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Issue 4, March 2008

Welcome from the President

Welcome to another edition of the FATF e-News. I am very pleased to report that we have made progress on a number of fronts to combat money laundering and terrorist financing since our last edition. Just last month at our Plenary, the FATF agreed to a number of key initiatives, many of which are outlined in this newsletter, including:

- Issuing a statement highlighting deficiencies in the AML/CFT systems in Uzbekistan, Iran, Pakistan, São Tomé & Príncipe, and Turkmenistan; and drawing attention to the AML/CFT risks in the northern part of Cyprus.
- Admitting the Caribbean Financial Action Task Force as an FATF associate member.
- Publishing a comprehensive new study on terrorist financing methods and trends.
- Publishing new guidance to support low capacity countries to implement the FATF standards.
- Agreeing to conduct new joint projects and initiatives with the private sector.
- Adopting evaluations of the AML/CFT systems in Canada and Singapore.



Sir James Sassoon
FATF President

I am particularly pleased to see that we are clearly making progress in areas which I see as priorities for the UK's presidency of the FATF such as enhanced joint work with the private sector and supporting low capacity countries in the implementation of FATF standards.

In recent months I have met with Ministers, senior officials and private sector representatives in Argentina, the Gulf region, India, the Netherlands, Singapore and the UK to discuss progress on their AML/CFT agendas in their countries and regions. I continue to be struck by the hard work across the global in fighting money laundering and terrorist financing, and the commitment to the FATF standards. I have also just returned from a visit to Brazil to meet with Antonio Gustavo Rodrigues, who will take on the FATF presidency from July on behalf of Brazil. I am confident that many important FATF initiatives will see results during his Presidency.

Importantly, in April we will hold a meeting of all FATF Ministers in Washington DC. This is a special occasion as such a meeting has not occurred since 2004. We will update Ministers on FATF achievements and seek their endorsement of the revised FATF mandate, which will set our direction though to 2012.

The global AML/CFT network continues to be broad and strong, and I look forward to continuing to work with you.

FATF Statement on certain AML/CFT deficiencies

On 28 February 2008, the FATF Plenary released the following statement:

Uzbekistan: The FATF is particularly concerned that a series of presidential decrees in Uzbekistan has effectively repealed the anti-money laundering/combating the financing of terrorism (AML/CFT) regime in that country and generates a money laundering/financing of terrorism (ML/FT) vulnerability in the international financial system. The FATF calls upon Uzbekistan to restore its AML/CFT regime and to work with the Eurasian Group to establish an AML/CFT regime that meets international standards. The FATF calls on its members and urges all jurisdictions to advise their financial institutions to take the risk arising from the deficiencies in Uzbekistan's AML/CFT regime into account for enhanced due diligence.

Iran: Since its October 2007 Plenary meeting, the FATF has engaged with Iran and welcomes the commitment made by Iran to improve its AML/CFT regime. Consistent with its Statement on Iran, dated 11 October 2007, the FATF confirms its call to its members and urges all jurisdictions to advise their financial institutions to take the risk arising from the deficiencies in Iran's AML/CFT regime into account for enhanced due diligence. Iran is encouraged to continue its engagement with the FATF and the international community to address, on an urgent basis, its AML/CFT deficiencies.

Pakistan: The FATF notes Pakistan's recent progress in adopting AML legislation. However, financial institutions should be aware that the remaining deficiencies in Pakistan's AML/CFT system constitute a ML/FT vulnerability in the international financial system. Pakistan is urged to continue its efforts to improve its AML/CFT laws to come into closer compliance with international AML/CFT standards and to work closely with the Asia Pacific Group to achieve this.

Turkmenistan: The FATF is concerned with deficiencies in the AML/CFT regime of Turkmenistan. The FATF welcomes the recent steps this jurisdiction has taken to address these concerns and calls upon Turkmenistan to continue to engage with the international community on these issues.

São Tomé and Príncipe: The FATF is concerned with deficiencies in the AML/CFT regime of São Tomé & Príncipe. The FATF welcomes the recent steps this jurisdiction has taken to address these concerns and calls upon São Tomé & Príncipe to continue to engage with the international community on these issues.

Transactions with financial institutions operating in the northern part of Cyprus: The FATF welcomes the recent progress in policies and practices to combat money laundering and terrorist financing in the northern part of Cyprus. However, given the existing deficiencies, the FATF calls on its members and urges all jurisdictions to advise their financial institutions to pay special attention to the ML/FT risks in transactions with financial institutions operating in the northern part of Cyprus. The FATF encourages further progress to address the deficiencies.

Key events at a glance

(March 2008 – October 2008)

5–21 March	Onsite visit for the mutual evaluation of Japan
31 March–4 April	Moneyval plenary meeting, Strasbourg, France
7–9 April	MENAFATF plenary meeting, Abu Dhabi, UAE
12 April	FATF Ministerial meeting, Washington DC, USA
21–25 April	EAG assessor training, Moscow, Russian Federation
5–7 May	GIABA plenary and Ministerial meeting, Accra, Ghana
6–8 May	CFATF plenary meeting, Port-au-Prince, Haiti
27–29 May	Egmont Group of FIUs plenary meeting, Seoul, Korea
28–30 May	Wolfsberg Annual Forum, Wolfsberg, Switzerland
16–20 June	FATF plenary and working group meetings, London, UK
July	FATF assessor training, Washington DC, USA
July	GAFISUD plenary meeting, Uatulco, Mexico
July	CFATF assessor training, Trinidad
7–11 July	APG annual meeting, Bali, Indonesia
7–11 July	Moneyval plenary meeting, Strasbourg, France
15–17 July	EAG plenary meeting, Russian Federation
4–15 August	Onsite visit for the mutual evaluation of South Africa
23–24 September	EAG Typologies workshop
25–26 September	EAG private sector consultation
13–17 October	FATF plenary and working group meetings, Rio de Janeiro, Brazil

Note: Some dates and locations are subject to change

Terrorist financing – How is it done?

The FATF has published a comprehensive report on terrorist financing, exploring the range of methods used by terrorists to move funds within and between organisations. The 3 primary methods used are: through the financial sector, by physical transportation, and, through the commercial trade system. Charities and alternative remittance systems have also been used to disguise movement of terrorist funds.

The study identifies four strategies which could help in further strengthening counter-terrorist financing efforts:

(i) Action to address jurisdictional issues, including safe havens and failed states; (ii) Outreach to the private sector to ensure access to the information necessary to detect terrorist financing; (iii) Building a better understanding of terrorist financing across the public and private sectors; and (iv) Using financial investigation, enhanced by financial intelligence.

Attack	Estimated cost
London transport system (2005)	GBP 8 000
Madrid train bombings (2004)	USD 10 000
Istanbul truck bomb attacks (2003)	USD 40 000
Jakarta JW Marriot Hotel bombing (2003)	USD 30 000
Bali bombings (2002)	USD 50 000
USS Cole attack (2000)	USD 10 000
East Africa embassy bombings (1998)	USD 50 000

Guidance for low capacity countries

Recognising that implementing the FATF standards challenges the capacity of all countries, regardless of their level of economic development, the FATF has created new guidance to support the full and effective implementation of the FATF Standards in low capacity countries. This guidance focuses on key implementation priorities such as co-operation, engagement, prioritisation and planning.

Joint typologies exercise with Moneyval

The FATF and Moneyval have just announced that they will hold a joint meeting of experts in Monaco from 24 to 26 November.

Joint work with the private sector

Building on useful ideas raised in the private sector consultative forum, the FATF will begin a joint project with the private sector on the role of intermediaries and other third parties in performing customer due diligence. Scope for projects on other ideas, including public sector information sharing with the private sector, and the scope for applying cost/benefit analysis to AML/CFT systems, will be explored further with the private sector.

Building on the success of the first FATF-private sector meeting of experts, held in London in December, where specific money laundering and terrorist financing methods were discussed, the FATF will in future collaborate more closely with the private sector in its typologies programme through joint meetings, consultation, online discussions and direct contributions to projects where possible.



Congratulations CFATF

The FATF welcomes the Caribbean Financial Action Task Force (CFATF) as the fifth associate member of the FATF. Associate membership strengthens the role played by FATF-style regional bodies within the FATF.

Since its creation in 1992, the CFATF has been working with its member states to implement anti-money laundering and counter-terrorist financing measures in the Caribbean basin region.

Brazil to hold the FATF Presidency for 2008–2009

The FATF is pleased to announce that Brazil will take on the presidency of the FATF for its 20th year, FATF–XX. Mr Antonio Gustavo Rodrigues was President of GAFISUD (FATF–style regional body for South America) in 2006 and is the President of the Brazilian Financial Intelligence Unit. Brazil will host the FATF plenary and working group meetings in Rio de Janeiro from 13 to 17 October 2008.

The AML/CFT systems in Canada and Singapore

The FATF has finalised mutual evaluation reports assessing Canada’s and Singapore’s compliance with the FATF standards: the 40+9 Recommendations. Key findings of those reports include:

Canada

- The money laundering and terrorist financing offences, and powers to confiscate and freeze, are comprehensive, but further steps could be taken to enhance effective implementation.
- The Canadian FIU, FINTRAC, has extensive powers and responsibilities though there are issues in relation to its effectiveness. The powers and investigative of law enforcement authorities are sound and they have taken significant action to combat money laundering.
- The preventive system requirements are variable and do not apply to the full range of financial institutions or designated non–financial businesses and professions as defined by the FATF. There is unequal supervision across the financial sector and between the non–financial businesses. Canada has recently introduced a significant set of new preventive measures. When these new requirements enter into force (in June and December 2008), the AML/CFT system should be significantly strengthened.
- In relation to international co–operation in AML/CFT matters, Canada is broadly in line with the international standards.



Singapore

- Singapore’s money laundering and terrorist financing offences are broad and there has been a recent increase in money laundering prosecutions and convictions.
- Police powers are comprehensive. The basic provisions to prevent financial institutions and other persons from dealing with terrorist–related assets are broad. The Suspicious Transaction Reporting Office (STRO), Singapore’s financial intelligence unit, is generally effective, though more could be done with respect to money laundering from foreign predicate offences.
- The obligations on financial institutions generally cover the measures required by the FATF Recommendations. In particular, customer due diligence requirements are very broad and are effectively implemented. The Monetary Authority of Singapore uses a risk–based approach to financial supervision, and has a broad range of powers to monitor and ensure compliance.
- Overall, Singapore has a comprehensive regime to provide international co–operation.



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