliban Sanctions Committee (1267 Committee)  
World Bank  
World Customs Organization (WCO)

# Annex 3. FATF Global Network

## Member jurisdictions and assessing bodies

Afghanistan	APG
Albania	MONEYVAL
Algeria	MENAFATF
Andorra	MONEYVAL
Angola	ESAAMLG
Anguilla	CFATF
Antigua and Barbuda	CFATF
Argentina	FATF-GAFILAT
Armenia	MONEYVAL
Aruba	CFATF
Australia	FATF-APG
Austria	FATF
Azerbaijan	MONEYVAL
Bahamas	CFATF
Bahrain	MENAFATF
Bangladesh	APG
Barbados	CFATF
Belarus	EAG
Belgium	FATF
Belize	CFATF
Benin	GIABA
Bermuda	CFATF
Bhutan	APG
Bolivia	GAFILAT
Bosnia and Herzegovina	MONEYVAL
Botswana	ESAAMLG
Brazil	FATF-GAFILAT
British Virgin Islands	CFATF
Brunei Darussalam	APG
Bulgaria	MONEYVAL
Burkina Faso	GIABA
Cabo Verde	GIABA

Cambodia	APG
Cameroon	GABAC
Canada	FATF-APG
Cayman Islands	CFATF
Central African Republic	GABAC
Chad	GABAC
Chile	GAFILAT
China	FATF-APG-EAG
Chinese Taipei	APG
Colombia	GAFILAT
Comoros	ESAAMLG
Congo	GABAC
Cook Islands	APG
Costa Rica	GAFILAT
Côte d'Ivoire	GIABA
Croatia	MONEYVAL
Cuba	GAFILAT
Curaçao	CFATF
Cyprus	MONEYVAL
Czech Republic	MONEYVAL
Denmark	FATF
Dominica	CFATF
Dominican Republic	GAFILAT
Ecuador	GAFILAT
Egypt	MENAFATF
El Salvador	CFATF
Equatorial Guinea	GABAC
Estonia	MONEYVAL
Ethiopia	ESAAMLG
Fiji	APG
Finland	FATF
Former Yugoslav Republic of Macedonia (FYROM)	MONEYVAL

### Annex 3. FATF Global Network - Member jurisdictions and assessing bodies

France	FATF	Lao People's Democratic Republic	APG
Gabon	GABAC	Latvia	MONEYVAL
Gambia	GIABA	Lebanon	MENAFATF
Georgia	MONEYVAL	Lesotho	ESAAMLG
Germany	FATF	Liberia	GIABA
Ghana	GIABA	Libya	MENAFATF
Gibraltar <sup>1</sup>	MONEYVAL	Liechtenstein	MONEYVAL
Greece	FATF	Lithuania	MONEYVAL
Grenada	CFATF	Luxembourg	FATF
Guatemala	CFATF-GAFILAT	Macau, China	APG
Guernsey <sup>2</sup>	MONEYVAL	Madagascar	ESAAMLG
Guinea	GIABA	Malawi	ESAAMLG
Guinea-Bissau	GIABA	Malaysia	FATF-APG
Guyana	CFATF	Maldives	APG
Haiti	CFATF	Mali	GIABA
Holy See	MONEYVAL	Malta	MONEYVAL
Honduras	GAFILAT	Marshall Islands	APG
Hong Kong, China	FATF-APG	Mauritania	MENAFATF
Hungary	MONEYVAL	Mauritius	ESAAMLG
Iceland	FATF	Mexico	FATF-GAFILAT
India	FATF-APG-EAG	Moldova	MONEYVAL
Indonesia	APG	Monaco	MONEYVAL
Iraq	MENAFATF	Mongolia	APG
Ireland	FATF	Montenegro	MONEYVAL
Isle of Man <sup>2</sup>	MONEYVAL	Montserrat	CFATF
Israel	MONEYVAL	Morocco	MENAFATF
Italy	FATF	Mozambique	ESAAMLG
Jamaica	CFATF	Myanmar	APG
Japan	FATF-APG	Namibia	ESAAMLG
Jersey <sup>2</sup>	MONEYVAL	Nauru	APG
Jordan	MENAFATF	Nepal	APG
Kazakhstan	EAG	Netherlands	FATF
Kenya	ESAAMLG	New Zealand	FATF-APG
Korea	FATF-APG	Nicaragua	GAFILAT
Kyrgyzstan	EAG	Niger	GIABA
Kuwait	MENAFATF	Nigeria	GIABA

### Annex 3. FATF Global Network - Member jurisdictions and assessing bodies

Niue	APG
Norway	FATF
Oman	MENAFATF
Pakistan	APG
Palau	APG
Palestine Authority	MENAFATF
Panama	GAFILAT
Papua New Guinea	APG
Paraguay	GAFILAT
Peru	GAFILAT
Philippines	APG
Poland	MONEYVAL
Portugal	FATF
Qatar	MENAFATF
Romania	MONEYVAL
Russian Federation	FATF-EAG-MONEYVAL
Rwanda	ESAAMLG
Saint Kitts and Nevis	CFATF
Saint Lucia	CFATF
Saint Maarten	CFATF
Samoa	APG
San Marino	MONEYVAL
São Tomé and Príncipe	GIABA
Saudi Arabia	MENAFATF
Senegal	GIABA
Serbia	MONEYVAL
Seychelles	ESAAMLG
Sierra Leone	GIABA
Singapore	FATF-APG
Slovak Republic	MONEYVAL
Slovenia	MONEYVAL
Solomon Islands	APG
South Africa	FATF-ESAAMLG
Spain	FATF
Sri Lanka	APG
St. Vincent and the Grenadines	CFATF
Sudan	MENAFATF
Suriname	CFATF
Swaziland	ESAAMLG
Sweden	FATF
Switzerland	FATF
Syria	MENAFATF
Tajikistan	EAG
Tanzania	ESAAMLG
Thailand	APG
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, Bolivarian Republic of	CFATF
Viet Nam	APG
Yemen	MENAFATF
Zambia	ESAAMLG
Zimbabwe	ESAAMLG

# Annex 4: FATF Publications and Speeches

## Reports

**Austria's measures to combat money laundering and terrorist financing**, 13 September 2016,  
[www.fatf-gafi.org/publications/mutualevaluations/documents/mer-austria-2016.html](http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-austria-2016.html)

**Canada's measures to combat money laundering and terrorist financing**, 15 September 2016,  
[www.fatf-gafi.org/publications/mutualevaluations/documents/mer-canada-2016.html](http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-canada-2016.html)

**Uganda's measures to combat money laundering and terrorist financing [ESAAMLG]**, 16 September 2016,  
[www.fatf-gafi.org/publications/mutualevaluations/documents/mer-uganda-2016.html](http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-uganda-2016.html)

**Singapore's measures to combat money laundering and terrorist financing**, 27 September 2016  
[www.fatf-gafi.org/publications/mutualevaluations/documents/mer-singapore-2016.html](http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-singapore-2016.html)

**First follow-up report to Costa Rica's assessment of anti-money laundering and counter-terrorist financing measures [GAFILAT]**, 3 October 2016,  
[www.fatf-gafi.org/publications/mutualevaluations/documents/fur-costa-rica-2016.html](http://www.fatf-gafi.org/publications/mutualevaluations/documents/fur-costa-rica-2016.html)

**FATF Report to the G20 on Beneficial Ownership**, 7 October 2016,  
[www.fatf-gafi.org/publications/mutualevaluations/documents/report-g20-beneficial-ownership-2016.html](http://www.fatf-gafi.org/publications/mutualevaluations/documents/report-g20-beneficial-ownership-2016.html)

**Guidance on Criminalising Terrorist Financing**, 21 October 2016,  
[www.fatf-gafi.org/publications/fatfrecommendations/documents/criminalising-terrorist-financing.html](http://www.fatf-gafi.org/publications/fatfrecommendations/documents/criminalising-terrorist-financing.html)

**Guidance on Correspondent Banking**, 21 October 2016,  
[www.fatf-gafi.org/publications/fatfrecommendations/documents/correspondent-banking-services.html](http://www.fatf-gafi.org/publications/fatfrecommendations/documents/correspondent-banking-services.html)

**Terrorist Financing in West and Central Africa**, 28 October 2016,  
[www.fatf-gafi.org/publications/methodsandtrends/documents/terrorist-financing-west-central-africa.html](http://www.fatf-gafi.org/publications/methodsandtrends/documents/terrorist-financing-west-central-africa.html)

**Honduras' measures to combat money laundering and terrorist financing [GAFILAT]**, 2 November 2016,  
[www.fatf-gafi.org/publications/mutualevaluations/documents/mer-honduras-2016.html](http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-honduras-2016.html)

**Bangladesh' measures to combat money laundering and terrorist financing [APG]**, 22 November 2016,  
[www.fatf-gafi.org/publications/mutualevaluations/documents/mer-bangladesh-2016.html](http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-bangladesh-2016.html)

**Bhutan's measures to combat money laundering and terrorist financing [APG]**, 22 November 2016,  
[www.fatf-gafi.org/publications/mutualevaluations/documents/mer-bhutan-2016.html](http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-bhutan-2016.html)

**Fiji's measures to combat money laundering and terrorist financing [APG]**, 22 November 2016,  
[www.fatf-gafi.org/publications/mutualevaluations/documents/mer-fiji-2016.html](http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-fiji-2016.html)

**United States' measures to combat money laundering and terrorist financing**, 1 December 2016,  
[www.fatf-gafi.org/publications/mutualevaluations/documents/mer-united-states-2016.html](http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-united-states-2016.html)

**Measures to combat money laundering and the financing of terrorism and proliferation in Switzerland**,  
7 December 2016,  
[www.fatf-gafi.org/publications/mutualevaluations/documents/mer-switzerland-2016.html](http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-switzerland-2016.html)

**Zimbabwe's measures to combat money laundering and terrorist financing [ESAAMLG]**, 3 January 2017,  
[www.fatf-gafi.org/publications/mutualevaluations/documents/mer-zimbabwe-2016.html](http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-zimbabwe-2016.html)

**Hungary's measures to combat money laundering and terrorist financing [MONEYVAL]**, 6 January 2017,  
[www.fatf-gafi.org/publications/mutualevaluations/documents/mer-hungary-2016.html](http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-hungary-2016.html)

**Jamaica's measures to combat money laundering and terrorist financing [CFATF]**, 9 January 2017,  
[www.fatf-gafi.org/publications/mutualevaluations/documents/mer-jamaica-2017.html](http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-jamaica-2017.html)

**Guatemala's measures to combat money laundering and terrorist financing [GAFILAT]**, 2 February 2017,  
[www.fatf-gafi.org/publications/mutualevaluations/documents/mer-guatemala-2016.html](http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-guatemala-2016.html)

**Isle of Man's measures to combat money laundering and terrorist financing [MONEYVAL]**, 2 February  
2017, [www.fatf-gafi.org/publications/mutualevaluations/documents/mer-isle-of-man-2016.html](http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-isle-of-man-2016.html)

**Sweden's measures to combat money laundering and terrorist financing**, 25 April 2017,  
[www.fatf-gafi.org/publications/mutualevaluations/documents/mer-sweden-2017.html](http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-sweden-2017.html)

## Statements concerning high-risk and other monitored jurisdictions

**Improving Global AML/CFT Compliance: on-going process - 21 October 2016**,  
[www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-october-2016.html](http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-october-2016.html)

**Public Statement - 21 October 2016**,  
[www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-october-2016.html](http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-october-2016.html)

## Annex 4: FATF Publications and Speeches

### **Improving Global AML/CFT Compliance: On-going Process - 24 February 2017,**

[www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/fatf-compliance-february-2017.html](http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/fatf-compliance-february-2017.html)

**Public Statement - 24 February 2017,** [www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-february-2017.html](http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-february-2017.html)

**Improving Global AML/CFT Compliance: On-going Process - 23 June 2017,** [www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/fatf-compliance-june-2017.html](http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/fatf-compliance-june-2017.html)

**Public Statement - 23 June 2017,** [www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-june-2017.html](http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-june-2017.html)

## Other publications and statements

### **Objectives for the Spanish Presidency of the FATF (2016-2017),** 1 July 2016,

[www.fatf-gafi.org/publications/fatfgeneral/documents/objectives-2016-2017.html](http://www.fatf-gafi.org/publications/fatfgeneral/documents/objectives-2016-2017.html)

**CFATF Public Statement on Haiti, Suriname and Guyana,** 16 November 2016, [www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/cfatf-public-statement-haiti-suriname-guyana-nov2016.html](http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/cfatf-public-statement-haiti-suriname-guyana-nov2016.html)

### **FATF at the G7 in Bari,** Italy, 15 May 2017,

[www.fatf-gafi.org/publications/fatfgeneral/documents/fatf-at-g7-meeting-in-bari-italy.html](http://www.fatf-gafi.org/publications/fatfgeneral/documents/fatf-at-g7-meeting-in-bari-italy.html)

### **Public Consultation on the Draft Guidance for Private Sector Information Sharing,** 29 June 2017,

[www.fatf-gafi.org/publications/fatfgeneral/documents/public-consultation-guidance-info-sharing.html](http://www.fatf-gafi.org/publications/fatfgeneral/documents/public-consultation-guidance-info-sharing.html)

## Summary of meetings

### **Joint G20 ACWG-FATF Experts Meeting on Corruption,** Paris, 16 October 2016,

[www.fatf-gafi.org/publications/corruption/documents/g20-acwg-fatf-october-2016.html](http://www.fatf-gafi.org/publications/corruption/documents/g20-acwg-fatf-october-2016.html)

### **Outcomes of the Plenary meeting of the FATF,** Paris, 19-21 October 2016, 21 October 2016,

[www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-plenary-october-2016.html](http://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-plenary-october-2016.html)

### **Chairman's Summary of Outcomes from the Industry Roundtable on FinTech and RegTech,** Paris, 18 Feb

2017, [www.fatf-gafi.org/publications/fatfrecommendations/documents/fintech-february-2017.html](http://www.fatf-gafi.org/publications/fatfrecommendations/documents/fintech-february-2017.html)

**Dialogue on FinTech and RegTech: Opportunities and challenges**, Vienna, 20-22 March 2017,  
[www.fatf-gafi.org/publications/fatfgeneral/documents/fintech-regtech-mar-2016.html](http://www.fatf-gafi.org/publications/fatfgeneral/documents/fintech-regtech-mar-2016.html)

**Dialogue with the Private Sector**, Vienna, 24 March 2017,  
[www.fatf-gafi.org/publications/fatfgeneral/documents/private-sector-mar-2017.html](http://www.fatf-gafi.org/publications/fatfgeneral/documents/private-sector-mar-2017.html)

**FATF FinTech and RegTech Forum 2017**, San Jose, 25-26 May 2017,  
[www.fatf-gafi.org/publications/fatfgeneral/documents/fatf-fintech-regtech-forum-may-2017.html](http://www.fatf-gafi.org/publications/fatfgeneral/documents/fatf-fintech-regtech-forum-may-2017.html)

**Outcomes of the Plenary meeting of the FATF**, Valencia, 21-23 June 2017, 23 Jun 2017, <http://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-plenary-june-2017.html>

## Speeches

**Accessibility of financial services: challenges and opportunities for development**, FATF Executive Secretary David Lewis, International Financial Congress, St Petersburg, 1 July 2016,  
[www.fatf-gafi.org/publications/fatfgeneral/documents/speech-international-financial-congress-july-2016.html](http://www.fatf-gafi.org/publications/fatfgeneral/documents/speech-international-financial-congress-july-2016.html)

**Opening Remarks ESAAMLG Council of Ministers**, FATF Executive Secretary David Lewis, ESAAMLG Council of Ministers, Victoria Falls, Republic of Zimbabwe, 2 September 2016,  
[www.fatf-gafi.org/publications/fatfgeneral/documents/esaamlg-council-ministers-speech.html](http://www.fatf-gafi.org/publications/fatfgeneral/documents/esaamlg-council-ministers-speech.html)

**Keynote speech ESAAMLG Public/Private Sector Dialogue**, FATF Executive Secretary David Lewis, ESAAMLG Public/Private Sector Dialogue, Victoria Falls, Republic of Zimbabwe, 3 September 2016,  
[www.fatf-gafi.org/publications/fatfgeneral/documents/keynote-esaamlg-public-private-sector.html](http://www.fatf-gafi.org/publications/fatfgeneral/documents/keynote-esaamlg-public-private-sector.html)

**Remarks for the Opening Ceremony of FATF TREIN**, FATF Executive Secretary David Lewis, Busan, Korea, 20 September 2016,  
[www.fatf-gafi.org/publications/fatfgeneral/documents/david-lewis-trein-opening-ceremony.html](http://www.fatf-gafi.org/publications/fatfgeneral/documents/david-lewis-trein-opening-ceremony.html)

**Remarks at Network AML/CFT Institute International Scientific and Research Conference “Threats and Risks to Global Economy”**, FATF Executive Secretary David Lewis, Moscow, 3 November 2016  
[www.fatf-gafi.org/publications/fatfgeneral/documents/david-lewis-statement-rosfinmonitoring-nov-2016.html](http://www.fatf-gafi.org/publications/fatfgeneral/documents/david-lewis-statement-rosfinmonitoring-nov-2016.html)

**FATF President Juan Manuel Vega-Serrano’s remarks at the meeting of the UN Security Council**, New York, 15 December 2016,  
[www.fatf-gafi.org/publications/fatfgeneral/documents/speech-vega-serrano-un-security-council-meeting-dec2016.html](http://www.fatf-gafi.org/publications/fatfgeneral/documents/speech-vega-serrano-un-security-council-meeting-dec2016.html)

## Annex 4: FATF Publications and Speeches

**FATF President Juan Manuel Vega-Serrano's remarks at Joint special meeting of UN Security Council**

**Committees and the FATF**, New York, 12 December 2016,

[www.fatf-gafi.org/publications/fatfgeneral/documents/speech-vega-serrano-joint-un-fatf-meeting-dec2016.html](http://www.fatf-gafi.org/publications/fatfgeneral/documents/speech-vega-serrano-joint-un-fatf-meeting-dec2016.html)

**Remarks at the Interpol Unity for Security Forum**, FATF Executive Secretary David Lewis, Interpol Unity for Security Forum, Abu Dhabi, 29 March 2017,

[www.fatf-gafi.org/publications/fatfgeneral/documents/interpol-speech-mar2017.html](http://www.fatf-gafi.org/publications/fatfgeneral/documents/interpol-speech-mar2017.html)

**Speech by IMF Managing Director Christine Lagarde**, FATF Plenary Meeting, Valencia, 22 June 2017,

[www.fatf-gafi.org/publications/fatfgeneral/documents/speech-imf-md-22june2017.html](http://www.fatf-gafi.org/publications/fatfgeneral/documents/speech-imf-md-22june2017.html)

**Speech by Spanish Minister of Economy, Industry and Competitiveness**, FATF Plenary Meeting, Valencia, 22

June 2017, [www.fatf-gafi.org/publications/fatfgeneral/documents/speech-luis-de-guindos-21june2017.html](http://www.fatf-gafi.org/publications/fatfgeneral/documents/speech-luis-de-guindos-21june2017.html)

# References

De Guindox, L. (2017), Speech by Spanish Minister of Economy, Industry and Competitiveness, FATF, Valencia, [www.fatf-gafi.org/countries/s-t/spain/documents/speech-luis-de-guindos-21june2017.html](http://www.fatf-gafi.org/countries/s-t/spain/documents/speech-luis-de-guindos-21june2017.html)

FATF (2013), Methodology - Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems, FATF, Paris, [www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology%2022%20Feb%202013.pdf](http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology%2022%20Feb%202013.pdf).

FATF (2017), Consolidated Processes and Procedures for Mutual Evaluations and Follow-Up “Universal Procedures”, FATF, [www.fatf-gafi.org/media/fatf/Universal-Procedures-2017.pdf](http://www.fatf-gafi.org/media/fatf/Universal-Procedures-2017.pdf).

Lagarde, C. (2017), Working Together to Fight Money Laundering and Terrorist Financing, FATF, Valencia, [www.fatf-gafi.org/media/fatf/documents/speeches/Speech-IMF-MD-Christine-Lagarde-22June2017.pdf](http://www.fatf-gafi.org/media/fatf/documents/speeches/Speech-IMF-MD-Christine-Lagarde-22June2017.pdf).

FATF



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