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**FINANCIAL ACTION TASK FORCE ON MONEY LAUNDERING
1994-1995 REPORT RELEASED**

The Financial Action Task Force (FATF), the independent group of major financial centre countries and regions set up in 1989 to combat money laundering, published its sixth report on 8 June 1995.

The 1994-1995 round of discussions, chaired by the Netherlands included the following highlights, recorded in the final report:

- the completion of the first set of detailed country examinations of anti-money laundering measures taken by FATF member governments. Most of the 26 jurisdictions now generally comply with the forty FATF Recommendations for combating money laundering drawn up in 1990. However, the delays experienced in a small number of members in implementing significant numbers of these Recommendations are a matter of serious concern;
- a broad-ranging review of money laundering trends and techniques, together with a specific examination of the money laundering threat from Russian organised crime;
- the adoption of an Interpretative Note to clarify the application of anti-laundering measures to bureaux de change - a sector which has been increasingly targeted by money launderers;
- contacts with countries in every continent to encourage them to join the fight against money laundering. Particular emphasis was placed on Asia and a special unit has been set up to promote action in this region.

Commenting on the report at a press conference in The Hague following the final meeting of the 1994-1995 round, FATF President, Mr Leo Verwoerd, a senior official of the Netherlands Ministry of Finance, said:

"It is now five years since the FATF published its programme of forty Recommendations for combating money laundering. Great progress has been made over this period both within and outside the FATF membership. Most of our members have now put in place or are close to completing their anti-money laundering systems and international co-operation has developed enormously. At the global level too there is a real awareness of the threat posed by money laundering and more and more countries are now responding to this threat.

But we recognise that the FATF's work is still far from complete. Even within our own membership, there is still a small number of jurisdictions who have yet to implement the necessary anti-laundering measures. They need to take urgent action to reach the standards required by the FATF without further delay and we will continue to scrutinise their performance very closely to ensure that

they do this. In parallel, it is essential to maintain and develop the momentum of efforts to combat money laundering at the global level. In co-operation with other international bodies, we will pursue our goal of persuading all countries with significant financial centres to implement our Recommendations."

The summary of the FATF's 1994-1995 report is attached. Copies of the full report will be available from the OECD Press Division, 2 rue André-Pascal, 75775 Paris cedex 16 (tel. 45 24 80 88 or 80 89 - fax 45 24 80 03)

FINANCIAL ACTION TASK FORCE ON MONEY LAUNDERING

ANNUAL REPORT 1994-1995

SUMMARY

1. The sixth round of the Financial Action Task Force (FATF) was chaired by the Netherlands. The major achievements of the round included the completion of the first set of mutual evaluations of the anti-money laundering measures taken by its members; a broad-ranging review of money laundering trends and techniques, together with a specific examination of the threat posed by Russian organised crime; the adoption of an Interpretative Note clarifying the application of anti-laundering measures to bureaux de change -- a sector which has been increasingly targeted by money launderers; an intensive programme of contacts with non-member jurisdictions, with particular emphasis on the Asian region; and the strengthening of co-operation with international organisations, especially the IMF. The FATF also began its stocktaking review of the forty FATF Recommendations and a review of its policy on expansion of the membership of the FATF. Both these areas of work will be taken forward in FATF-VII.

2. A significant part of the FATF's work continued to focus on monitoring the implementation by its members of the forty Recommendations. The performance of members is generally satisfactory and there has been major progress as regards the application of the Recommendations dealing with the financial sector, particularly as regards the role of regulatory authorities in checking compliance with anti-money laundering measures. However, the delay experienced in certain members in implementing a significant number of Recommendations is a matter of serious concern.

3. Seven mutual evaluations were completed in FATF-VI -- New Zealand, Portugal, Iceland, Singapore, Turkey, Aruba and the Netherlands Antilles. Summaries of the evaluations are contained in Part I of the report. All member jurisdictions have now been the subject of a mutual evaluation. A second round of mutual evaluations, focusing on the effectiveness of member's anti-money laundering measures in practice, will begin in 1996. The FATF also carried out a cross-jurisdiction review of the suspicious transaction reporting systems and procedures in operation in its members.

4. The annual survey of money laundering methods and countermeasures was broadened in an attempt to produce a global overview of trends and techniques. The general trend towards more diverse money laundering methods continues. Among the mechanisms noted was the growing use of international trade in the money laundering process; the use of bureaux de change, casinos and gambling houses in placing criminal proceeds into the financial system; and the development of new ways of using the banking system. A survey of money laundering by Russian organised crime confirmed the widespread geographical nature of its operations. Although the evidence indicates that most of the funds flow from East to West, money is also being moved back into Russia.

5. As regards money laundering counter-measures, in addition to the adoption of the Interpretative Note dealing with bureaux de change, the FATF also completed its study of the use of non-financial businesses in the laundering process. This will inform the stocktaking review of the forty

FATF Recommendations. A further review of measures dealing with electronic fund transfers was also carried out.

6. In carrying out its strategy for promotion the adoption of anti-money laundering measures by non-member countries, the FATF co-operates closely with other interested international and regional bodies. During 1994-1995 links were strengthened with the international financial institutions, particularly the IMF.

7. External relations actions in FATF-VI again involved contacts with countries in every continent. A second FATF-Commonwealth Secretariat Asia Money Laundering Symposium took place in Kuala Lumpur in December 1994. This showed that both the level of awareness of the money laundering threat and the development of anti-laundering measures had advanced significantly since the previous Symposium. An Asia Money Laundering Secretariat has been set up to support the collective regional action.

8. In South America, two seminars were mounted in conjunction with the Inter-American Commission Against Narcotic Drug Abuse (CICAD). Missions were also undertaken to Russia and the Czech Republic; and Morocco. The FATF also participated in various meetings organised by the United Nations and the Council of Europe. In addition, the FATF carried out a review of its strategy for contacts with offshore financial centres.

9. The United States will chair the seventh round of the FATF which begins on 1st July 1995.