



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



Organisation for Economic Co-operation and Development  
Organisation de Coopération et de Développement Economiques

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## Financial Action Task Force on Money Laundering

### 2000-2001 Report Released

On 22 June, 2001, the Financial Action Task Force on Money Laundering (FATF) published its twelfth annual report. The Annual Report outlines the main achievements of the FATF in 2000-2001 under the Presidency of Spain, including the significant progress in work on non-cooperative countries and territories (NCCTs).

The FATF has updated the list of non-cooperative countries and territories. The FATF has decided to remove the Bahamas, the Cayman Islands, Liechtenstein and Panama from the list, but will monitor closely future developments in those countries. FATF President, José María Roldán, said: "We see that this initiative has triggered significant improvements in anti-money laundering systems throughout the world." Following the review of thirteen countries, the FATF has identified serious deficiencies in the following countries: Egypt, Guatemala, Hungary, Indonesia, Myanmar and Nigeria.

The updated list of NCCTs is as follows: **Cook Islands; Dominica; Egypt; Guatemala; Hungary; Indonesia; Israel; Lebanon; Marshall Islands; Myanmar; Nauru; Nigeria; Niue; Philippines; Russia; St. Kitts and Nevis; and St. Vincent and the Grenadines.** The FATF calls on its members to request their financial institutions to give special attention to businesses and transactions with persons, including companies and financial institutions, in these countries or territories.

The FATF has decided to recommend the application of additional countermeasures (including the possibility of enhanced surveillance and reporting of financial transactions and other relevant actions) as of 30 September 2001 with respect to Nauru, the Philippines and Russia, unless their governments enact significant legislation which addresses identified money laundering concerns. The FATF hopes that these countries will enact legal reforms to which they are committed so that they can avoid countermeasures.

The FATF will review the situation of each country on the list as a matter of priority at each Plenary meeting.

In other work, the FATF continued to support the development of regional anti-money laundering bodies in various parts of the world such as the Caribbean, Asia/Pacific, Europe and Africa. In this respect, a major achievement was the establishment in December 2000 of GAFISUD (Financial Action Task Force on Money Laundering for South America). Co-operation with the international organisations concerned with combating money laundering was marked by reinforced collaboration between the FATF and the International Financial Institutions (IFIs), namely the International Monetary Fund and the World Bank, which generally recognised the Forty Recommendations of the FATF as the international anti-money laundering standards. The Task Force

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also initiated a comprehensive review of the Forty Recommendations, including the five issues of particular concern for anti-money laundering purposes identified in the June 2000 Report on NCCTs.

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. For further information, please contact the FATF Secretariat, 37 bis Boulevard Suchet, 75016 Paris (tel. 33 1 45 24 79 45 - fax: 33 1 45 24 17 60 - fatf.contact@oecd.org; website address: <http://www.oecd.org/fatf/>).

## **EXECUTIVE SUMMARY OF THE JUNE 2001 NCCTs REPORT**

In order to reduce the vulnerability of the international financial system and increase the world-wide effectiveness of anti-money laundering measures, the FATF agreed to the following steps:

### Removal of countries from the list

- It recognises that the Bahamas, the Cayman Islands, Liechtenstein and Panama, listed as non-cooperative in June 2000, have addressed the deficiencies identified by the FATF through the enactment of legal reforms. These countries have also taken concrete steps to implement these reforms and are therefore removed from the NCCT list. Consequently, the procedures prescribed in FATF Recommendation 21 are withdrawn. To ensure continued effective implementation of these reforms, the FATF will monitor the situation, in consultation with the relevant FATF-style regional bodies, in particular in the areas laid out in the NCCT report.

### Progress made since June 2000

- It welcomes the progress made by the Cook Islands, Dominica, Israel, Lebanon, Marshall Islands, Niue and St. Kitts and Nevis, in addressing deficiencies and calls upon them to continue this work. Until the deficiencies have been fully addressed and the necessary reforms have been sufficiently implemented, it believes that scrutiny of transactions with these jurisdictions continues to be necessary and reaffirms its advice of June 2000 to apply, in accordance with Recommendation 21, special attention to such transactions. The FATF notes with particular satisfaction that Israel, Cook Islands, Lebanon and Marshall Islands have enacted most, if not all legislation needed to remedy the deficiencies identified in June 2000. On the basis of this progress, the FATF has asked those countries to submit implementation plans to enable the FATF to evaluate the actual implementation of the legislative changes according to the principles agreed upon by its Plenary.

### Identification of new NCCTs

- following the assessment of thirteen countries and territories, it identifies six new jurisdictions as non-cooperative in the fight against money laundering: Egypt, Guatemala, Hungary, Indonesia, Myanmar and Nigeria. The report contains a brief explanation of the issues or deficiencies identified and of the remedial actions that need to be taken to eliminate these deficiencies as well as any positive steps taken.

### Countermeasures

- It considers that inadequate progress has been made by Nauru, the Philippines and Russia in addressing the serious deficiencies identified in June 2000. In addition to the application of Recommendation 21, it recommends the application of further counter-measures which should be gradual, proportionate and flexible regarding their means and taken in concerted action towards a common objective. It believes that

enhanced surveillance and reporting of financial transactions and other relevant actions involving these jurisdictions is now required, including the possibility of:

- Stringent requirements for identifying clients and enhancement of advisories, including jurisdiction-specific financial advisories, to financial institutions for identification of the beneficial owners before business relationships are established with individuals or companies from these countries;
  - Enhanced relevant reporting mechanisms or systematic reporting of financial transactions on the basis that financial transactions with such countries are more likely to be suspicious;
  - In considering requests for approving the establishment in FATF member countries of subsidiaries or branches or representative offices of banks, taking into account the fact that the relevant bank is from an NCCT;
  - Warning non-financial sector businesses that transactions with entities within the NCCTs might run the risk of money laundering.
- It recommends that its members apply countermeasures as of 30 September 2001 to Nauru, the Philippines and Russia, unless their governments enact significant legislation that addresses FATF-identified money laundering concerns. This date should allow time for these governments to fulfil their political commitments and complete parliamentary processes to enact reforms. The FATF urges those countries to place emphasis on the criminalisation of money laundering; the mandatory creation of a suspicious transaction reporting regime; the establishment of a proper customer identification requirements; the elimination of excessive bank secrecy; and international co-operation.

The FATF looks forward to adequate progress being made by Nauru, the Philippines and Russia so that the coming into force of the countermeasures can be avoided. With respect to those countries listed in June 2000 whose progress in addressing deficiencies has stalled, the FATF will consider the adoption of additional counter-measures as well.

In sum, the list of NCCTs is comprised of the following jurisdictions: **Cook Islands; Dominica; Egypt; Guatemala; Hungary; Indonesia; Israel; Lebanon; Marshall Islands; Myanmar; Nauru; Nigeria; Niue; Philippines; Russia; St. Kitts and Nevis; and St. Vincent and the Grenadines.** The FATF calls on its members to request their financial institutions to give special attention to businesses and transactions with persons, including companies and financial institutions, in countries or territories identified in the report as being non-cooperative.