



Financial Action Task Force on Money Laundering
Groupe d'action financière sur le blanchiment de capitaux



Organisation for Economic Co-operation and Development
Organisation de Coopération et de Développement Economiques

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Developments in Non-Cooperative Countries and Territories

The Financial Action Task Force on Money Laundering (FATF) today announced the results of its discussions on “non-cooperative” jurisdictions since the publication of its second report on non-cooperative countries and territories (NCCTs) in June 2001¹.

- First, the FATF reviewed the status of legislative efforts by the Governments of Russia, Nauru and the Philippines, which had been notified in June² that failure to enact significant anti-money laundering legislation by 30 September 2001 would result in the imposition of counter-measures by FATF members, in addition to the application of Recommendation 21.³
 - Russia enacted significant legislation over the summer so the FATF withdraws its call for members to initiate additional counter-measures with respect to this jurisdiction, though it remains on the NCCTs list. The FATF urges Russia to take quickly the necessary steps for the effective implementation of the new legislation, which will be a condition for removal from the NCCT list at a future date.
 - Nauru enacted an Anti-Money Laundering Act on 28 August 2001. However, this new legislation is found to have several deficiencies and does not address the major money laundering problem in Nauru. The FATF has therefore decided to urge the Nauru Government to enact appropriate legislative amendments by 30 November 2001, failing which counter-measures will apply to Nauru as of this date.
 - The Philippines has still not enacted long-awaited and necessary legal reforms. Accordingly, the FATF renewed its call to its members to implement additional counter-measures unless the Philippines enacts significant legislation by 30 September 2001.

¹ See http://www.oecd.org/fatf/pdf/NCCT2001_en.pdf

² See http://www.oecd.org/fatf/pdf/PR-20010622_en.pdf

³ Financial institutions should give special attention to business relations and transactions with persons, including companies and financial institutions, from countries which do not or insufficiently apply these Recommendations. Whenever these transactions have no apparent economic or visible lawful purpose, their background and purpose should, as far as possible, be examined, the findings established in writing, and be available to help supervisors, auditors and law enforcement agencies.

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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
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- Second, having completed the review of several jurisdictions, the FATF added two countries – Grenada and the Ukraine – to its NCCTs list because these two countries were found to have serious deficiencies in their anti-money laundering regimes.
- Third, while some countries identified as non-cooperative have begun to take action to change laws and regulations, the FATF is not yet satisfied that any country on the list has both enacted and implemented all the necessary reforms. No country is therefore removed from the list of NCCTs. With respect to countries listed in June 2000 whose progress in addressing deficiencies has stalled, the FATF will, in due course, consider the adoption of counter-measures.

The updated list of NCCTs is as follows: **Cook Islands; Dominica; Egypt; Guatemala; Grenada, Hungary; Indonesia; Israel; Lebanon; Marshall Islands; Myanmar; Nauru; Nigeria; Niue; Philippines; Russia; St. Kitts and Nevis; St. Vincent and the Grenadines and Ukraine.** The FATF calls on its members to request their financial institutions to give special attention to businesses and transactions with persons, including companies and financial institutions, in these countries or territories.

The FATF remains committed to the NCCT process. The FATF welcomes continuing progress to address deficiencies previously identified in a number of countries on the list, and FATF members will continue to provide assistance and support where appropriate. The FATF will also continue to review the situation of each country on the list as a matter of priority at each Plenary meeting. Finally, the FATF is also monitoring closely the developments in the countries which were removed from the list in June 2001.

In 2001-2002, the FATF will continue an in-depth review of the Forty Recommendations for combating money laundering. Upon completion of the review, the FATF will undertake a third round of mutual evaluations of its members' anti-money laundering systems against the revised Recommendations.

The FATF is an independent international body and its Secretariat is housed at the OECD. The twenty nine 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; Singapore; 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, please contact the FATF Secretariat, 37 bis Boulevard Suchet, 75016 Paris (tel. 33 1 45 24 79 45 - fax: 33 1 45 24 17 60 - fatf.contact@oecd.org; web site address: <http://www.oecd.org/fatf/>).

ANNEX

A. Overview of actions taken by listed jurisdictions since June 2001

- **Russia** enacted the Federal Law on Combating the Legalisation (Laundering) of Income Obtained by Criminal Means on 6 August 2001 and amended its Criminal Code;
- **Nauru** enacted an Anti-Money Laundering Act on 28 August 2001.
- Over the past year, **Dominica** has enacted several significant reforms to its counter-money laundering regime by providing for appropriate levels of customer identification. Additionally, it has recently required Dominican institutions to apply customer identification requirements to existing accounts within one year. Dominica has now addressed, as a legislative matter, most of the deficiencies identified in June 2000, though significant implementation questions remain. Additionally, Dominica must meet its commitment to further address its money laundering deficiencies in the area of trusts. Therefore, FATF is now inviting Dominica to submit an implementation plan.

Other jurisdictions, specifically Egypt and Hungary, have made a high-level political commitment or have begun processes to change laws and regulations. The FATF looks forward to the translation of these commitments and draft laws into enacted legislation.

B. Summaries of reviews of jurisdictions which have been added to the list of NCCTs

The following jurisdictions were found to have serious systematic problems in their anti-money laundering regime:

Grenada meets criteria 8, 13 and 21, and partially meets criteria 1, 2, 3, 7, 15 and 16. Grenadan supervisory authorities have inadequate access to the customer account information and inadequate authority to co-operate with foreign counterparts. Additionally, Grenadan financial institutions do not have adequate qualification requirements for owners of financial institutions.

The **Ukraine** meets criteria 4, 8, 10, 11, 14, 15, 16, 23, 24 and 25. It partially meets criteria 1, 2, 3, 5, 6, 7 and 13. The country lacks a complete set of anti-money laundering measures. There is no efficient mandatory system for reporting suspicious transactions to a FIU. Other deficiencies concern customer identification provisions. There are currently inadequate resources to combat money laundering.

Ukraine has made recent progress in addressing the threat posed by money laundering but its understanding of the very nature of that threat and the consequent structuring of its anti-money laundering regime leaves room for considerable improvement. Distinctions among the concepts of capital flight, the evasion of taxes on legitimately derived income and the laundering of the proceeds of criminal activity are blurred.

Recent amendments to the criminal code as well as to the Law of Ukraine on Banks and Banking Activities and several Presidential Decrees, coupled with legislative proposals to institute mandatory suspicious transaction reporting and establish a consolidated financial intelligence unit, reflect a will to enhance Ukraine's anti-money laundering regime.