



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

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FATF CALLS ON ALL COUNTRIES TO JOIN COMBAT AGAINST TERRORIST FINANCING

One year after the events of 11th September 2001 in the United States, the Financial Action Task Force (FATF) reaffirms its commitment to be a leader in the international fight against the financing of terrorism. Building on its efforts in the past year, the FATF will continue to take aggressive steps to prevent, detect and ultimately dry up the flow of funds to terrorists. "Countering the financing of terrorism is a top priority for the FATF" said the new FATF President Jochen Sanio "and we are calling upon all countries around the world to join us in this effort".

Immediately on the heels of last year's tragic event's, FATF convened an extraordinary Plenary session in Washington, D.C. to issue eight key international standards to which countries should adhere to effectively combat terrorist financing, and held a Global Forum in Hong Kong in February 2002 to ensure world-wide acceptance of these standards. Since that time, the FATF has led a global self-assessment exercise in which over 100 jurisdictions have participated. The FATF seeks universal participation in this exercise and calls upon those jurisdictions that had not yet done so to complete the FATF self-assessment questionnaire. The FATF has also created a working group to address the wide array of issues relating to terrorist financing, including the abuse of non-profit organisations, the abuse of wire transfers, and the identification of countries that lack adequate controls in order to allow for follow-up assessments or technical assistance.

Progress made by FATF members and non-members in adopting counter-terrorist financing measures will be further discussed at the next Plenary meeting of the FATF to be held in Paris on 9-11 October.

For more information on the work of the FATF to combat terrorist financing, please visit the FATF web site at: http://www.fatf-gafi.org/TerFinance_en.htm. Please also see the attached overview of the steps taken by the FATF since the adoption of the Eight Special Recommendations on Terrorist Financing and the expansion of its mandate to include the fight against the financing of terrorism.

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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.

Observer country: South Africa

OVERVIEW OF STEPS TAKEN BY THE FATF TO COMBAT TERRORIST FINANCING SINCE OCTOBER 2001

Background

The Eight Special Recommendations on Terrorist Financing were adopted by the FATF on 30 October 2001 at an extraordinary Plenary meeting in Washington, D.C. The Recommendations set out the key legislative and regulatory steps that countries need to have in place to effectively combat the financing of terrorism.

To verify that the counter-terrorist financing measures were being properly implemented, FATF members agreed to undertake an immediate self-assessment exercise based on the Special Recommendations. All the countries in the world have been invited to participate in this exercise on the same terms as FATF members.

At the end of 2001, a self-assessment questionnaire on terrorist financing (SAQTF) was finalised. The questions are designed to elicit details to determine whether a jurisdiction has in fact implemented each Special Recommendation. The SAQTF is posted on the FATF web site¹ together with additional guidance to assist non-FATF members in understanding some of the concepts contained in the Special Recommendations on terrorist financing and to clarify certain parts of the SAQTF. The self-assessment exercise is a key element in the Plan of Action to counter the financing of terrorism.

Current state of play for FATF members

The first self-assessment exercise for the twenty-nine FATF member jurisdictions was completed by the June 2002 FATF Plenary meeting. The results are encouraging for this first self-assessment of FATF members against the Special Recommendations (SRs). The overall picture that emerges shows that FATF members made immense progress in eight months putting counter-terrorist financing measures into place.² In June 2002, almost all FATF members were in full or partial compliance with almost all the Recommendations, and there has been further progress since then. Despite the extraordinary steps taken since last October to put necessary counter-terrorist financing measures into effect, there is still some work to be done by the FATF to ensure that its members have fully implemented the Special Recommendations.

Analysing techniques and providing guidance

The FATF has studied, analysed and provided guidance on the methods and potential indicators of terrorist financing. This year's FATF typologies report, which was published on 1 February 2002, contains an in-depth analysis of the methods used in the financing of terrorism. In addition, at the end of April, the FATF issued detailed guidance on terrorist financing, which is intended to assist financial institutions and other vulnerable entities to detect and report terrorist financing through the existing anti-money laundering channels.

International mobilisation and the world-wide self-assessment on terrorist financing

The fight against terrorist financing requires the united effort of all countries around the world, both FATF and non-FATF countries. In February 2002, the FATF held a global Forum

¹ http://www.fatf-gafi.org/TerFinance_en.htm

² A table showing the overall results for each FATF member is included at Annex B of the Annual Report published on 21 June 2002. This table will also be available on the FATF web site and will be updated as FATF members continue to make progress in implementing the Special Recommendations.

on terrorist financing in Hong Kong, China. About 60 jurisdictions from the FATF and from the FATF-style regional bodies in Asia, Eastern and Southern Africa, South America, Caribbean and Europe, and the Offshore Group of Banking Supervisors participated in the Forum. All the jurisdictions present agreed on the importance of global adoption and implementation of the eight Special Recommendations and in joining the FATF's efforts to combat terrorist financing. In addition to the countries and regional bodies present at the Global Forum, the Eight Special Recommendations have been endorsed by a number of international bodies and fora such as the G-8, G-20, the Organisation for Security and Co-operation in Europe (OSCE) and the Asia Pacific Economic Co-operation (APEC).

The non-FATF countries who participated in the Forum also agreed to take part in the self-assessment exercise relating to the Eight Special Recommendations on the same terms as FATF members. To encourage countries to join in the FATF's efforts in the global fight against terrorist financing, at the beginning of March 2002, the FATF President wrote to all UN Ambassadors to invite their governments to participate in the self-assessment exercise vis-à-vis the Eight Special Recommendations.

To date, more than 70 non-FATF members have returned a completed questionnaire to the FATF Secretariat.³ The FATF is encouraged by the number of jurisdictions which have responded so far to the self-assessment questionnaire. However, the FATF has called on all jurisdictions which have not already done so, to complete the self-assessment questionnaire regarding the Eight Special Recommendations and to return it to the FATF Secretariat for the beginning of September 2002.

In addition, with regard to FATF's collaboration with the IMF and the World Bank, recent efforts have resulted in the FATF's endorsement of the use of a global methodology based on the FATF's Forty Recommendations and Eight Special Recommendations in conducting assessments as part of the IMF/World Bank's Financial Sector Assessment Program (FSAP) and its Reports on Observance of Standards and Codes process (ROSC). FATF also agreed to make available experts in anti-money laundering and combating terrorist financing issues from FATF and FATF-style regional bodies to IMF/World Bank led mission teams to assess compliance based on the comprehensive methodology. The FATF welcomes the recent steps taken by the Boards of these two institutions in adding the Forty Recommendations on money laundering and the Eight Special Recommendations on terrorist financing to the list of areas and associated standards and codes.

The way forward

Over the next twelve months, the FATF will continue to implement its Plan of Action, which aims for comprehensive steps being taken to dry up the flow of funds to terrorists. The FATF will continue to study the techniques and methods that terrorist use to obtain and launder their funds, and to update its reports and guidance on these issues. The FATF will also continue with its internal self-assessment programme.

In addition, the FATF will also concentrate its efforts on encouraging other countries and jurisdictions to implement the necessary measures to combat terrorist financing. Based on the replies to the self-assessment questionnaire, the FATF will identify countries that have not taken the required measures to counter terrorist financing for follow-up assessment and/or technical assistance by the IMF, World Bank and the United Nations. An FATF working group has been established to expedite this process, and this work will be one of the priorities for the next twelve months.

³ The list of countries and territories which have participated in this exercise so far (including FATF members, 108 jurisdictions have responded to the SAQTF) is available on the FATF web site at: http://www.fatf-gafi.org/SAQTF_en.htm.