



**Financial Action Task Force**  
Groupe d'action financière

**FATF REVISED MANDATE 2008–2012**

**12 April 2008**

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### **I. Introduction and Background**

1. Since its creation in 1989, the Financial Action Task Force (FATF) has worked to ensure that its 40+9 Recommendations are recognized globally as the international standards for anti-money laundering and combating the financing of terrorism (AML/CFT). The work of the FATF, covering more than 170 jurisdictions, has had a significant impact on the global detection and prevention of money laundering and terrorist financing, and is critical to the implementation of more robust AML/CFT regimes around the world.

2. The FATF, since its establishment, has focused its work on three main activities: standard setting, ensuring effective compliance with the standards and identifying money laundering and terrorist financing threats. These activities will remain at the core of the FATF's work for the remainder of this mandate. Going forward, the FATF will build on this work and respond to new and emerging threats, such as proliferation financing and vulnerabilities in new technologies which could destabilise the international financial system.

3. A mid-term review was conducted in 2007 to ensure that the FATF is equipped to respond flexibly to new challenges. The FATF mandate, revised through this mid-term review process will expire in December 2012.

### **II. FATF Standards**

4. The core work of the FATF since its creation has been to combat money laundering (40 Recommendations), and since 2001, terrorist financing (9 Recommendations). The FATF has taken concerted action to combat these threats. The FATF continues to revise and clarify these standards, and will continue to do so when necessary. This approach has so far provided the right balance between giving the required stability to the FATF standards, whilst allowing for the necessary flexibility to respond to the changing nature of the threats faced. Maintaining this balance between stability and flexibility allows for more predictability, and consistent implementation globally.

### **III. Promoting Global Implementation of the Standards**

5. Full and effective roll-out of the 40+9 Recommendations in all countries is one of the fundamental goals of the FATF. Members are assessed through the mutual evaluation process which is an essential and long standing core activity of the FATF. This peer review process has now been extended through the FATF-Style Regional Body (FSRB) network to more than 170 countries, and is the critical mechanism for promoting timely and effective implementation of FATF Recommendations and for contributing to the creation of a level playing field throughout the membership and beyond. Countries that are not FSRB members will be encouraged to join the relevant regional body. The FATF will complete the third round of mutual evaluations of its membership (using the common assessment methodology) to determine the degree to which all members have implemented the 40+9 Recommendations. Also, the FATF will continue to undertake appropriate follow-up action from mutual evaluations to ensure that members correct, as quickly as possible, any deficiencies that are identified through the mutual evaluation process.

6. All countries, including non-members, should implement the FATF Recommendations effectively, to ensure a more effective global system for combating AML/CFT risks. However, many countries, in particular low-capacity countries, face challenges in the implementation of FATF standards. In order to minimise both their own vulnerabilities and the associated risks for the international financial system, the FATF, in close collaboration with the FSRBs and other international partners, will develop strategies to facilitate the

implementation of the FATF Recommendations by countries facing capacity constraints. As a first step the FATF and FSRBs will continue their work to support the effective implementation of the FATF standards in these countries.

#### **IV. Identifying and Responding to New Threats**

##### **(a) High-risk jurisdictions**

7. A key element of the FATF's work will continue to be its action to identify and address risks posed by jurisdictions with significant deficiencies in their AML/CFT regimes in order to protect the international financial system from criminal threats. Action such as the Non-Cooperative Countries and Territories exercise led to significant improvements in the AML/CFT regimes of more than 20 countries.

8. In 2006, the FATF adopted a new surveillance process - the International Co-operation Review Group – to identify, examine and engage with vulnerable jurisdictions that are failing to implement effective AML/CFT systems. The FATF will continue to use this process to reach out to those countries and, where appropriate, will take firm action when a country chooses not to engage with the appropriate FSRB or the FATF or to reform its systems.

##### **(b) Systemic Money laundering and terrorist financing threats**

9. The FATF is uniquely placed to analyse and draw international attention to emerging money laundering and terrorist financing vulnerabilities, and has significantly enhanced its process for the identification of money laundering and terrorist financing threats (the typologies process). The generation and dissemination of in-depth typologies studies is central to the work of the FATF and provides a solid foundation for ongoing policy development at the national and international levels. The FATF will continue to produce such studies which present detailed information about the methods, trends and techniques of money laundering and terrorist financing, and provide practical input to policy makers and the standard-setting process. In pursuing this work, the FATF will continue its expanded co-operation with the FSRBs and other international bodies, and will also harness the experience and expertise which the private sector can bring to this process.

10. Looking forward, the FATF will intensify its surveillance of systemic criminal and terrorist financing risks to enhance its ability to identify, prioritise and act on these threats. In this context, and drawing on contributions from the FATF membership, the private sector and the FSRBs, it will support the development of national threat assessments through best practice guidance and establish stronger and more regular mechanisms for sharing information on risks and vulnerabilities. The results of the enhanced strategic surveillance function will be disseminated publicly via the publication of a regular global threat assessment.

11. The FATF will also examine the available data to measure the impact of AML/CFT regimes on underlying criminal and terrorist activity, encouraging research into the effectiveness of its regime. It will examine the feasibility of implementing cost-benefit analysis across the field of AML/CFT policy.

##### **(c) Emerging Threats**

12. Globalisation has created potential new risks as criminals and terrorists seek to penetrate the global financial system. The FATF will remain at the centre of international efforts to protect the integrity of the financial system and will respond to the significant new threats emerging which are related to, but may fall outside its core activities. The FATF will only consider limited expansions of its field of action where it has a particular additional contribution to make.

13. Proliferation financing is a current example of an area where the FATF can add value to the wider efforts of the international community and, consistent with the needs identified by the UN Security Council

Resolutions, the FATF will continue to work on this issue. In doing so, the FATF will ensure that it does not duplicate existing efforts elsewhere.

## **V. Relations with Stakeholders and Partners**

### **(a) Outreach to the private sector and the public**

14. The private sector is at the front line of the international battle against money laundering, terrorist financing and other illicit financing threats. The FATF has significantly increased its engagement with the private sector, through events with industry groups and the production of joint analysis on issues of common concern, soliciting private sector input to the typologies process, and through the establishment of a new private sector consultative forum. Looking forward, it will deepen its engagement with the private sector, through holding regular dialogues between the FATF and the private sector in support of our common objective of a more effective implementation of FATF standards.

15. More generally, in accordance with better regulation practice, the FATF will maintain high levels of transparency in its work, through direct communication, outreach and awareness-raising across all stakeholders, and making use of all available channels of communication.

### **(b) Relations with other international organisations**

16. The FATF relies on and values its close partnerships with other international organisations, including the United Nations, the International Monetary Fund, the World Bank and the Financial Stability Forum, in the delivery of its objectives. The FATF has conducted targeted outreach to improve the FATF's knowledge of particular issues and to ensure that the FATF standards do not conflict with the work of other international organisations. In particular, the IMF and the World Bank have made an important contribution to global efforts to combat money laundering and terrorist financing in non-FATF member countries, and the FATF supports this valuable contribution to the global effort. The FATF will continue to work actively with all partners to further FATF objectives and to draw on their knowledge in developing FATF policy.

### **(c) Relations with Associate Members and FSRBs**

17. The FSRBs, several of which are now associate members of the FATF, play an important leadership role in their respective regions and provide important regional expertise and input into the FATF policy-making function. The FATF and FSRBs will continue to strengthen their working relationships, as well as extending outreach at a regional level with key partners.

## **VI. Operational Issues**

### **(a) FATF Structure and Organisation**

18. The FATF's task force structure has enabled it to respond decisively and promptly to emerging threats and to accommodate efficiently several expansions in its membership. This structure remains broadly the right one for the organisation and should be maintained.

19. Over the long-term, it will be vital for the FATF to evolve if it is to maintain an effective response to the constantly changing threats facing the international financial system. It will therefore be essential that the structure, organisation and operational planning of the FATF remain flexible and able to adapt to meet new challenges as they arise.

## **(b) Membership**

20. The FATF has gradually increased its membership, and since 2000 has admitted six new members and has accepted two observer countries that are expected to become members in due course<sup>1</sup>. The FATF will continue to work actively towards the membership of the remaining two countries. The FATF will maintain its open approach and will consider the structure of the global AML/CFT architecture, including the enhanced role played by associate members and FSRBs, and FATF membership, once the current expansion is completed. In this regard, the strategic importance of a country, the geographic balance of FATF membership overall, and a country's commitment to implementing the FATF standards will remain the guiding principles of future membership decisions.

21. The FATF currently has 22 observer organisations/bodies. To make the most effective and efficient use of these relationships the FATF will review its policy on observer status.

## **(c) Presidency**

22. Each Presidency will continue to be designated by the Plenary for the duration of one year, and will be supported by a Vice-Presidency, which will be the Presidency-designate.

## **(d) The Steering Group**

23. The seven member Steering Group is an advisory body for the President. The composition of the Steering Group will continue to reflect the geography and size of the FATF as well as include the President, the immediate past Presidency, and the Presidency-designate.

## **(e) The Secretariat and Budget**

24. The Secretariat will continue to support the work of the FATF, including through the working groups and ad hoc groups to ensure co-ordination and consistency.

25. The current arrangements for financing FATF activities will be retained. The cost of the Secretariat and other services will be met by the FATF budget, through the OECD, with member contributions in line with OECD scales, and with the option of additional contributions.

## **VII. Ministerial Accountability**

26. The FATF is accountable to the Ministers of its membership. To strengthen this accountability, the FATF President will report annually to Ministers on key aspects of FATF work, including on global threats. Given the potentially destabilising effects of criminal and terrorist action against the international financial architecture, occasional ministerial meetings will provide an ongoing accountability mechanism whereby Ministers can shape the strategic direction of FATF policy-making.

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<sup>1</sup> Six new members: Argentina, Brazil, China, Mexico, South Africa and the Russian Federation. Two observer members: India and South Korea.