

## ***SPEECH BY FATF PRESIDENT PAUL VLAANDEREN***

### ***30<sup>TH</sup> PLENARY MEETING OF THE COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL)***

***Strasbourg, France, 23 September 2009***

Good morning Chairman Kirov, Executive Secretary, distinguished delegates and colleagues.

I am honoured to be in Strasbourg this morning to address the 30<sup>th</sup> MONEYVAL Plenary meeting. 30 Plenaries: congratulations on this achievement!

I am here today as the relatively new President of the FATF. I say new since I have not yet chaired an FATF Plenary meeting as President of the Task Force. At the same time I have had the opportunity to attend three Plenary meetings of FATF-style regional bodies – now including MONEYVAL – in the months leading up to my first meeting next month.

I think that it is extremely important for me to see first-hand the work that you and the other regional bodies are doing in the fight against money laundering and terrorist financing and my ambition is to be the first President to visit all FSRB's during my term in office.

#### **THE FINANCIAL CRISIS**

Further improving relations with the FSRB's is especially important this year given the challenge we all are facing in the worst economic and financial crisis in recent history. While some say there are some signs that the financial crisis may be easing, the world is still trying to determine what the causes were. It is clear that the enormous growth in the size and complexity of the financial sector over the past decades have been highly important contributors to the situation we are in today.

#### **GLOBAL AML/CFT NETWORK**

In this same period, in fact the past 20 years, the FATF and its extended family of FSRBs have evolved as well:

- Its mandate has grown to cover not only drug-related money laundering but also, as a consequence of 9/11, terrorist financing and, more recently, proliferation financing.
- In these two decades the FATF-network has expanded to include 34 jurisdictions and 8 regional organisations. At the same time, through the establishment of MONEYVAL and the seven other FSRBs, there are now more than 180 jurisdictions working together to fight money laundering and terrorist financing. This is a 'big family' and an unprecedented achievement in international cooperation!!!

The FATF-family not only sets world-wide AML/CFT standards in its area of expertise; it also monitors compliance with these standards on a global basis: here FATF members work together with its FSRB sister organisations and international bodies like the IMF and the World Bank. Unique in international co-operation, these global standards are maintained through public action, including countermeasures when needed. Transparency and accountability are the key driving principles. This process is stringent but fair and our experience has shown us its effectiveness.

It is without hesitation that I say that our global AML/CFT network is well positioned to play its part in facing up to the undesirable consequences of the crisis. The global AML/CFT network represents an important infrastructure for helping to ensure the stability of the financial system. At the same time, or maybe I should say “therefore”, the G20, the OECD and now also the newly created Financial Stability Board (FSB) are looking notably at the FATF peer review mechanism as part of their search for instruments to deal with the crisis in areas such as supervision and tax.

### **FATF-STYLE REGIONAL BODIES (FSRBs)**

I am convinced that the commitment of FATF-style regional bodies (FSRBs) to the FATF standards is crucial for the long term viability of FATF’s mandate. I should add that MONEYVAL has been very instrumental over the years to assist in shaping the standards as we now know them. Today, it seems impossible to think of an FATF as effective as it is without its 8 sisters, the FSRBs.

Here in Strasbourg, I would like to remind you of the close relationship between the FATF and MONEYVAL. This relationship is close for a number of reasons:

- The MONEYVAL mutual evaluation process has always had a active involvement of FATF experts as the process evolved.
- MONEYVAL experts are also increasingly participating in FATF evaluations.
- MONEYVAL – both as a group and through its individual members – has been an important contributor to FATF considerations of AML/CFT issues, not only in the development of the standards, but also in the evaluation process, or through strong participation in typologies work.
- I would also like to mention the MONEYVAL follow-up to mutual evaluations or “compliance enhancing procedures” as another strong point in MONEYVAL’s contribution to the global AML/CFT effort. I understand that MONEYVAL has had - from its very beginning - procedures in place for monitoring the progress of its members in the implementation of the global standards. It is also noteworthy to see that MONEYVAL has not been afraid to identify situations in which individual members have not kept up the momentum in building strong AML/CFT regimes. This is an important example that I hope other FSRBs will also one day be able to follow.
- Finally, MONEYVAL makes a vital contribution to FATF work through its role in helping to develop relevant Council of Europe Conventions. Obviously, I mean in particular the **Council of Europe Convention on Laundering, Search, Seizure and Confiscation of proceeds from Crime and the Financing of Terrorism**. I know that MONEYVAL initiatives in this area serve as a critical bridge between the global AML/CFT effort and key international legal instruments for fighting crime; ultimately to the benefit of protecting the stability of the world-wide financial system.

Given the extensive contributions that MONEYVAL and its individual members already make to the success of the global AML/CFT network, I can only express the hope that you will continue to do so in the FATF’s Plenary and working group meetings.

### **PRIORITIES OF THE DUTCH PRESIDENCY**

At our last Plenary meeting in June, I presented priorities for the FATF Presidency 2009-2010. Now I would like to take a few minutes to highlight three of them, which reflect the

short term urgencies of the economic situation we find ourselves in, as well as the longer term necessity for the FATF standards and monitoring processes to further evolve:

### **1. *The FATF initiative related to the global financial crisis***

I have already referred to the global financial and economic crisis which has affected most of the countries in the world and has undermined financial markets, with direct but still poorly understood consequences for societies and the world economy at large.

The current crisis presents specific new challenges and opportunities to the FATF. In February of this year, the FATF launched an initiative to evaluate the impact of the global financial and economic crisis on AML/CFT. The G20 Leaders asked the FATF in April to "revise and reinvigorate the review process for assessing compliance by jurisdictions with AML/CFT standards". They "called upon the FSB and the FATF to report to the September meeting G20 Finance Ministers and Central Bank Governors on adoption and implementation by countries". FATF was included in the 'shopping list' of the G20.

The FATF has therefore been looking at the consequences of the financial and economic crisis, in particular in relation to the issues of international co-operation, transparency, and global compliance with the standards. The objective has been to identify vulnerabilities exposed by the financial crisis and to react appropriately.

In August, I sent a report to the G20 Ministers of Finance and Central Bank Governors for their meeting early September; we were able to report real progress and perspective for the coming months, but we are also continuing to look at other effects that the crisis may have on AML/CFT efforts.

### **2. *International Co-operation***

Some jurisdictions expose us all to unacceptable risk by failing to implement effective AML/CFT systems. When a country chooses not to engage in the fight against money laundering and terrorist financing in a meaningful way, we must all be ready to take firm action.

To address this, the FATF adopted a process already in 2006 to identify, examine and engage-with vulnerable jurisdictions. Since then we have achieved some good results with almost all countries in that process: many countries improved their laws and regulations.

In June of his year, the FATF agreed on revised ICRG procedures, which are designed to identify jurisdictions

- With which international co-operation has been difficult or impossible, or
- Where there exist significant deficiencies in the AML/CFT regime.

After the initial identification of potentially high risk and uncooperative jurisdictions has been made, the FATF will decide which, if any, of these should be publicly identified. It is expected that any public announcement will be made early next year. I am fully aware of, and very grateful for the critical role MONEYVAL is playing in one of the 4 Regional Review Groups.

Thereafter the FATF plans to consider the progress of every publicly identified jurisdiction on an ongoing basis. It is obvious that in doing so, appropriate use should be made of regular follow up processes already in place in FATF and MONEYVAL.

Ultimately, and only as necessary, in certain cases, the FATF will call on jurisdictions to apply counter-measures. Throughout this process the FATF will continue to work closely with individual countries and FSRBs, such as MONEYVAL.

### **3. *Mutual evaluations and the 4th round***

Central elements of the FATF and the MONEYVAL work continue to be our mutual evaluation processes through which we assess our AML/CFT regimes.

The FATF is heading towards the end of the 3rd round of evaluations of its members. Currently, 25 of the 32 FATF country members have been assessed. Worldwide, since 2004, 118 jurisdictions have been evaluated so far using the current AML/CFT Methodology.

In MONEYVAL you are ahead of us; you started your 4<sup>th</sup> round already!

I think it is interesting to see that you shift your approach a little by focussing more on problems detected during the 3<sup>rd</sup> round.

As you know, the FATF will soon begin a review of certain parts of the Recommendations. Some areas of the international standards will be examined, especially in relation to law enforcement and international co-operation issues, financial institution secrecy laws and some aspects of the preventive measures. I am sure that the experts preparing for the FATF 4<sup>th</sup> round will also be interested to learn from the experiences you will gain during your 4<sup>th</sup> round.

Further increasing transparency and effectiveness of the FATF standard are key notions in this context. I sincerely hope that MONEYVAL as a group and its members individually will continue to contribute to this work, which is so important for the future success of the FATF-family.

### **CONCLUSION**

I would like to conclude by saying once again that MONEYVAL-countries are essential players in FATF processes and projects. FSRBs in general, but MONEYVAL in particular, (1) carry the global AML/CFT message; (2) MONEYVAL also has a long tradition in monitoring their members' progress in implementing the 40+9 Recommendations; and (3) MONEYVAL is very active in providing feedback that can inform and "co-shape" policy directions taken by the FATF.

The global effort to combat money laundering and terrorist financing is made richer and stronger by the active input from the many countries around the world. With the battle against the economic crisis, the search for uncooperative jurisdictions and while shaping the 4<sup>th</sup> round of mutual evaluations, we open a new chapter in FATF's already rich history. I trust that I can continue to count on your support for this year and in the future.

It is a pleasure to be here, and I thank you very much for your attention.

*23 September 2009*