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Season's greetings from the President

As we approach the end of 2008, this is naturally a time for some reflection on what we have achieved. For the FATF, and the anti-money laundering (AML) and counter-terrorist financing (CFT) effort more broadly, this has been a very productive year. Already we have finalised the mutual evaluations of 6 jurisdictions, and the regional bodies have published a further 16 evaluation reports. AML/CFT systems around the world are becoming increasingly resistant to money laundering (ML) and terrorist financing (TF) and more and more of this criminal activity is being successfully detected and dealt with.



Financial institutions, and the private sector more broadly, are increasingly integrated into the FATF network and provide expert input to many projects. This year we have together produced a substantial amount of guidance on implementing a risk-based approach to AML/CFT for various sectors to ensure they are well briefed and supported in their efforts to fight money laundering and terrorist financing. This includes guidance for: accountants; casinos; dealers in precious metals and stones; lawyers and notaries; real estate agents; and trust and company service providers. There are also now three pieces of guidance for jurisdictions to help them implement financial provisions in UN Security Council Resolutions, new FATF best practices for combating trade-based money laundering and guidance specifically designed for low capacity countries.

The typologies effort continues to explore interesting and important areas of ML and TF activity, publishing reports this year on: methods used to finance the proliferation of weapons of mass destruction; and, vulnerabilities of commercial websites and internet payment systems. A report was also published to help countries to develop their own national level AML/CFT risk assessments. I was impressed by the active expert contributions made by many countries to the annual typologies exercise conducted last month in Monaco.

In October I was very pleased to host a meeting of the FATF in Rio de Janeiro. That was the first time the FATF plenary has held a meeting in South America. I believe it is important for the global effort that the FATF delegations truly experience and understand the similarities and differences in the work going on around the world. This understanding provides a strong platform for us to fully engage as a truly global network. And so, I am pleased to announce that in June 2009 the FATF will head to the Americas once more for a joint meeting with GAFISUD in Mexico City.

The Basel Committee on Banking Supervision; the FATF's newest observer

The FATF welcomes the Basel Committee on Banking Supervision (BCBS) as the FATF's newest Observer organisation. Closer co-operation between the FATF and the Basel Committee will build on existing synergies and will strengthen the global impact of the FATF network.

I wish you all, wherever you are, the very best for this festive season and I look forward to our work in 2009.

Gustavo Rodrigues
FATF President

FATF statement on certain AML/CFT deficiencies

On 16 October 2008, the FATF released the following statement regarding the money laundering and terrorist financing risks posed by certain areas:

IRAN

The FATF welcomes Iran's recent engagement with the international community on anti-money laundering, notes the initial steps taken towards remedying the deficiencies in this area, and urges Iran to address the remaining weaknesses. The FATF is particularly concerned that the lack of corresponding effort by Iran to address the risk of terrorist financing continues to pose a serious threat to the integrity of the international financial system. Urgent action to address this vulnerability is necessary. The FATF calls on its members, and urges all jurisdictions, to strengthen preventive measures to protect their financial sectors from this risk. The FATF is prepared to engage directly in assisting Iran in decisively addressing the weaknesses in its AML/CFT regime.

UZBEKISTAN

The FATF takes note of the action plan prepared by Uzbekistan to address deficiencies in its AML/CFT regime. The FATF is increasingly concerned that the continuing failure by Uzbekistan to restore its AML/CFT regime poses a serious threat to the integrity of the international financial system. Urgent action to address this vulnerability and to meet international standards is necessary. The FATF calls on its members, and urges all jurisdictions, to strengthen preventive measures to protect their financial sectors from this risk. The FATF, along with the Eurasian Group, is prepared to engage directly in assisting Uzbekistan in developing a robust AML/CFT regime.

TURKMENISTAN

The FATF notes Turkmenistan's efforts towards adopting AML legislation. However, financial institutions should be aware that the lack of an AML/CFT regime in Turkmenistan constitutes a money laundering/terrorist financing vulnerability in the international financial system. Turkmenistan is urged to continue its efforts to establish a comprehensive AML/CFT regime that meets international AML/CFT standards and to work closely with the Eurasian Group and the International Monetary Fund to achieve this.

PAKISTAN AND SÃO TOMÉ AND PRÍNCIPE

The FATF reaffirms its public statement of 28 February 2008 regarding the money laundering and financing of terrorism risks posed by Pakistan and São Tome and Principe.

AML/CFT IMPROVEMENTS IN THE NORTHERN PART OF CYPRUS

The FATF welcomes the significant progress made in the northern part of Cyprus and notes that the northern part of Cyprus has substantially addressed the AML/CFT deficiencies that the FATF had identified. FATF encourages the northern part of Cyprus to continue to improve its AML/CFT system. Implementation will be monitored through appropriate mechanisms.

Key events at a glance (December 2008 – June 2009)

2008

1–5 December	GAFISUD plenary and working groups' meetings, Buenos Aires, Argentina
8–12 December	MONEYVAL plenary meeting, Strasbourg, France
15–19 December	EAG plenary, typologies and private sector consultation meetings Moscow, Russian Federation

2009

23–27 February	FATF Plenary and working groups' meetings Paris, France
24 March	Chatham House Conference on Global Financial Regulation and Lessons from the Financial Crisis London, England
1–11 March	Onsite visit for the Mutual Evaluation of Saudi Arabia Riyadh, Saudi Arabia
March	APG Workshop for jurisdictions soon to undergo a mutual evaluation Singapore
23–27 March	FATF Assessor Training Workshop Paris, France
30–31 March	OGBS Meeting London, United Kingdom
19 April–1 May	Onsite visit for the mutual evaluation of New Zealand Wellington, New Zealand
4–6 May	GIABA Plenary and Ministerial Committee meetings Bamako, Mali
4–15 May	Onsite visit for the mutual evaluation of Luxembourg Luxembourg
25–29 May	Annual Wolfsberg Forum Zurich, Switzerland
22–26 June	FATF Plenary and working groups' meetings Mexico City, Mexico

Note: Some dates and locations are subject to change

FATF/MONEYVAL joint meeting of experts on typologies

In November the FATF and MONEYVAL (Europe's AML/CFT group) jointly held a meeting of experts on typologies. The Monegasque financial intelligence unit – SICCFIN – kindly hosted the meeting of over 170 delegates from over 50 countries in Monte Carlo. In his opening address, Gustavo Rodrigues, the FATF President said “The collective knowledge and expertise gathered in this room represents a powerful weapon in the anti-money laundering and counter-terrorist financing effort.” Addresses delivered by HSH Prince Albert II, the MONEYVAL Chairman and the FATF President may be found on the FATF website.



Gustavo Rodrigues, FATF President
Vasil Kirov, MONEYVAL Chairman

For nearly 20 years experts have met annually to progress understanding of the ML and TF trends and techniques. An important part of this work is the contribution made by FATF-style regional bodies such as MONEYVAL.

Substantial progress was made at this meeting on four projects:

- ML and TF risks in the securities industry (expected completion: June 2009).
- ML through money service businesses (expected completion: June 2009).
- ML through sporting clubs (expected completion: June 2009).
- The Global Threat Assessment (expected completion: June 2010).

Guidance for lawyers and notaries and for casinos

The FATF has published two new guidance papers, one for lawyers and notaries and the other for casinos, on applying a risk-based approach to combating money laundering and terrorist financing. These have resulted from a joint FATF-private sector initiative to develop a series of sector-specific guidance papers.

Earlier this year the FATF published guidance papers, for (i) accountants; (ii) dealers in precious metals and precious stones; (iii) real estate brokers; and (iv) trust and company service providers. In the coming months guidance will be released for the insurance and money remittance sectors

It is hoped that this guidance will assist both public authorities and these professions by:

- Supporting development of a common understanding of what the risk-based approach involves;
- Outlining the high-level principles involved in applying the risk-based approach; and
- Indicating good practice in the design and implementation of an effective risk-based approach.

Guidance on implementing financial provisions of UNSCR 1803 re Iran's nuclear program

The FATF has issued new guidance to assist jurisdictions in exercising vigilance over the activities of their financial institutions with Iranian banks and their branches and subsidiaries abroad. The purpose of such vigilance is to avoid activities that contribute to Iran's WMD proliferation-sensitive nuclear activities or to its development of nuclear weapon delivery systems.

This follows previous guidance issued by the FATF in June and October 2007 (concerning the implementation of financial provisions contained within UN Security Council Resolutions 1737 and 1747), which was welcomed by the United Nations Security Council.

The AML/CFT systems in Japan and Mexico

The FATF has finalised mutual evaluation reports assessing compliance with the FATF standards in Japan (evaluation conducted jointly with the APG) and in Mexico (evaluation conducted by the IMF). Key findings of those reports include:

Japan

- Japan has, overall, a good legal structure to combat ML and TF, though the number of prosecutions is low. The TF offence is not comprehensive in its coverage. Japan has an effective mechanism to confiscate, freeze and seize proceeds of crime but it has not been fully implemented.
- JAFIC, Japan's financial intelligence unit, receives a constantly increasing number of STRs and has good access to law enforcement and other information to undertake analysis as well as sound information technology. The main law enforcement bodies involved in the fight against ML/TF are the Prefectural Police and the Public Prosecutor's Office. Both have adequate powers
- The preventive system, which applies to a full range of financial institutions and designated non-financial businesses and professions, only addresses customer identification. Supervisory authorities are properly resourced and have adequate powers to monitor and ensure compliance by financial institutions. However, few inspections are carried out in financial institutions other than banks, insurance and securities, limited sanctions are applied and the dissuasive nature of the criminal monetary penalties is doubtful.
- Japanese laws set strict conditions for mutual legal assistance and extradition, though there are some measures for administrative co-operation between authorities and their foreign counterparts. Japan has implemented a number of national co-operation initiatives comprising all relevant agencies and ministries to combat ML and TF.



Mexico

- Mexico has made good progress in developing its system for combating ML and TF since its last assessment by the FATF in 2004. The laws criminalising ML and TF do not however fully meet international standards, and there is scope to significantly improve their implementation.
- The FIU has strengthened its financial intelligence infrastructure and capacity. It does not currently have direct access to criminal records and the number of staff is low relative to its tasks. Good co-ordination arrangements exist among the intelligence, investigation and prosecution agencies but this could be further developed.
- AML/CFT preventive measures are comprehensive, contain risk-based elements, and are being implemented across the financial system. Nonetheless, AML/CFT regulations are still evolving, particularly in non-deposit taking sectors. All supervisory authorities are implementing fairly comprehensive on-site AML/CFT supervision, though this could benefit from more risk-based processes.
- Trust services are the only DNFBP for which AML/CFT measures are in place. Also, no review has been conducted of the non-profit sector to support adoption of measures to prevent unlawful use of legal persons for ML and TF.
- Mexican authorities have been co-operating effectively with other countries, particularly in the area of mutual legal assistance and extradition involving ML and related crimes.



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