



*Financial Action Task Force on Money Laundering
Groupe d'Action Financière sur le Blanchiment de Capitaux*

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New Anti-Money Laundering Standards Released

Revision of the Forty Recommendations

The Financial Action Task Force (FATF) issued its revised Forty Recommendations to combat money laundering at the conclusion of the final Plenary meeting under the Presidency of Germany. Commenting on the Recommendations, FATF President Jochen Sanio said: "In updating its Forty Recommendations against money laundering, the FATF has accomplished one of the most important tasks it has undertaken since its inception in 1989."

The main priority of the FATF during 2002-2003 (1) has been to complete the revision of the Forty Recommendations, the international anti-money laundering standard. The revision makes significant changes, which when combined with the Eight Special Recommendations, create a comprehensive, consistent and substantially strengthened international framework for combating money laundering and terrorist financing.

The major changes that have been adopted include:

- specifying a list of crimes that must underpin the money laundering offence;
- the expansion of the customer due diligence process for financial institutions;
- enhanced measures for higher risk customers and transactions, including correspondent banking and politically exposed persons;
- the extension of anti-money laundering measures to designated non-financial businesses and professions (casinos; real estate agents; dealers of precious metals/stones; accountants; lawyers, notaries and independent legal professions; trust and company service providers);
- the inclusion of key institutional measures, notably regarding international co-operation;
- the improvement of transparency requirements through adequate and timely information on the beneficial ownership of legal persons such as companies, or arrangements such as trusts;
- the extension of many anti-money laundering requirements to cover terrorist financing; and
- the prohibition of shell banks.

The revised Recommendations set a new standard, which FATF members will immediately start working to implement. The FATF encourages other countries and jurisdictions to do likewise. The FATF will also be

(1) The FATF Annual Report for 2002-2003, which outlines the main achievements of FATF-XIV and the revised Forty Recommendations can be found at: http://www.fatf-gafi.org/FATdocs_en.htm.

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OECD Media Relations

General Inquiries: Tel. (33) 1 45 24 97 00 - Fax. (33) 1 45 24 80 03/94 37 • **Research & Documentation:** Tel. (33) 1 45 24 80 88/80 89
www.oecd.org/media • **E-mail:** news.contact@oecd.org

Organisation for Economic Co-operation and Development, 2 rue André-Pascal, 75775 Paris Cedex 16, France • Tel. (33) 1 45 24 82 00 - Fax. (33) 1 45 24 85 00
www.oecd.org

moving promptly to assess members' compliance with this standard as part of its programme of work for FATF-XV (2003-2004). This will occur through a process of self-assessment, which is then to be followed by a further round of mutual evaluations which could start before the end of 2004.

New members of FATF

The FATF also announced that South Africa and the Russian Federation have been admitted as full members of the FATF following a positive outcome to the first mutual evaluations – which assessed their systems for combating money laundering and terrorist financing. The addition of South Africa and the Russian Federation to its membership strengthens the FATF's representation worldwide.

Non-cooperative countries and territories

The FATF removed St. Vincent and the Grenadines from the list of Non-Cooperative Countries and Territories (NCCTs). In line with past practice, the FATF will continue to monitor closely the implementation of the anti-money laundering system in this jurisdiction.

The current list of NCCTs (2) is as follows: **Cook Islands, Egypt, Guatemala, Indonesia, Myanmar, Nauru, Nigeria, Philippines and Ukraine**. Accordingly, the FATF calls on its members to update their advisories requesting that their financial institutions give special attention to businesses and transactions with persons, including companies and financial institutions, in listed countries or territories, to take into account the changes in the list.

The FATF welcomed further progress made by some of the jurisdictions on the list. Egypt, Guatemala, and the Philippines will be invited to submit implementation plans to enable the FATF to evaluate the actual implementation of their legislative changes. The FATF welcomes the continued progress of Ukraine to improve its anti-money laundering system and encourages the Ukrainian authorities to pursue their efforts. If Ukraine maintains its current pace of reform it may be asked to submit an implementation plan in the near future. The FATF welcomes Nauru's recent legislative efforts to eliminate offshore shell banks and encourages Nauru to take additional steps to ensure that shell banks cease to operate and cease banking activity. At its next Plenary meeting on 1 to 3 October 2003, the FATF will review again the situation of each NCCT.

Terrorist Financing

The FATF has also actively pursued its activities to counter terrorist financing. In order to assist countries to implement effective measures to combat the financing of terrorism, further interpretation and guidance have been developed since October 2002 on the Eight Special Recommendations, including with respect to informal money transfer systems (SR VI), wire transfer requirements (SR VII) and non-profit organisations (SR VIII).

There has also been a collaborative effort between the FATF, the United Nations and other international organisations, to encourage all countries to implement the Special Recommendations. The Recommendations have now been endorsed by many non-FATF members and international organisations and bodies, and 130 jurisdictions are participating in the FATF self-assessment exercise. This will enable FATF to assist the IMF, World Bank, UN and other donors, including the recently-created Counter Terrorism Action Group, to prioritise their offers of technical assistance with respect to implementing the Eight Special Recommendations on Terrorist Financing.

(2) A full report on NCCTs for 2002-2003 is available at http://www.fatf-gafi.org/NCCT_en.htm

Collaboration between FATF and the IFIs

Finally, FATF-XIV saw a continuation of the collaborative efforts between FATF and the International Financial Institutions to reinforce global standards. Having earlier recognised the Forty and the Eight Special Recommendations as the international standards for combating money laundering and terrorist financing, the IMF and World Bank formally added them to the list of standards for which Reports on the Observance of Standards and Codes (ROSCs) are prepared. . In October 2002, the IMF, the World Bank and the FATF agreed a common methodology to assess compliance with the FATF Recommendations. This methodology has now been used both for FATF mutual evaluations and IMF/World Bank assessments. To assist the Fund and Bank in their work, experts from FATF members or FATF-style regional bodies have been made available for IMF/World Bank-led assessments.

Further information about the FATF, the revision of the Forty Recommendations, its efforts to combat terrorist financing, the annual report and the present list of non-cooperative countries and territories can be found at <http://www.fatf-gafi.org>.

The FATF is an independent international body whose Secretariat is housed at the OECD. The thirty-one member countries and governments of the FATF are: Argentina; Australia; Austria; Belgium; Brazil; Canada; Denmark; Finland; France; Germany; Greece; Hong Kong, China; Iceland; Ireland; Italy; Japan; Luxembourg; Mexico; the Kingdom of the Netherlands; New Zealand; Norway; Portugal; the Russian Federation; Singapore; South Africa; Spain; Sweden; Switzerland; Turkey; United Kingdom and the United States. Two international organisations are also members of the FATF: the European Commission and the Gulf Co-operation Council.

For further information regarding the news conference, please contact Helen Fisher, OECD Media Relations (tel.: +33 1 45 24 80 97 or helen.fisher@oecd.org) or the FATF Secretariat, 2, rue André-Pascal, 75775 Paris Cedex 16 (tel.: +33 1 45 24 79 45, fax: +33 1 45 24 17 60 or email: contact@fatf-gafi.org).