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FATF TO CONTINUE FIGHT AGAINST MONEY LAUNDERING

***Mr. John Gieve, FATF Chairman will comment on the report
at a press briefing to be held at the OECD,
on Thursday 16th June at 3.30 p.m.***

The Financial Action Task Force on money laundering (FATF), the independent group of major financial centre countries and regions set up in 1989 to combat money laundering, published its fifth annual report on 16th June 1994.

Over the coming five years the FATF aims to:

- keep up to date its policy Recommendations for measures to prevent money laundering;
- check that money laundering measures in its 26 member jurisdictions fully meet the Recommendations and are effective;
- persuade all countries with significant financial centres to endorse and implement the FATF's Recommendations by 1999.

Commenting on the report, the President of the FATF, Mr. John Gieve, Under Secretary at the UK Treasury, said:

" The FATF has achieved a great deal in its first five years. It has established an international consensus on the policy measures that need to be taken to combat money laundering and these are set out in its 40 Recommendations published in 1990. The FATF has ensured that its members have taken action to implement these Recommendations. And it has persuaded an increasing number of non-member countries to adopt the same strategy.

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However, there is still much to be done and the FATF has an important role to play over the next five years.

- We need to ensure that our members have not only adopted the Recommendations in principle but are making them work in practice; to that end we will be conducting a second round of mutual evaluations;
- We need to monitor trends and methods of money laundering and ensure that the 40 Recommendations are kept up to date; we will be conducting a stocktaking review starting next year; and
- We need to persuade non-members to take similar action. Our goal is that all countries with significant financial centres should implement our Recommendations in the next five years. "

The summary of the FATF's 1993-94 report is attached. Copies of the full report will be available at the briefing and from the OECD Press Division, 2 rue André Pascal, 75775 Paris cedex 16 (tel. 45 24 80 88 ou 80 89 - fax. 45 24 80 03).

FINANCIAL ACTION TASK FORCE ON MONEY LAUNDERING**ANNUAL REPORT 1993-1994****SUMMARY**

1. The fifth round of the Financial Action Task Force (FATF), which was chaired by the United Kingdom, focused on three priorities:

- (i) monitoring the implementation of the 40 Recommendations of 1990 by its members;
- (ii) monitoring developments in money laundering methods and examining appropriate refinements to counter-measures; and
- (iii) carrying out an active external relations programme to promote the widest possible international action against money laundering.

2. In addition, a major task conducted in 1993-1994 by the FATF was the review of its future mission and programme. It was decided that the FATF should be maintained for a further five years. While the laundering of drug money will remain a principal focus for the FATF, its work will continue to cover money laundering of the proceeds of serious crimes and/or offences which generate significant funds. Over the next five years the Task Force will concentrate on three main areas: further monitoring of members' progress in countering money laundering; the review of money laundering techniques and counter-measures; and external relations, in order to promote world-wide action against money laundering.

3. As in previous rounds, the Task Force devoted a considerable part of its work to the monitoring of members' implementation of the 40 Recommendations on the basis of the self-assessment and mutual evaluation procedures. The 1993-1994 self-assessment exercise showed that members had continued to make significant progress in implementing the legal and financial Recommendations. In particular, almost all members have now enacted laws to make drug money laundering a criminal offence. In parallel, all member governments permit their banks to report suspicious transactions to the competent authorities and, in 19 member jurisdictions, the banks are required to do so.

4. The mutual evaluation procedure, which provides a highly detailed examination of anti-money laundering measures, has again proved to be a particularly effective monitoring mechanism. The mutual evaluation examinations continued to be carried out at a rapid pace and 21 FATF members have now been evaluated. Summaries of the 9 evaluations conducted during FATF-V (the Netherlands, Germany, Norway, Japan, Greece, Spain, Finland, Hong Kong and Ireland) are contained in Part II of the report. The remaining evaluations will take place in FATF-VI.

5. The collection and sharing of information on the latest developments and trends in money laundering methods confirmed the tendencies observed in previous exercises. While FATF members have introduced preventive measures covering the banking sector, money launderers have been increasingly using more diverse routes, both in terms of geographical areas targeted and techniques used.

6. With regard to the development of counter measures, no new Recommendations were adopted during FATF-V. However, two Interpretative Notes were agreed: one on the identification of customers who are legal entities and the other on measures to counter money laundering through financial activities carried out by non-financial businesses or professions. The Task Force also continued its work on several initiatives launched in earlier rounds: preventive measures by non-bank financial institutions, especially bureaux de change; countering the use of non financial businesses generally for money laundering; identification requirements in cases where there is no face-to-face contact between an institution and its customer; and maintaining an audit trail for funds transfers on electronic payment and message systems. On the latter issue, the FATF reviewed the implementation by its members of the SWIFT broadcast of 30th July 1992, and it also pursued positive contacts with SWIFT, the leading international funds transfer message system.

7. With regard to the external relations domain, the Task Force maintained its efforts to encourage non-member countries to take effective measures against money laundering. In addition, the FATF undertook a major review of its external relations work and a strategy was drawn up for its contacts with non-member jurisdictions in the forthcoming years.

8. External actions undertaken in 1993-1994 have also involved contacts with countries from every continent, with particular emphasis on the Caribbean area, Central and Eastern Europe, and Asia. As in 1992-1993, the FATF carried out several anti-money laundering seminars and missions in non-member jurisdictions. Two major seminars were held during FATF-V: in Riyadh (October 1993) and Moscow (November 1993). FATF representatives also took part in high-level missions to Israel, the People's Republic of China, Malaysia, Thailand and Taiwan.

9. In carrying out its external relations programme, the FATF has continued to work in close co-operation with other international bodies involved in combating money laundering, such as the United Nations International Drug Control Programme, the Council of Europe, the Commonwealth Secretariat, the Customs Co-operation Council and Interpol.

10. At its 7th-8th June meeting, the OECD Council at Ministerial level endorsed the decision of the FATF to extend its work for a further five years, emphasising the importance of continued world-wide action against money laundering.

11. During the 1994-1995 round, FATF-VI will be chaired by the Netherlands.

