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FATF strengthens global anti-money laundering and anti-terrorist financing campaign

The Financial Action Task Force (FATF), the international body in charge of safeguarding the global financial system against money laundering and terrorist financing, announced Friday at its Plenary meeting that, due to substantial reforms by the Ukraine and Egypt, it has removed the two countries from its list of Non-Cooperative Countries and Territories (NCCTs).

”This is evidence that the NCCT process is working, and countries are taking substantive action to clean up their financial systems,” said FATF President Claes Norgren.

“The FATF has therefore decided to remove them from the list of NCCTs”, said Mr. Norgren. “This is good news for Ukraine, Egypt and the international community. In line with past practice, the FATF will continue to monitor closely the ongoing implementation of the anti-money laundering systems in these countries.”

The FATF maintains a list of non-cooperative countries and territories which do not meet international standards against money laundering. These countries can be subjected to counter-measures, including heightened scrutiny by banks dealing with any transactions originating from an NCCT-listed country.

The list of countries remaining as designated NCCTs is as follows: **Cook Islands, Guatemala, Indonesia, Myanmar, Nauru, Nigeria and Philippines**. Accordingly, the FATF called on its members to maintain their advisories requesting that their financial institutions give special attention to businesses and transactions with persons, including companies and financial institutions, in these listed countries or territories. The FATF decided to maintain the current counter-measures against Myanmar and Nauru, citing a lack of sufficient progress to justify their removal at this point.

The FATF welcomed further progress made by several jurisdictions on the list, notably the substantial progress made by Guatemala which has recently brought its offshore banks into the supervisory framework. The FATF welcomes Guatemala’s efforts in the fight against money laundering.

Collaboration between FATF and the IMF and World Bank

The FATF has been working closely with the IMF and World Bank during a 12-month pilot programme to ensure the consistent application of anti-money laundering and anti-terrorist financing standards world-wide. This has included a pilot programme in which the IMF and World Bank have been using the FATF’s Recommendations to assess countries’ financial systems. The FATF President issued a letter to the IMF and the World Bank welcoming the successful conclusion of the pilot program, and encouraging the IMF and World Bank to continue their assessments on a comprehensive, uniform and permanent basis, as a regular part of their Financial Sector Assessment Program.

“FATF members have agreed to a new common methodology to assess compliance with anti-money laundering and countering the financing of terrorism standards”, the FATF President said. “We look forward to its endorsement by the IMF and the World Bank and encourage them to conduct such assessments on a permanent and comprehensive basis.”

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Seminar on Terrorist Financing

As part of its efforts to further strengthen measures against the financing of terrorism, FATF held a special seminar before its Plenary meeting on the topic, on 24 February.

"Addressing terrorist financing is a crucial part of FATF's mission. This seminar played an important role in helping us reach out to key partners in the international effort against the financing of terrorism," said Mr. Norgren.

The seminar focused specifically on the risks posed by alternative remittance systems, cash couriers, non-profit organisations and the links between narcotics trafficking and terrorist financing. The consensus of the participants was that the international community must develop improved mechanisms to collect and share information on terrorism financing.

The seminar was attended by 44 countries, including some non-FATF members (1), as well as observer international organizations and the FATF-style regional bodies (2). It came in the wake of a political commitment to combat terrorist financing made by the Finance Ministers and Central Bank Governors of the G-7 and invited countries in Dubai in September 2003.

The FATF will undertake further work to ensure implementation of practical steps for the international community in this area.

Typologies

In November 2003, the FATF typologies experts group met in Mexico. The report (3) of this meeting dealt with the following topics: wire transfers, non-profit organisations and their relation to terrorist financing; money laundering vulnerabilities in the insurance sector; politically exposed persons; and "gatekeepers" in money laundering schemes.

"The FATF recognises the importance of collecting systematic information on existing and new methods of money laundering and terrorist financing", said Mr. Norgren. "It has therefore agreed on a more effective process for keeping typologies under review and working on particular areas of high risk. In the first instance, this work will focus on wire transfers and the insurance sector." Typologies refers to the study of trends and techniques in money laundering. Typologies reports are often used by law enforcement, policy makers, and the private sector in combating money-laundering.

Further information about the FATF, its efforts to combat money laundering and terrorist financing, the Forty Recommendations and the current 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. The European Commission and the Gulf Co-operation Council are also members of the FATF.

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(1) Invited non-member countries: Algeria, Bahrain, China, Egypt, India, Indonesia, Kuwait, Malaysia, Morocco, Pakistan, the Philippines, Saudi Arabia and the United Arab Emirates.

(2) The Asia/Pacific Group on Money Laundering, the Caribbean Financial Action Task Force, the Eastern and Southern Africa Anti-Money Laundering Group, the MONEYVAL Committee of the Council of Europe and the South American Financial Action Task Force (GAFISUD). The Offshore Group of Banking Supervisors also attended.

(3) The 2003/2004 typologies report is available at the FATF website at: www.fatf-gafi.org