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## Welcome from the President

As you may know, Sir James Sassoon, from the United Kingdom, concluded his term as the FATF President at the end of June. With elegance and firm objectiveness, he conducted the FATF through a very demanding agenda.

With the active participation of all members, including the FSRBs (FATF-style regional bodies), the Egmont Group of Financial Intelligence Units and the international financial institutions, several of the most recent accomplishments under Sir James' presidency are detailed in this newsletter. The FATF has three primary areas of work: (1) setting, and where necessary refining, the global standards for combating money laundering and terrorist financing, (2) evaluating implementation of those standards around the world, and (3) studying money laundering and terrorist financing techniques, methods and trends. Clearly we continue to progress significant work in all of these areas.

The FATF now comprises 32 jurisdictions and 2 organisations. The Republic of Korea and India are currently FATF observers and hopefully they too will soon be FATF members. Additionally, the FATF has strengthened engagement with over 140 jurisdictions, which are members of FSRBs but not themselves members of the FATF.

We live in an increasingly interconnected world and money launderers and terrorist financiers will exploit any gaps between countries. Consistent application of recognised international standards is essential. The weakest link gives the strength of the chain. For this reason, we must have a global solution to a global challenge.

That's why it is so important that all countries engage firmly in implementing strong AML/CFT systems.

The FATF will continue to work with all its members and with all jurisdictions which commit themselves to implementation of the FATF 40+9 Recommendations, aiming to strengthen the global fight against money laundering and terrorist financing. Every new country joining this global network is an important achievement and takes this fight one step closer to being truly global.

I'm sure the challenges for the FATF will remain and I look forward to continue our work and to follow the examples of my predecessor. We have another busy year ahead of us, with much to accomplish.



Gustavo Rodrigues  
FATF President

## FATF Statement on certain AML/CFT deficiencies

On 20 June, the FATF reaffirmed its statement of 28 February 2008 regarding the anti-money laundering and countering the financing of terrorism risks posed by Uzbekistan, Iran, Pakistan, Turkmenistan and São Tomé and Príncipe, and the northern part of Cyprus.

The FATF welcomed the actions taken by its members to advise their financial institutions of these risks.

The FATF was encouraged by steps taken by some jurisdictions but was concerned about the lack of progress by, in particular, Uzbekistan and Iran.

The FATF will continue to assess the situation and take further action, as necessary, to protect the international financial system.

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## Risk assessment strategies

The FATF has published a report to assist countries to develop their own money laundering risk assessments.

Drawing upon current examples of national threat assessments, the report sets out key factors to be considered, including sources of data and type of assessment (risk, threat or vulnerability), measurement of law enforcement or regulatory effectiveness, and examples of national assessments of money laundering and terrorist financing.

The report aims to increase the number of countries undertaking national assessments to enhance knowledge at both international and national levels. This will contribute to a greater synergy between national approaches in order to facilitate the development of a global analysis of emerging threats.

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## AML/CFT guidance for businesses and professions

The FATF and representatives of non-financial businesses and professions have together developed guidance on implementing a risk-based approach to combating money laundering and terrorist financing.

Four guidance papers have been finalised, for (i) accountants; (ii) dealers in precious metals and precious stones; (iii) real estate agents; and (iv) trust and company service providers.

## Key events at a glance (August 2008 – December 2008)

28 July–1 August	GAFISUD plenary meeting, Huatulco, Mexico
4–15 August	Onsite visit for the mutual evaluation of South Africa
18–22 August	ESAAMLG task force and council of Ministers meetings, Mombasa, Kenya
8–12 September	APG meeting for assessed countries and donors, Sydney, Australia
14–17 September	FATF intersessional meetings for the WGTM and WGEI, Ottawa, Canada.
22 September	OGBS meeting, Brussels, Belgium
23–24 September	EAG typologies workshop ( <i>location TBC</i> )
25–26 September	EAG private sector consultation ( <i>location TBC</i> )
1–3 October	MONEYVAL assessor training workshop, Strasbourg, France
13–17 October	FATF plenary and working groups' meetings, Rio de Janeiro, Brazil
27–29 October	APG typologies workshop, Colombo, Sri Lanka
November	Onsite visit for the mutual evaluation of Korea
November	GAFISUD evaluator training seminar ( <i>location TBC</i> )
November	GIABA plenary meeting ( <i>location TBC</i> )
9–13 November	MENAFATF plenary and working groups' meetings, United Arab Emirates
17–21 November	CFATF plenary and Ministerial meetings, St Kitts and Nevis
24–26 November	Moneyval and FATF joint experts meeting on typologies, Monaco
December	GAFISUD plenary and working groups' meetings, Buenos Aires, Argentina
8–11 December	Moneyval plenary meeting, Strasbourg, France
16–19 December	EAG plenary meeting ( <i>location TBC</i> )

**Note: Some dates and locations are subject to change**

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## Combating trade-based money laundering

Misuse of the trade system is one of the main methods by which criminal organisations and terrorist financiers move money and integrating it into the formal economy. The most basic schemes involve fraudulent trade practices such as: over- and under-invoicing of goods and services, multiple invoicing of goods and services, over- and under-shipments of goods and services, and falsely describing goods and services. More complicated schemes integrate these fraudulent practices into a complex web of transactions and movements of goods.

The FATF has published a new best practices paper to raise awareness and improve the ability of government authorities to collect and effectively utilise trade data, both domestically and internationally, for the purpose of detecting and investigating money laundering and terrorist financing through international trade.

The FATF will continue to explore vulnerabilities in the trade system, including those related to trade finance, with a view to identifying other measures that could be considered in combating illegal use of international trade systems.

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## Vulnerabilities of commercial websites and internet payment systems

The report on *Money Laundering and Terrorist Financing Vulnerabilities of Commercial Websites and Internet Payment Systems* focuses on the type of electronic commerce identified as the most vulnerable to money laundering and terrorist financing: mediated customer-to-customer.

Mediated customer-to-customer sites allow private individuals to sell to one another via an online marketplace. The report provides a number of case studies illustrating how such sites can be exploited for money laundering / terrorist financing purposes.

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## Following the money trail – illicit purchases of weapons of mass destruction

The threat of proliferation is significant and the consequences are severe. Proliferation has many guises but ultimately involves the transfer and export of technology, goods, software, services or expertise that could be used in nuclear, chemical or biological weapon-related programmes, including delivery systems. It poses a significant threat to global security.

The FATF report on *Proliferation Financing*, identifies and analyses the threat of proliferation financing and the methodologies used by the proliferators and facilitators. It examines existing measures used to counter this threat along with potential vulnerabilities in counter proliferation regimes. The report outlines a series of options that could be considered by the FATF, and by countries, to strengthen safeguards against proliferation financing within the framework of existing United Nations Security Council Resolution 1540 of 2004.

### FATF to hold inter-sessional meetings

Due to the large number of projects currently receiving attention, the FATF has scheduled inter-sessional meetings of 2 of its working groups. They will be held in September in Ottawa.

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## The AML/CFT systems in Russia and Hong Kong

The FATF has finalised mutual evaluation reports assessing compliance with the FATF standards in the Russian Federation (jointly with the EAG and Moneyval) and in Hong Kong, China (jointly with the APG). Key findings of those reports include:

### Russian Federation

- Russia has in a short time (since 2003) implemented and enhanced its AML/CFT system. The money laundering and terrorist financing offences are almost fully in line with the FATF Standards, but Russian authorities should endeavour to increase the number of investigations/prosecutions for these offences.
- The FIU (Rosfinmonitoring) is to be commended for performing the traditional tasks of an FIU in full compliance with the FATF Standards, as well as many other tasks, including serving as the central responsible agency for AML/CFT matters.
- The implementation of Recommendation 33 and Special Recommendations III, VI, VIII and IX is lacking, especially given the most important money laundering and terrorist financing techniques that Russia currently faces.
- The systems for record keeping and suspicious transaction reporting are generally sound and in line with the FATF Standards. Improvements should be made in the customer due diligence area.
- None of the supervisory authorities in Russia currently possesses an adequate level of (sanctioning) powers, and criminal ownership of financial institutions is not specifically prohibited. Only the Bank of Russia is to be commended for performing its tasks at an acceptable level, despite the lack of legal tools.
- International co-operation by the Russian Federation is generally sound.



### Hong Kong, China

- Hong Kong has a good legal structure to combat money laundering (ML) and terrorist financing (TF). The ML offence is well prosecuted with a satisfactory conviction rate. Terrorist funds have not been detected in Hong Kong and there have been no prosecutions for TF.
- Hong Kong's financial intelligence unit is effective and is the focal point for Hong Kong's law enforcement efforts to combat ML and TF. While the volume of suspicious transaction reports (STRs) has increased in recent years, submission of STRs by DNFBPs could improve.
- The preventive system addresses customer identification and other AML/CFT obligations and applies to a range of financial institutions and some designated non-financial businesses and professions (DNFBPs). There are limited requirements in place for non-core financial institutions. Supervision is effective for the core institutions, but weak or non-existent for many DNFBPs. A range of sanctions is appropriately employed by the supervisory authorities. The availability of corporate services and the relative ease with which shell companies can be purchased contribute to the risk of Hong Kong being used for structuring of the proceeds of crime.
- Authorities co-operate well with their foreign counterparts and have effective gateways to facilitate mutual legal assistance and constructive exchange of information.



## Contact the FATF

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All reports mentioned in this newsletter may be found on the FATF website.