



Financial Action Task Force
Groupe d'action financière

An Address by Mr James Sassoon
President of the FATF

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(MENAFATF)

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1. Introduction

Deputy Prime Minister, Governor Toukan, Governor Mayaleh, Mr. Adel Al-Qulish, and distinguished delegates of the MENAFATF group, good morning.

Let me first join in thanking our Syrian hosts for their wonderful welcome and hospitality. This is my first visit to Syria and I am very honoured to speak on behalf of FATF as part of this opening session.

My predecessor, Frank Swedlove, addressed your Task Force in April this year. I want to return to the themes he raised and highlight some recent developments in the FATF that will be taken forward during the UK Presidency.

The links between abuse of the financial system by criminals and its potential impact on economies are well understood. We must remain committed to ensure adequate AML/CFT measures are in place to combat crime and terrorism. As I am learning, this requires, among other things, significant investments of time and resources from the Presidents, Secretariats and Members of the FATF and the Regional Bodies.

2. The importance of Mutual Evaluations: FATF ready to work with MENAFATF

Illicit financing techniques evolve quickly, presenting new threats to our financial systems. In an increasingly interconnected world money launderers will exploit any gaps between countries. What we need is a global solution to a global challenge. For this reason, consistent application of recognised international standards is essential.

MENAFATF drives this agenda across the region. Your status as an Associate Member of the FATF is our recognition of your commitment to ensure effective monitoring of your members' implementation of the standards, and to complete the evaluation process in a structured and timely fashion. Associate Membership acknowledges the critical role that you play, and seeks to integrate you more closely into the work of the FATF. In that context, I was very pleased to see that Dr Mayaleh was at the recent FATF plenary meeting in Paris as a member of the MENAFATF delegation.

In the FATF we are now halfway through our third round of mutual evaluations. I am therefore well aware that the current standards are a significant challenge for all countries. For example, one long standing FATF member was recently rated as Non Compliant or Partially Compliant against 36 of the 40+9 Recommendations. No country is yet able to meet fully all of the standards, and in all cases there is a significant shortfall from full compliance.

It is important that in our respective plenary meetings we are consistent in applying the Standards. In all FATF discussions of Mutual Evaluation reports there is vigorous debate on the issues. This is as it should be. No one wants to see their country come out with a long list of non complaint ratings, and in all cases – including that of the United Kingdom, whose latest evaluation report was adopted in June – there has been much in the assessments with which the assessed delegations have taken issue. Yet ultimately the plenary has always been able to come to a decision, sometimes amending the ratings both up and down on the basis of a clear analysis of the evidence. In my view it is a credit to the organisation that the ratings reflected the evidence; and it is a credit to the assessed delegations that they all accepted the ratings and, as a result, will undertake work to further strengthen their systems. I want to

stress that, the mutual evaluation process is as important as the end product of a mutual evaluation report. It is through this process that the global AML-CFT network exists in reality and is effective in its work.

Of course, the mutual evaluation report is not the end point. It is equally important that we put in place a robust follow up procedure to monitor implementation of the reforms that all countries need to achieve implementation of the Standards, just as the MENAFATF has done in adopting its Mutual Evaluation procedures. Through this process we can all have confidence that we are delivering the desired output – an effective, global, AML-CTF regime.

I am aware that you have already approved 4 Mutual Evaluation reports, and will be considering the report of Morocco at this meeting. I hope that you will be able to adopt the report at this meeting and publish it shortly after the meeting. The FATF strongly believes that reports should be published immediately after adoption. This is an automatic process in the FATF and all regional groups are expected to adopt a similar process of automatic publication. I would strongly encourage MENAFATF to do the same. Publication has tremendous benefits for us all by demonstrating commitment to the standards and providing part of the transparency that is necessary to attract and reassure international investors.

I would also like to congratulate MENAFATF for approving procedures for the joint evaluations of GCC members with the FATF. I am aware that the IMF conducted two onsite visits for GCC members in 2007. It is unfortunate that these reports are not to be discussed at this plenary meeting, because discussion is most helpful when undertaken as close as possible to the onsite visit and completion of the report. I hope that we are able to table the reports soon, hopefully to allow discussion in line with the FATF's own carefully scheduled plans to examine these reports.

3. Global implementation of standards

One of the top priorities of the FATF is to develop a broad international network of organisations committed to the use of financial measures to reduce the harm caused by crime and terrorism. As the FATF's own membership is fairly limited, Regional Groups such as MENAFATF are crucial to progress this priority.

Today over 175 jurisdictions are now part of the FATF network. Membership requires a commitment to work towards implementation of the FATF Recommendations. We continue to encourage all countries to participate in strengthening this network, and I hope that within MENAFATF you will continue to consider favourably outreach to countries in the region that indicate a willingness to commit to your procedures. I recently travelled to Libya on other business, but whilst there took the opportunity to discuss with the Libyan Finance Minister their progress on the AML-CFT agenda. Both the Finance Minister and Central Bank officials expressed their commitment to the agenda in the most positive terms and also their interest in engaging in the work of MENAFATF. I am pleased that your Secretariat is following up on this contact with Libya.

However, the global system is only as strong as its weakest links. Some jurisdictions expose us all to risk by failing to take adequate action to implement an effective AML-CFT system. The FATF recently adopted a new process for bringing together information on risks that arise as a result of vulnerabilities in particular jurisdictions. It has reached out privately to a

number of countries to address concerns. Where we do not made satisfactory progress, we will consider the implications.

It is in this context that the FATF took the step of making clear in public its concerns that Iran's lack of a comprehensive AML/CFT regime represents a significant vulnerability. The FATF has called upon Iran to address these deficiencies. FATF members are advising their financial institutions to take the risk arising from the deficiencies in Iran's AML/CFT regime into account for enhanced due diligence. I hope that the FATF will in future be able to engage with Iran to address these deficiencies, and I have written to the Finance Minister of Iran to stress that engagement is the FATF's clear wish.

4. Recent developments in the FATF

I would like to turn now to other recent developments in the FATF that will be taken forward during the UK Presidency. We have several important initiatives in train to strengthen the FATF's surveillance capacity, improve outreach to the private sector and enhance accountability to Ministers. Today, I shall concentrate on two particular areas of work.

First, I would like to highlight work that we are undertaking on the risk based approach. In the UK, we take the view that a risk based approach enables a more effective and efficient use of resources, although it also requires careful analysis of the risks to be implemented effectively. I would recommend consideration of the appropriateness of this approach for your own countries.

The June FATF plenary adopted a guidance paper on this subject for financial institutions, developed in consultation with private sector representatives. In October the FATF agreed to examine the issue with other designated businesses and professions, which I note are an area of interest for the MENAFATF through the ad hoc group that is reporting to the plenary this week. This work is an excellent example of the results that can achieved through consultation between us and private sector stakeholders, which is another key priority on which we will make progress during my Presidency. I am a firm believer that it is only through closer consultation and cooperation with the private sector that those in government are best able to deliver the outcomes that they desire.

A second area to highlight is work on the financing of proliferation of weapons of mass destruction. We began this work earlier this year in response to UN Security Council Resolutions. In June, September and October the FATF issued guidance to facilitate implementation of financial prohibitions contained in UN Security Council Resolution 1737, specifically in relation to the threat of WMD proliferation by Iran. This represents a major step forward in the implementation of financial measures contained within UN SCR 1737.

Looking ahead, we plan a new study on the trends and techniques involved in WMD proliferation financing activity. This is important work for the FATF, drawing on the technical expertise it has developed in combating illicit financing. I am encouraging all members and associate members to participate fully in the work programme.

5. Conclusion

To conclude, I welcome your ongoing commitment to the development of MENAFATF. I congratulate you once more on your achievement of Associate Membership status, and encourage you to take advantage of the opportunities that this offers.

The FATF and the UK Presidency look forward to working with MENAFATF in furthering our mutual objectives. In particular, I look forward to debate and discussion of more mutual evaluation reports, both here and, where GCC countries are involved, in the FATF.

Thank you for this opportunity to speak to you today, and my best wishes for your work.