

**FATF-VI**

**FINANCIAL ACTION TASK FORCE  
ON MONEY LAUNDERING**

**ANNUAL REPORT  
1994-1995**

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**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 promoting 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 1 July 1995.

## INTRODUCTION

10. The Financial Action Task Force was established by the G-7 Economic Summit in Paris in 1989 to examine measures to combat money laundering. In April 1990 it issued a report with a programme of forty Recommendations in this area. Membership of the FATF comprises twenty eight jurisdictions and regional organisations, representing the world's major financial centres.<sup>1</sup>

11. In July 1994, the Netherlands succeeded the United Kingdom as the Presidency of the Task Force for its sixth round of work. Three series of Plenary meetings were held in 1994-1995, two at the OECD headquarters in Paris and one in The Hague. In addition, a special experts meeting was held in November 1994 to consider trends and developments in money laundering methods and counter-measures.

12. The delegations attending the Task Force are drawn from a wide range of disciplines, including experts from finance, justice, interior and external affairs ministries, financial regulatory authorities and law enforcement agencies. The FATF also co-operates closely with international and regional organisations concerned with combating money laundering. Representatives from the Council of Europe, the Commonwealth Secretariat, the IMF, the Inter-American Drug Abuse Control Commission (CICAD), Interpol, the International Organisation of Securities Commissions (IOSCO), the Offshore Group of Banking Supervisors, the United Nations Crime Prevention and Criminal Justice Branch, the United Nations International Drug Control Programme, the World Bank and the World Customs Organisation attended various meetings during the year.

13. The FATF's work in the 1994-1995 round was concentrated on three main areas:

- (i) evaluation of the progress of FATF members in implementing the forty Recommendations;
- (ii) monitoring developments in money laundering trends and techniques and considering the necessary refinements to counter-measures; and
- (iii) undertaking an external relations programme to promote the widest possible international action against money laundering.

14. Parts I, II and III of this report outline the progress made in these respective areas during the year.

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<sup>1</sup> Australia, Austria, Belgium, Canada, Denmark, European Commission, Finland, France, Germany, Greece, Gulf Cooperation Council, Hong Kong, Iceland, Ireland, Italy, Japan, Luxembourg, the Kingdom of the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

## **I. MONITORING THE PROGRESS OF FATF MEMBERS IN IMPLEMENTING THE FORTY RECOMMENDATIONS**

15. The FATF has continued to use the two monitoring methods agreed in 1991: an annual self-assessment exercise; and the more detailed mutual evaluation process under which each member jurisdiction is subject to an on-site examination once during the period 1991-1995. In addition, the FATF has just carried out its first cross-jurisdiction review of measures taken to implement particular Recommendations. The subject chosen for this review was the Recommendations concerning the reporting of suspicious transactions.

### FATF-VI Self-Assessment Exercise

16. In this exercise, FATF members provide information on the basis of a set of standard questions concerning the status of their implementation of the forty Recommendations. The various responses are then compiled and analysed.

### State of Implementation

#### (i) Legal Issues

17. The overall state of implementation remains generally similar to the situation recorded in the previous round. This reflects the fact that, by the end of FATF-V, most member jurisdictions had already come into compliance with most of the Recommendations requiring governments to take specific actions. But there has been significant progress on the part of particular FATF members, notably Ireland, which have brought into effect major pieces of anti-money laundering legislation in the course of the year. In addition, other members have been continuing to make refinements to their legal frameworks, which bring them into full compliance with further Recommendations.

18. All but two member jurisdictions have now enacted laws to make drug money laundering a criminal offence. Nineteen members have decided to opt for a money laundering offence covering the proceeds of various crimes in addition to drug trafficking. Two further members expect to have enacted such an offence by the end of 1995.

19. The performance of FATF members is also generally very good as regards increased multilateral co-operation. Nearly all members have now put in place the legal measures to allow cooperative investigations with other jurisdictions concerning money laundering; to provide mutual legal assistance regarding the production of records and obtaining evidence, and the freezing, seizure and confiscation of assets in money laundering cases; and to recognise money laundering as an extraditable offence.

20. However, despite the generally positive picture, there are some Recommendations where progress is less satisfactory. For example, only sixteen members have ratified and implemented the Vienna Convention. A further five are expecting to do so within the next twelve months and four more are currently in partial compliance. Nevertheless, it is clearly important that all members should ratify and implement the Convention without further delay.

## (ii) Financial Issues

21. The 1994-1995 self-assessment exercise showed a continued improvement in the overall implementation of the FATF Recommendations on financial issues. This was particularly the case in certain members, such as Finland, Iceland and Ireland, where significant progress was made in implementing some important measures. While acknowledging that considerable differences persist in the state of implementation between the banking sector and non-bank financial institutions, nearly all members now apply the bulk of the financial Recommendations.

22. The vast majority of members comply fully with customer identification requirements although there are still some notable gaps in coverage with respect to certain categories of non-bank financial institutions. It is, however, a matter for concern that anonymous accounts are still allowed in Austria and Turkey -- even if in Austria this is restricted to a particular class of accounts. All members are in full or substantial compliance as regards record-keeping requirements for banks. Nearly all members, now require banks to pay special attention to complex, unusually large transactions and there has also been a significant improvement in this area in respect of non-bank financial institutions. Twenty members require banks to report suspicious transactions and the same number require banks to develop specific programmes against money laundering. However, performance with respect to the implementation of these Recommendations is less satisfactory in the non-bank financial sector.

23. Most members have now established anti-money laundering guidelines for banks but, as yet, few have developed such guidelines for all categories of non-bank financial institutions. Similarly, all members have taken steps to guard banks against control or acquisition by criminals, but there is still much to be done before this is the case for all types of financial institution.

## (iii) Summary of performance

24. The overall conclusion from the latest self-assessment exercise is that most members have now achieved or are close to achieving an acceptable standard of implementation of the Recommendations. However, certain members have been appreciably slower in taking action and as a result have yet to create a satisfactory anti-money laundering framework. New Zealand currently has two Bills before its Parliament which will introduce a very broad money laundering offence and wide-ranging measures dealing with the financial sector and cross-border currency movements. It expects to enact this legislation by the end of the year. Greece has already made money laundering a criminal offence but has so far yet to come into compliance with a significant number of the financial Recommendations. It has now drafted legislation dealing with anti-money laundering measures in the financial sector. It is clearly very important that this legislation is enacted as quickly as possible. Turkey has so far implemented very few of the Recommendations. Turkey has drafted anti-money legislation but cannot indicate when this is likely to be enacted. This legislation needs to be expedited as a matter of urgency.

## Mutual Evaluations

25. A further seven mutual evaluations were completed during FATF-VI: New Zealand; Portugal; Iceland; Singapore; Turkey; and Aruba and the Netherlands Antilles (which are separate constituent parts of the Kingdom of the Netherlands). All FATF member jurisdictions have now been subject to the mutual evaluation process. Summaries of the reports completed during FATF-VI are given below.

### **New Zealand**

26. Apart from some illicit cultivation of cannabis, mostly for domestic use, and some manufacture of morphine and heroin, New Zealand is not a drug producing country. Nor, given its geographical position, is it a transit country. By international standards, it has a comparatively small-scale drug abuse problem. There is also little evidence of a significant and internationally-based organised crime problem. The scale of money laundering is believed to be low, but there is evidence to suggest that some laundering of drug funds and of the proceeds of commercial crime does take place.

27. The New Zealand authorities recognise the need to take action to prevent serious problems developing and are in the process of constructing an anti-laundering framework. New laws concerning confiscation of the proceeds of crime and international mutual legal assistance have been in force for some time. Draft laws to create a money laundering offence and to apply anti-money laundering measures in the financial sector have been introduced and their enactment is expected before the end of 1995. Legislation is also currently being prepared to enable the ratification of the 1988 Vienna Convention. The approach of the authorities is based on the criminalisation of the laundering of the proceeds of all serious crimes; wide-ranging confiscation powers; mandatory reporting of suspicious transactions by financial institutions (broadly defined); the introduction of cross-border currency monitoring measures; and the development of a network of mutual legal assistance treaties.

28. The proposed body of laws should create an effective legal framework for combating money laundering - the Proceeds of Crime Act is already demonstrating its utility. The decision to opt for a very wide-ranging money laundering offence is to be welcomed. It was suggested by the examiners that the effectiveness of the law in practice might be improved by including the concept of having reasonable grounds for believing or suspecting that proceeds derived from crime. However, under New Zealand law this would represent a departure from established principle for offence provisions of this type, which the authorities do not consider to be warranted at this stage. The proposed requirements concerning financial institutions look to be very sound and the breadth of coverage is to be commended. Moreover, the introduction of cross-border currency measures clearly makes sense in New Zealand's circumstances.

29. New Zealand is already putting in place impressive criminal law enforcement systems. All the relevant agencies have clearly defined roles and a good working relationship. Criminal asset investigation teams have been set up in all six police regions and a special unit will be created at police headquarters to handle reports of suspicious transactions. In the financial sector, in line with the broader approach to regulation in New Zealand, it is proposed to rely on market and general incentives to ensure that institutions comply with the anti-laundering requirements rather than institute a formal system of regulatory audit. Hence the financial supervisory agencies will not undertake any direct compliance checks. The examiners considered that there should be a system of such checks, carried out by the institutions' auditors if the regulatory authorities did not wish to play a direct role. However, the New Zealand authorities consider that, given the nature of the financial sector and the threat of legal and regulatory sanctions where non-compliance exists, this is not necessary at this stage.

30. New Zealand has not yet completed its implementation of anti-money laundering measures. However, it is equipping itself with a generally very good body of laws and, given a satisfactory mechanism for overseeing the application of the laws in the financial sector, there should also be a very effective anti-laundering framework in practice.

## **Portugal**

31. As Portugal is not a drug-producing country, its main problem, with respect to narcotics, stems from its geographical location. In this respect, Portugal is increasingly being used as a gateway for drugs in Europe and it is therefore highly probable that money laundering transactions have already been

processed by Portuguese banks, and even outside the financial sector. Indeed, one particularity of the money laundering situation in Portugal could be its possible use at the investment stage.

32. Portuguese legislation was brought in line with the country's international commitments by the recent adoption of two basic laws. First, Decree-Law No. 15/93 of 22 January 1993 defined money laundering as a distinct crime; it overhauled all of Portugal's anti-drug legislation, following the country's ratification of the United Nations' Vienna Convention. Second, European Commission Directive 91/308 of 10 June 1991 was transposed into the Portuguese legal system by Decree-Law No. 313/93 of 15 September, which contains the main measures relating to the prevention of money laundering via the financial system. The mechanism to prevent money laundering applies to all categories of financial institutions: credit institutions of any type, brokerage firms, bureaux de change, insurance companies, market intermediaries and post office financial services.

33. The measures contained in the Decree-Law of 15 September 1993 are in overall compliance with the FATF's Recommendations on financial issues. All aspects of the anti-money laundering arsenal are mentioned in the text: identification, record-keeping, reporting of suspicions, rules and internal controls. Implementation of these provisions is strengthened by instructions from the Banco de Portugal and the Instituto de Seguros de Portugal.

34. The Banco de Portugal and the Instituto de Seguros de Portugal have shown their determination to combat money laundering. Both authorities are responsible for ensuring that the entities under their control comply with the provisions of Decree-Law No. 313/93. In cases of non-compliance, either authority may propose that the Ministry of Finance impose severe penalties on the offenders.

35. As with many other FATF members, further progress could improve the mechanism already in place. One of the main problems detected is that prosecution of money laundering is limited to cases which involve the proceeds from drug trafficking alone. Apart from problems that this can cause in Portugal's suspicious transaction reporting system, the current definition of money laundering could also jeopardise international co-operation. In addition, the effectiveness of such co-operation may be diminished by the inability of the Portuguese criminal investigation authorities to exchange information with foreign administrative authorities. Portugal's willingness to co-operate on an international level must nevertheless be acknowledged, as is shown by the very recent ratification of the European Convention on Mutual Assistance in Criminal Matters.

36. Portugal has transposed the FATF Recommendations in a conscientious and consistent manner. On the whole, the results appear very satisfactory with regard to legislative and regulatory provisions, although there must be an overall reservation with regard to both the scope of prosecution for money laundering and the mechanism for reporting suspicions. Apart from this problem, the main issue which emerged from the evaluation would seem to be that of the effectiveness of the measures enacted as their implementation is very recent. Nevertheless, Portugal's provisions may already be considered as complying with virtually all of the FATF's recommendations.

## **Iceland**

37. Iceland is neither a drug producing nor a drug transit country. However, it is faced with a growing drug trafficking and consumption problem, albeit on a lesser scale than most developed countries. There has been little evidence of money laundering in Iceland, although the investigation of some drugs cases has revealed instances of laundering. It is also considered that, in general, financial crimes do not give rise to any significant laundering.

38. Nevertheless, the Icelandic authorities have recognised money laundering to be a potential problem and have taken action to implement preventive measures. A specific drug money laundering offence was created in 1993 and it is intended to amend the Penal Code to extend the explicit laundering offence to cover the proceeds of serious crime generally. The offence applies to attempted laundering as well as the actual commission of such an act and also applies to the proceeds of offences committed outside Iceland. Financial institutions are subject to corporate criminal liability for money laundering.

39. The Icelandic Penal Code provides for the confiscation of the proceeds and instrumentalities of crime, including money laundering. The laws also provide for search and seizure and freezing of assets. As regards international cooperation, Iceland is not yet a party to the 1988 Vienna Convention nor the 1990 European Convention on Money Laundering but intends to ratify both. It can provide mutual legal assistance (including undertaking confiscation and provisional measures) to other countries, subject to dual criminality. The measures applicable to the financial sector are laid down in a law of 1993 and cover customer identification, record-keeping, the mandatory reporting of suspicious transactions, and requirements for systems of internal control and training. While the measures themselves are satisfactory, it is recommended that their coverage should be extended to all institutions carrying out financial activities, as indeed has been done with regard to the reporting of suspicious transactions.

40. Although certain measures are still necessary to complete the legal framework against money laundering, the major task facing the Icelandic authorities now is to ensure that the new systems are effectively implemented. The need for promoting greater money laundering awareness in financial institutions was noted and guidance on reporting procedures concerning suspicious transactions was issued at the end of 1994. A Consultation Committee containing representatives of government agencies concerned with combating money laundering and of financial institutions covered by anti-laundering requirements was established in 1994 to monitor the effect of the new laws and systems and give advice to the authorities.

41. The overall conclusion must be that Iceland has made a good start in establishing an effective anti-money laundering framework. It is now a matter of carrying through the work which has been begun.

## **Singapore**

42. As no drugs are cultivated in Singapore, illegal narcotics, especially heroin, are imported from the "Golden Triangle" through neighbouring countries. In parallel, one of the drug trafficking routes from the "Golden Triangle" to Western countries uses Singapore as a transit point.<sup>2</sup> Drug traffickers' proceeds in Singapore can therefore be divided into two categories, local and international. As with other financial centres, Singapore's sophisticated financial centre, efficient network of communications and absence of exchange control make it a target for money launderers.

43. Singapore, which became a member of the FATF in September 1991, has focused its attention on the implementation of high financial regulatory standards. The Monetary Authority of Singapore (MAS), which is responsible for the regulation and supervision of the financial sector, has imposed stringent admission criteria on banks and financial institutions which seek entry to the financial sector.

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<sup>2</sup> But owing to Singapore's tough law and vigorous enforcement against drug trafficking (mandatory death penalty) the number of cases in which drugs are sent to the Western countries using Singapore as a transit point has been small and on the decline.

44. In addition, drug money laundering was made a criminal offence by the Drug Trafficking (Confiscation of Benefits) Act (DTA) of October 1992. As the DTA contains general anti-money laundering principles, it is supplemented by a number of guidelines. The MAS issued Guidelines on the Prevention of Money Laundering to banks, merchant banks, finance companies, dealers and investment advisers, as well as futures brokers. The Association of Banks in Singapore, the Stock Exchange of Singapore and the Singapore International Monetary Exchange also issued guidelines on money laundering to their members. Finally, the MAS has issued a circular to money changers and remittance agents imposing record-keeping requirements on them.

45. The provisions contained in the DTA and the Guidelines are in overall compliance with the FATF's Recommendations on financial issues: identification of customers and beneficial owners of accounts, record-keeping, co-operation with law enforcement authorities, suspicious transactions, rules and internal controls. Satisfactory steps have been taken to prevent money laundering offences in the financial centre of Singapore. The DTA and the MAS Guidelines provide a sound basis for countering money laundering. Tough punishment for drug dealers and thorough registration of firms and enterprises will also contribute, albeit indirectly, to the fight against money laundering.

46. However, one of the main problems detected is that prosecution of money launderers is limited to cases which involve the proceeds from drug trafficking alone. The increase in white collar crime and financial fraud clearly illustrates the potential trend that Singapore's financial centre is becoming a target for crime syndicates and money launderers. Measures to counter the laundering of proceeds deriving from illegal activities other than drug trafficking would offer an effective tool in combating these crimes. It would therefore be desirable for Singapore to broaden the definition of money laundering to cover any underlying offence that generates substantial profits, as well as other serious offences. Another problem worth mentioning is that Singapore has not yet entered into bilateral or multilateral agreements. Therefore, Singapore should ratify the Vienna Convention and enter into Mutual Legal Assistance Treaties as soon as possible.

47. Singapore has taken the steps required to comply with the spirit of the FATF Recommendations. Most of the Recommendations have been addressed by the Singaporean authorities. However, the extent to which the Recommendations will be implemented remains uncertain, and the effectiveness of the measures has yet to be proved.

## **Turkey**

48. Located at the centre of the Asian, European and African continents, Turkey is part of the "Balkan route", via which drugs from south west Asia and the Middle East are directed to the consuming countries of northern and western Europe. There is no doubt that Turkey is an attractive target for money launderers due to the rapid opening of its economy and financial system to the world market and to its role as a transit country for drug trafficking. Given the fairly low level of drug consumption in Turkey and its less profitable market, together with the reduction in exchange controls, drug proceeds probably come from Europe, either to be laundered in Turkey, or returning to Turkey once laundered.

49. Money laundering is not yet defined as a crime in Turkey and no anti-money laundering measures have been taken so far. Four years after joining the FATF, all the anti-money laundering initiatives are pending the adoption of the Bill on Prevention of Illicit Trafficking in Narcotic Drugs and Psychotropic Substances and Money Laundering. Apart from administrative regulations, this Bill, which was introduced in Parliament in October 1994, makes money laundering a criminal offence and contains new provisions on confiscation, freezing and controlled delivery. The Turkish government also intends to transpose into domestic law the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs

and Psychotropic Substances and the 1990 Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime. The UN Convention was also submitted to Parliament for ratification in October 1994.

50. This Bill contains a wide definition of the money laundering offence and this is to be welcomed. However, complementary provisions are left to the Search and Examination Financial Crimes Directorate (SEFCD) which will be able to recommend further changes to the law, e.g. customer identification, reporting of suspicious transactions, bank secrecy, etc. This legislative process will probably result in a slow implementation of the FATF Recommendations.

51. Despite the stated willingness to deal with the issue, combating money laundering is a low priority item. Four years after joining the FATF and after many internal consultations, a Bill has only just been introduced in Parliament. In addition, it is uncertain when this Bill will, in fact, be passed through the Turkish Parliament. Apart from the introduction of a money laundering offence and the establishment of limited ancillary measures, the Bill on the prevention of money laundering merely creates a body to examine issues and recommend further laws and/or regulations to the Council of Ministers. While the reason given for this is that it provides a flexible structure, it is an open-ended framework with all the real work still to be done. It was therefore not possible to evaluate Turkey's anti-money laundering measures effectively against the FATF Recommendations, since these measures do not exist, even in draft.

52. Up to now, the Turkish authorities have simply concentrated their efforts on the fact that money laundering should be made a criminal offence. For countering money laundering effectively, a package of clear regulations, defining the duties for the different institutions of the financial sector is also required.

### **Aruba and the Netherlands Antilles**

53. Aruba and the Netherlands Antilles were covered in the evaluation of the Kingdom of the Netherlands which took place in FATF-V. However, it was not possible at that time to make on-site visits to the two jurisdictions. It was therefore agreed that there should be a further evaluation, including an on-site examination. This took place in March 1995.

#### Aruba

54. Aruba is of little significance as a drug producer. However, due to its geographical position and transport connections, it has become a very important transit point for drug traffickers, with an inevitable impact on drug consumption on the island itself. Aruba has a small financial sector, including offshore banking and provision of company formation/registration services. There are also a number of casinos and a free zone, where consumer items can be purchased free of tax for export. The Aruban authorities consider there is little reason to believe that large scale money laundering takes place through the banking sector, while acknowledging the potential for laundering in the offshore non-banking sector and through casinos.

55. Aruba's anti-money laundering strategy is based on the criminalisation of the laundering of the proceeds of all crimes; the proposed ratification of the 1988 Vienna and 1990 Council of Europe Conventions; new and more flexible confiscation powers; a proposed requirement for financial institutions to report all unusual transactions (defined according to published indicative criteria); the introduction of mandatory customer identification procedures; and administrative guidelines on anti-money laundering measures to be followed by all regulated institutions. With the exception of the money laundering offence itself (enacted at the end of 1993), Aruba has yet to put in place laws and systems to combat laundering. However, the necessary measures have now mostly been drafted and it is hoped that they will be enacted

by the end of the year. The money laundering offence is commendable and the various other proposed laws should in general provide a good system. However, it is recommended that the anti-money laundering measures dealing with the financial sector should embrace all financial services providers, including casinos -- as currently drafted there are some gaps in their coverage. It is also clearly important that the laws are enacted and brought into effect as soon as possible.

56. There will remain the task of effectively implementing the new systems. This will pose a particular challenge in the enforcement sector. The Reporting Centre for unusual transactions will need adequate staffing and the law enforcement authorities to develop the necessary capability to pursue financial investigations. The requirement for external assistance is acknowledged. The Aruba Free Zone represents a particular point of vulnerability capable of abuse by money launderers because so much of the business is carried out in cash. It is recommended that this area should be investigated as soon as the necessary powers are available.

57. In the financial sector, awareness of the money laundering threat was high and the Central Bank has been playing a leading role in anti-laundering efforts. However, the Bank does need more effective prudential powers to carry out proper supervision of compliance with anti-money laundering requirements.

#### Netherlands Antilles

58. The Netherlands Antilles is not a significant drug producer but is an increasingly important transit point for cocaine smuggling. Cocaine abuse is now widespread among the population. The Netherlands Antilles has a significant financial sector in relation to its size, and is important both as an offshore banking centre and a centre for the formation and registration of offshore companies and trusts. There is insufficient information to determine the extent to which money laundering takes place but there have been two prosecutions for laundering and, in addition, financial institutions have notified the Central Bank of a number of attempted transactions thought to be suspicious.

59. The Netherlands Antilles enacted an all-crime money laundering offence in May 1993 but no new measures have been brought into force since then. Legislation has now been introduced or is under preparation to require the reporting of unusual transactions; to impose statutory requirements concerning customer identification; to improve confiscation procedures; and to enable ratification of the Vienna and Council of Europe Conventions. It is hoped that various laws will be enacted by the end of the year. In addition, the Central Bank has had money laundering guidance notes for banks in force since the end of 1992.

60. The Netherlands Antilles has a good money laundering law and the other measures proposed should generally provide a satisfactory legal framework for combating money laundering, subject to ensuring the necessary coverage of the financial sector. Again, given the delays which have taken place, the enactment of the various laws needs to be expedited. The Netherlands Antilles is quite advanced with its plans to meet the challenges posed by the new legislation and is already carrying out a detailed study for the establishment of the Reporting Centre for unusual transactions. It is also intended to increase the law enforcement resources devoted to the investigation of financial crime and create a special Financial Investigation Group within the police force. However, resources are a constraint and the Netherlands Antilles will need assistance in obtaining the necessary expertise.

61. In the financial sector, awareness of the money laundering threat was high. The Central Bank has been consistently active in promoting anti-money laundering measures. It has all the necessary prudential powers it requires in this area and is now including money laundering compliance checks in its supervisory reviews of credit institutions.



Cross-jurisdiction evaluation of measures taken by FATF members to implement the FATF Recommendations concerning the reporting of suspicious transactions.

62. This evaluation was conducted on the basis of a standard questionnaire, which sought information on the nature and results so far achieved of the suspicious transaction reporting systems in FATF members. The Secretariat prepared a paper summarising the responses and this was considered at the June Plenary meeting.

63. Twenty one members now have such reporting systems, although in most cases these have only come into operation very recently. The vast majority of these members require financial institutions to report suspicions, or, in one case, unusual transactions, although in four members this is limited to cases suspected to involve drug trafficking. Practice differs quite widely as regards the agency chosen to receive reports. In some members these go direct to the police or other law enforcement authorities or to judicial authorities. Others have decided to use an intermediary body -- either a financial regulator or a specially created agency. In general, whatever the option chosen, reports are dealt with quickly.

64. The assessment of the results obtained through the reporting systems can only be a provisional one at this stage. There are significant differences among FATF members concerning the number of suspicious transactions so far received. These can only be partially explained by the differences in the size of the jurisdictions and the length of time the systems have been in operation. There are also significant differences in the proportion of reports which lead to an investigation being initiated. However, the general experience has been that so far, few prosecutions and convictions have occurred as a direct result of a suspicious transaction report being made. But in numerous cases, reports have provided valuable information and intelligence for investigations which were already being conducted.

65. Overall, the majority of members consider that their reporting systems are working well or in line with expectations. Nevertheless, a number of constraints were identified, some reflecting the legal framework (for example, the limited definition of the transactions which need to be reported or limitations in the coverage of institutions subject to the reporting requirement); others reflecting difficulties of a more operational nature (the volume of reports and their quality and timeliness). Continuing efforts also need to be made to facilitate the exchange of information on suspicious transactions at the international level. The establishment of good bilateral contacts with foreign counterparts and the development of co-operative agreements are important in this respect.

## **II. MONITORING DEVELOPMENTS IN MONEY LAUNDERING TECHNIQUES AND REFINEMENT OF THE FATF RECOMMENDATIONS**

66. The FATF carried out a number of projects in this area of its work in 1994-1995. The annual survey of money laundering methods and countermeasures was refocused to attempt to synthesize as far as possible a global overview of trends and techniques. The issue of the threat from Russian organised crime was given particular attention in this context. In the field of money laundering countermeasures, the FATF completed its study of possible methods to combat laundering through non-financial businesses. The FATF also finished its examination of measures to counter the vulnerability of bureaux de change to money laundering schemes and adopted an Interpretative Note to clarify the application of the FATF Recommendations concerning the financial sector to these entities. A third area of scrutiny was the action taken by members relating to electronic fund transfers. Finally, the stocktaking review of the forty Recommendations was launched.

### 1994-1995 Survey of Money Laundering Trends and Techniques

67. The FATF has been carrying out these surveys for a number of rounds but the focus has been almost exclusively on developments in FATF members. In FATF-VI it was decided to try to adopt a global approach and bring together as much information as possible on both member and non-member jurisdictions, while recognising that information on the latter would inevitably be incomplete. The following paragraphs summarise the conclusions of this year's survey.

68. It is very difficult to produce any satisfactory estimate of the total amount of money laundered world-wide each year, although there is a general consensus that this runs into hundreds of billions of US dollars. Further work will be carried out to establish whether an order of magnitude figure can be produced which can be used with reasonable confidence. Drugs trafficking remains the largest single generator of illegal proceeds but, in some countries, financial crime (bankruptcy and financial fraud, advance fee fraud, etc.) is believed to be as important a source of criminal funds. There is, of course, also clearly a strong linkage between money laundering and organised crime and its myriad activities.

69. In countries where effective anti-laundering measures have been put in place, there is a clear general trend for money laundering to spread outward from the banking sector to non-bank financial institutions and non-financial businesses. Nevertheless, banks remain a very important mechanism for money launderers, although methods are now more oblique than simple large cash deposits. Criminals are increasingly turning to second-line banks and operating accounts in the name of offshore companies. The use of representative offices of foreign banks for laundering purposes has also been detected. In addition, there remains a significant threat of corruption, by criminals, of banks and their staff.

70. Outside the banking sector, money changers play a significant role at the placement stage of the process. Very small and informal exchange houses have been used to move very large sums of money. Informal underground banking systems are also heavily used in Asia. In the insurance sector, single premium insurance bonds of one sort or another are an increasingly popular laundering mechanism. There is only limited hard evidence of money laundering through securities firms but this is considered to be indicative of the difficulty in identifying laundering activity in this field rather than any lack of problems.

71. Outside the financial sector, businesses of various types are used in laundering schemes and shell corporations formed in jurisdictions where there is no transparency of ownership remain a mainstay of money launderers. Casinos and other gambling houses are used at the placement stage. Substantial amounts of illegal proceeds are also being invested in real estate and businesses connected with tourism and leisure. In some countries, one response to the imposition of anti-money laundering measures has

been an upsurge in the bulk physical export of illegal proceeds, with such operations becoming increasingly sophisticated. Finally, there is growing use of international trade in the money laundering process -- using the proceeds of crime to buy goods which are then exported and re-sold.

72. In the light of the changing nature of the money laundering threat, a number of FATF members have made refinements to their basic anti-money laundering framework (or are intending to do so). These refinements include extending the scope of the money laundering predicate offence; bringing additional groups of businesses and institutions, such as bureaux de change and consumer credit organisations, within the anti-money laundering regulatory framework; and strengthening enforcement and monitoring systems. More widely, it was agreed that the general trend to more diverse money laundering methods placed greater importance on the development of good co-operation and a regular dialogue between law enforcement authorities and businesses both within and outside the financial sector. There is also scope for further improvement in co-operation between enforcement authorities at the international level -- especially with regard to the creation of a network for the speedy exchange of information on suspicious transactions or criminal activities.

### Russian Organised Crime

73. The pooling of members' experience on this topic revealed a complex situation. There are clearly large amounts of criminal proceeds coming out of Russia and Eastern Europe for laundering and investment in the West. However, Russian organised crime is active in many countries in various parts of the world. The resulting proceeds of these operations need to be laundered in the West and/or returned to Russia. Thus, although the evidence indicates that most of the funds flow from East to West, money is also being moved back to Russia. Although it is difficult to assess Russia's importance as an international money laundering centre, it currently possesses many of the features, notably the lack of effective countermeasures, which make a country particularly attractive to launderers.

74. In terms of the outflow of money from Russia, a significant amount is still being exported in cash and taken for deposit by individuals at banks in major financial centres. However, companies in offshore jurisdictions and/or trading companies in FATF members are also being set up and accounts established in their names at financial institutions. In addition, Russian groups are making extensive investments in real estate, hotels, restaurants and tourist businesses in a number of countries.

75. In terms of counter-measures, there is clearly a need for an effective anti-money laundering framework to be put in place in Russia as soon as possible. Against this background, FATF members also need to co-ordinate their efforts in providing technical co-operation and assistance to law enforcement agencies in the former Soviet Union.

### Use of Non-Financial Businesses for Money Laundering

76. In 1993-1994, the FATF began an examination of the ways in which non-financial businesses could be exploited by money launderers but did not reach definitive conclusions on what counter-measures might need to be taken. The study was therefore resumed this year.

77. Non-financial businesses cover a huge spectrum of activities and in most cases are not subject to any specific regulation of their conduct. Nevertheless, it is possible to examine the application of some general measures to the commercial sector as a whole which would have the effect of increasing the risks faced by money launderers. Four possible mechanisms were identified as worthy of consideration:

- (i) appropriate measures to record the ownership (and significant transfer of ownership) of corporate and other business entities and to ensure access to such data by the competent authorities in money laundering investigations;
- (ii) appropriate measures to require or encourage external auditors of businesses or public authorities to report to the competent authorities any reasonable suspicion of money laundering they develop in the course of their duties;
- (iii) suitable steps to make possible the use of undercover operations by law enforcement agencies; and
- (iv) various measures to combat the use of large cash transactions by money launderers.

78. Two broad categories of businesses can also be identified where more specific anti-money laundering action could need to be taken: the gaming industry (casinos, gambling houses and bookmakers); and vendors of high value items (art/antique dealers, real estate dealers, etc.). For the former sector, consideration could be given to the application of anti-money laundering measures comparable to those taken in the financial sector, with suitable adaptations. For dealers in high value items, consideration could be given to the application of a few key measures such as reporting of suspicious transactions and promotion of guidelines to assist such businesses in detecting suspicious behaviour.

79. The work carried out on non-financial businesses will be used as background material to inform the stocktaking review of the forty FATF Recommendations.

#### Bureaux de Change

80. The FATF has given particular attention to the application of anti-money laundering measures to bureaux de change since there is considerable, and increasing, evidence to indicate that they are very vulnerable to being used in laundering schemes. The FATF Recommendations dealing with the enhancement of the role of the financial system cover non-bank financial institutions as well as banks and, as such, already apply to bureaux de change. However, it was agreed that it would be helpful to adopt an Interpretative Note to clarify their application. The main elements of the Interpretative Note are that, as a minimum requirement, FATF members should have an effective system whereby the bureaux de change are known or declared to the relevant authorities; that bureaux de change should be subject to the same anti-money laundering regulations as any other financial institution and that compliance monitoring mechanisms should be established and maintained; and that effective means should be established to ensure that bureaux de change are aware of their anti-money laundering responsibilities. The full text of the Interpretative Note is given in the Annex.

#### Electronic Fund Transfers

81. The FATF continued to monitor progress made by its members in applying measures to counter money laundering through international electronic fund transfers. A large majority of FATF members have taken steps to encourage users of the SWIFT system in their jurisdictions to comply with the SWIFT broadcast of 30 July 1992. However, there are still incomplete incoming messages and a loss of information may occur resulting from the lack of compatibility between national payments systems and the SWIFT system.

82. In the light of concerns about a possible shift of the problem to cross-border payment systems other than SWIFT, the FATF has initiated contacts with Western Union, which is of growing importance in international wire transfers. FATF members contacted Western Union's local representatives in their jurisdictions to remind them of the importance of anti-money laundering measures.

#### Stocktaking Review of the Forty FATF Recommendations

83. Following the completion of the first set of mutual evaluations of FATF members, the FATF has begun a stocktaking exercise involving both the forty Recommendations agreed in 1990 and the various Interpretative Notes which have been adopted in subsequent rounds. The purpose of the exercise is to enable these to be consolidated and amended as necessary in the light of both the evidence from the annual surveys of money laundering trends and techniques and the experience of FATF members in implementing the Recommendations.

84. Members have submitted their opinions on what changes, if any, should be made to the Recommendations and Interpretative Notes and it is also intended to hear the views of representatives of the financial sector. The stocktaking exercise will be continued in FATF-VII.

### III. EXTERNAL RELATIONS

#### Strategy

85. The FATF's strategy for contacts with non-member jurisdictions is based on three main principles. First, activities should be oriented towards persuading jurisdictions to adopt the FATF Recommendations and on monitoring and reinforcing this process rather than on the basic provision of routine training and technical assistance (although it is recognised that in certain cases such assistance may be the most useful method of promoting the adoption of the Recommendations). Second, the FATF should co-operate and co-ordinate to the maximum extent possible with all international and regional organisations involved in anti-money laundering efforts. And, third, it is recognised that it is necessary to pursue a flexible approach, tailoring activities to the circumstances of the region or countries involved.

86. Inevitably, the FATF cannot cover all the countries of interest to it at the same time. In setting its priorities it takes into account the actual or potential significance of the money laundering situation in the country concerned (including its present or future importance as a finance centre and the state of development of money laundering counter-measures); and the extent to which there is the opportunity for the FATF to have a positive impact in progressing the implementation of anti-money laundering measures. In addition, duplication of the efforts of other bodies is avoided.

#### Initiatives Undertaken in FATF-VI

87. The FATF carried out a number of external relations activities in various parts of the world, either bilaterally or in conjunction with other regional or international bodies. One major development has been the creation of an FATF Secretariat for the Asian region. This will greatly expand the ability to promote anti-money laundering action in this important area. The various FATF activities carried out in 1994-1995 are summarised below on a regional basis.

#### Asia

88. In conjunction with the Commonwealth Secretariat and with support from the UNDCP, the FATF held its second Asia Money Laundering Symposium at the end of 1994. The Symposium was hosted by the government of Malaysia and took place in Kuala Lumpur. It was attended by representatives from seventeen non-FATF countries or regions, as well as ten FATF members, and a number of international and regional organisations.

89. The Symposium discussed the money laundering threat in the Asian region and examined progress in adopting measures to combat the threat. Both the level of awareness of money laundering in the region and the development of anti-laundering measures had advanced significantly since the first Symposium (held in Singapore in April 1993). It was agreed that the momentum should be maintained. Sixteen of the governments attending the Symposium had already endorsed and agreed to implement the FATF Recommendations and all the other governments represented were invited to do likewise. A further Symposium will be held in Tokyo in December 1995 in order to evaluate progress.

90. An Asian Secretariat of the FATF, funded by advances from Australia's Confiscated Assets Trust Fund, has been set up to support the collective regional action. The Kuala Lumpur Symposium indicated considerable interest among the invited jurisdictions in making use of this new facility. The Secretariat has already begun various initiatives, including the creation of a directory of contact points for such matters as exchange of information and mutual assistance; the preparation of a manual concerning mutual legal assistance, extradition, etc.; and a survey of training needs in the region and the availability of

technical assistance from donor countries to facilitate co-ordination in this area. It is also planned to hold an expert meeting later in 1995 to discuss money laundering trends and methods in the region.

#### Central and Eastern Europe

91. Two missions were undertaken in 1994. The first was to the Czech Republic where the FATF conducted a seminar on money laundering countermeasures hosted by the Czech National Bank and attended by representatives from various government agencies, the Banking Association and the Chamber of Auditors. The Czech government has drawn up three companion pieces of legislation concerning money laundering dealing respectively with financial sector obligations and responsibilities; criminal justice and enforcement; and asset forfeiture. The money laundering offence envisaged would be wide-ranging rather than one limited to drugs trafficking. It is hoped that the new laws will be enacted by the summer of 1995.

92. The second mission was a return visit to Moscow to review developments since the FATF seminar in 1993. Meetings were held with various government agencies and the Federation Council. Money laundering legislation has now been drawn up, but it is uncertain when and in what form it will be enacted.

93. The FATF was also invited by the Council of Europe to take part in the pan-European Money Laundering Conference it held at the end of 1994. In the margins of the Conference, the FATF delegation held bilateral meetings with a large number of Central and Eastern European governments.

#### Caribbean

94. In the Caribbean region the FATF has, in line with its agreed strategy, concentrated on providing any necessary support for the Caribbean Financial Action Task Force (CFATF) rather than mounting separate initiatives. The CFATF process is now firmly in operation and two mutual evaluations of CFATF members -- the Cayman Islands and Trinidad and Tobago -- have already been carried out. The CFATF has held two meetings during this round, including a Ministerial meeting at the end of May.

#### South America

95. The FATF's activities in this region have been undertaken in partnership with the Inter-American Commission Against Narcotic Drug Abuse (CICAD) of the Organisation of American States. The FATF and CICAD conducted two sub-regional seminars on money laundering in the autumn of 1994, with a particular focus on the financial community. The first took place in Buenos Aires, for representatives from Argentina, Brazil, Chile, Uruguay and Paraguay. The second, in Quito, was attended by delegations from Ecuador, Bolivia, Colombia, Mexico, Panama, Peru and Venezuela.

96. Action to combat money laundering also featured prominently in the Summit of the Americas which took place in Miami in December 1994. It was agreed that there should be a pan-American initiative on money laundering and an expert meeting has already taken place to prepare the way for a Ministerial meeting in the autumn of 1995.

#### Africa

97. An FATF mission visited Rabat and Casablanca in March 1995 for discussions with Moroccan government agencies and the Association of Moroccan Banks. The primary purpose of the mission was to evaluate the money laundering situation in Morocco and existing or planned countermeasures. Views

differed on the potential for money laundering in Morocco and there are as yet few specific countermeasures. However, Morocco has clearly stated its endorsement of the FATF Recommendations and a draft law has been drawn up to make the laundering of drug funds an offence, although this has yet to come before Parliament. It was agreed that the dialogue between the FATF and Morocco should continue.

98. The FATF Secretariat also carried out a preliminary visit to Egypt in May 1995 to prepare the way for a full mission later in the year.

#### Co-operation with Regional and International Organisations

99. To promote co-ordination of the activities of the regional and international bodies concerned with combating money laundering, the FATF has organised regular meetings of these various bodies. These meetings discuss forward work programmes and proposed initiatives with a view to eliminating duplication of activities and mutually reinforcing each other's efforts. In FATF-VI, we have in particular reinforced our links with the international financial institutions -- the IMF and the World Bank: the IMF is currently carrying out a study of the economic aspects of money laundering which it hopes to complete later this year.

100. The FATF also participated in various activities organised by these other bodies during 1994-1995. In addition to the Council of Europe Money Laundering Conference referred to above, FATF representatives have taken part in meetings of the Offshore Group of Banking Supervisors; CICAD; the UNDCP ; and three major events organised by or under the auspices of the United Nations Crime Prevention and Criminal Justice Branch -- the International Conference on Preventing and Controlling Money Laundering and the Use of the Proceeds of Crime: A Global Approach (Courmayeur Mont Blanc, Italy, June 1994); the World Ministerial Conference on Organised Transnational Crime (Naples, Italy, November 1994); and the Ninth United Nations Congress on the Prevention of Crime and the Treatment of Offenders (Cairo, Egypt, April-May 1995).

#### Offshore Financial Centres

101. During the year, the FATF reviewed the question of its policy towards offshore financial centres outside its membership. The FATF's objective in relation to these centres is essentially the same as with any other financial centre -- to persuade them to endorse and implement the FATF Recommendations. Many offshore centres in fact already belong to bodies such as the Caribbean FATF, the Commonwealth or the Offshore Group of Banking Supervisors. As such, they have already made commitments to this effect (although it should be noted that the OGBS is a group of regulators rather than of governments) and are subject at least to a self-assessment procedure. The Caribbean FATF has launched its own mutual evaluation procedure. The results of the evaluations of the British Crown Dependencies of Guernsey, Jersey and the Isle of Man, made by a United Kingdom-led examination team, were presented to the June 1995 FATF Plenary meeting. Moreover, the FATF has already been in contact -- whether directly or through the agency of a particular FATF member -- with most of the offshore centres which do not belong to any of these three bodies.

102. It has therefore been decided that the FATF should not mount its own separate initiative directed at offshore centres generally. It will work with the other organisations in support of their actions and target its own efforts at those centres which are not within any existing structures. Confirmation will be sought from those OGBS members whose governments have not already endorsed the FATF Recommendations that they are committed to taking action against money laundering. It is also intended

to explore with the OGBS the possibility of its carrying out mutual evaluations of those of its members who are not already subject to this process. Other actions will be determined on a case-by-case basis.

Priority areas for action for the rest of 1995

103. Over the next six months or so, the external relations actions envisaged by the FATF are as follows:

(a) Asia

104. A mission to the People's Republic of China is planned in August. It is also intended to have bilateral contacts with Indonesia, the Republic of Korea, the Philippines and Thailand. The third Asia Money Laundering Symposium will be held in Tokyo in December.

(b) Central and Eastern Europe

105. Given the various initiatives being planned in this region by the Council of Europe and the European Commission (through the PHARE programme), the FATF intends to restrict its actions to following up the progress made by Russia and the Czech Republic in implementing anti-laundering measures. A mission to Bulgaria is also planned.

(c) Africa

106. A mission to Cairo will take place in October for discussions with Egyptian government agencies. It is also planned to hold a conference for selected West African countries later in the year, to be followed by a seminar for Southern African countries early in 1996.

(d) Caribbean and South America

107. No specific FATF actions are planned in these areas but the FATF will continue to follow closely both the Caribbean FATF process and the money laundering initiative launched by the 1994 Summit of the Americas.

## CONCLUSION

108. It is now just over five years since the FATF produced its first report, which set out its forty Recommendations for combating money laundering. Great progress has been achieved over this period both within and outside the FATF membership. The anti-laundering policies of FATF members themselves have substantially converged, with particular improvements being made this year in implementing the Recommendations regarding the role of the financial sector. Most of the membership have now achieved or are close to achieving an acceptable standard. In the international community as a whole, there is now a global awareness of the threat posed by money laundering. More and more countries throughout the world are taking action to combat money laundering and there has also been a widespread mobilisation of international and regional organisations. Our knowledge of money laundering methods and trends has also developed enormously.

109. However, the FATF's work is far from complete. Even in its own membership, there still remain some gaps in compliance with the Recommendations and certain members need to take urgent action to ensure that they attain the necessary minimum standard without further delay. New Zealand currently has two Bills before its Parliament which will introduce a very broad money laundering offence and wide-ranging measures dealing with the financial sector and cross-border currency movements. It expects to enact this legislation by the end of the year. Greece has already made money laundering a criminal offence but has so far yet to come into compliance with a significant number of the financial Recommendations. It has now drafted legislation dealing with anti-money laundering measures in the financial sector. It is clearly very important that this legislation is enacted as quickly as possible. Turkey has so far implemented very few of the Recommendations. Turkey has drafted anti-money legislation but cannot indicate when this is likely to be enacted. This legislation needs to be expedited as a matter of urgency. The FATF will continue to scrutinise closely the performance of its members in applying the Recommendations, although the emphasis will now increasingly shift towards assessing the effectiveness of the laws and systems in practice - the focus of the second round of mutual evaluations which will begin in 1996. In addition, the FATF will continue to urge its members to establish good bilateral contacts between law enforcement agencies and to develop co-operation agreements so as to strengthen the international fight against money laundering.

110. In parallel, it is essential to maintain and develop the momentum of efforts to combat money laundering at the global level. The FATF's goal remains to persuade all countries with significant financial centres to endorse and implement the FATF Recommendations. In co-operation with other international bodies, the FATF will continue to pursue an active programme of contacts with third countries to achieve this.

111. Since money laundering is a dynamic activity, it is also essential to keep track of developments in trends and techniques. In particular, we need to expand our knowledge of the money laundering methods used in non-member countries and examine the implications of new technology and alternate payment systems for money laundering. Last but not least, we need to take stock of the forty Recommendations of 1990 against the experience of the last five years.

112. These tasks will be carried forward in FATF-VII, which begins on 1 July 1995, under the Presidency of the United States.