

FATF



FINANCIAL ACTION TASK FORCE

# ANNUAL REPORT 2012-2013





FINANCIAL ACTION TASK FORCE

The Financial Action Task Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CFT) standard.

For more information about the FATF, please visit the website:

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## Abbreviations

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AML	Anti-money laundering
APG	Asia/Pacific Group on Money Laundering
CFATF	Caribbean Financial Action Task Force
CFT	Counter-terrorism financing
EAG	Eurasian Group on combating money laundering and financing of terrorism
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
FIU	Financial Intelligence Units
FSRB	FATF-Style Regional Body
GABAC	<i>Groupe d'Action Contre le Blanchiment d'Argent en Afrique Centrale</i>
GAFISUD	Financial Action Task Force on Money Laundering in South America
GIABA	Inter Governmental Group against Money Laundering in West Africa
GNCG	Global Network Coordination Group
GPMI	(G20) Global Platform for Financial Inclusion
ICRG	International Co-operation Review Group
IMF	International Monetary Fund
MENAFATF	Middle East and North Africa Financial Action Task Force
MER	Mutual Evaluation Report
MONEYVAL	Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
PEP	Politically exposed person
VTC	Voluntary Tax Compliance
WGEI	Working Group on Evaluations and Implementation
WGTM	Working Group on Money Laundering and Terrorist Financing
WGTYP	Working Group on Typologies



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## FATF President

# Bjørn Aamo

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Mr. Bjørn Aamo (Norway)  
FATF President 2012-2013

It is my pleasure to introduce the annual report of the FATF for the Norwegian Presidency. It was an honour for me to represent the FATF during the past 12 months and to have contributed to the many major achievements of the FATF during this period.

This year, a key milestone was the adoption of the revised Methodology for assessing compliance with the FATF Recommendations and the effectiveness of anti-money laundering and countering the financing of terrorism (AML/CFT) systems.

The FATF's mutual evaluation process was already widely regarded as a rigorous mechanism to assess a country's compliance with the FATF Standards<sup>1</sup>. With the newly adopted Methodology, the FATF has added a new dimension to its assessment process. Future assessments will not only focus on technical compliance with the FATF Standards, they will also look at how effective a country's AML/CFT measures are in practice. The initiative to focus on how effectively its standards have been implemented, is one that has not yet been taken by any other standard-setting body. The two-pronged

approach to assessments - focusing on technical compliance and effectiveness - will bring its challenges to the FATF and the assessment teams. But, it will result in an in-depth knowledge of a country's money laundering and terrorist financing threats and risks and its AML/CFT measures. This will allow the FATF to be significantly more precise and targeted in its recommendations to the country to address any deficiencies. After all, the mutual evaluation is a starting point for a country to work on addressing any weaknesses found during the assessment. With better and clearer recommendations for improvements, the country will be better placed to improve its AML/CFT measures. I am convinced that ultimately, this will result in a stronger and safer global financial system.

Liaising with private sector and civil society was one of my priorities for the Norwegian presidency year. I am pleased with the interactions that the FATF has had with stakeholders outside the FATF membership. In addition to the private sector consultative forum meeting, the FATF engaged directly and on a broad scale with representatives from the non-profit sector to revise its best practices on combating the abuse of non-profit organisations. Twenty NPOs took part in the first dialogue meeting, which

1. The FATF standards comprise the FATF Recommendations and their Interpretive Notes.

underlined the importance of protecting the legitimate activities of NPOs. FATF also consulted extensively with representatives from the legal sector on the typologies report on money laundering and terrorist financing vulnerabilities of legal professionals. This ongoing interaction with the private sector and civil society will help ensure that FATF's work stays relevant and up to date.

In response to a call by the G20, the FATF continued to explore how the FATF Recommendations can be used in the fight against corruption. In this context, the FATF organised an experts' meeting with AML/CFT and anti-corruption experts in collaboration with the G20 Anti-Corruption Working Group, and issued guidance on politically exposed persons.

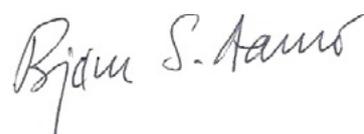
Financial Inclusion remains an issue of great importance to the FATF. This year, the FATF adopted a revised and updated guidance on AML/CFT measures and financial inclusion. The UN Secretary General's Special Advocate for Inclusive Finance for Development, HM Queen Máxima of the Netherlands, addressed the June Plenary meeting of the FATF in Oslo. On that occasion, she congratulated the FATF on its efforts to design AML/CFT measures that provide a strong protection of the financial system and that meet the goal of financial inclusion.

The FATF achieved many key outcomes this year. Many important reports were published, such as updated guidance and best practice papers to assist in the implementation of the 2012 FATF Recommendations and guidance on conducting a national risk assessment. The FATF followed up on the progress made by those members whose AML/CFT measures were found to have deficiencies as reported during the last round of mutual evaluations.

During the Norwegian Presidency year, Finland; Hong Kong, China; India and Ireland were removed from the FATF's follow-up process as a result of the positive action they had taken to strengthen their AML/CFT measures. FATF identified new high-risk and uncooperative countries and worked with those that had already been identified to address their deficiencies. As a result of this work, Bolivia, Brunei Darussalam, Ghana, the Philippines, Sri Lanka, Thailand, Trinidad and Tobago and Venezuela are now longer subject to FATF's ongoing AML/CFT compliance process.

During this year, the FATF has also reviewed its internal structure and working methods to ensure it remains effective and flexible.

It has been a privilege to be a part of the FATF family this past year. I leave the leadership of the FATF to my successor Vladimir Nechaev. I am confident that he has the expertise and experience to meet the challenges of the fourth round of mutual evaluations and to lead the FATF in all facets of its important work.



Bjørn Aamo  
FATF President (2012-2013)

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## Foreword from the Executive Secretary Rick McDonell

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Mr. Rick McDonell  
FATF Executive Secretary

The workload of the FATF and the FATF Secretariat has continued to grow in recent years. At the same time, the resources available to the FATF Secretariat to carry out its tasks have become increasingly stretched. As noted by the FATF President, the fourth round of mutual evaluations, which will commence at the end of 2013, will bring many challenges. One of those challenges is the demand on FATF's resources. The new assessment process is likely to be more resource intensive than earlier mutual evaluation rounds, given the added emphasis on assessing effectiveness.

This year, the FATF Plenary adopted a proposal by the FATF President and Vice-President to improve the FATF's internal working structures. A new working group structure will provide a clearer division of the work areas. New and revised internal processes will provide the FATF and the FATF Secretariat with better mechanisms to face future challenges and priorities and to carry out the tasks as set out in the FATF Mandate, adopted by Ministers in April 2012.

The FATF is also co-operating with the FATF Style Regional Bodies (FSRBs) to compare and review operating methods, to strengthen mutual co-operation and improve common

operating standards. Strengthening the Global Network of FATF and FSRB members remains a priority for the FATF as it is through this network that the FATF can achieve global implementation of the FATF standards.

A handwritten signature in black ink, appearing to read 'Rick McDonell'. The signature is fluid and cursive, written on a white background.

Rick McDonell  
FATF Executive Secretary

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# 1. Setting the International Standards

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The Financial Action Task Force (FATF) is the global standard-setter in the fight against money laundering, and the financing of terrorism and the proliferation of weapons of mass destruction, all of which are serious threats to global security and the integrity of the financial system. The *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation*, also known as the *FATF Recommendations*, set out the measures that countries should have in place in their legal systems in order to fight these threats. The FATF Recommendations are used by a global network of 188 countries. The FATF Recommendations were revised in 2012 to take into account the changing threats to the international financial system and lessons learnt from implementing and evaluating the earlier set of Recommendations.

## New Guidance

Following the adoption of the revised FATF Recommendations in February 2012, a key area of work for FATF during 2012-2013 has been to update the guidance and best practices reports to bring them in line with the new Recommendations. The FATF's guidance and best practices reports assist countries in their implementation of the FATF Recommendations.

The ability to confiscate the proceeds of crime is an important part of an effective money laundering and counter-terrorist financing regime. In October 2012, the FATF adopted the revised *Best Practices Paper on Confiscation (Recommendations 4 and 38)* and a *Framework for Ongoing Work on Asset Recovery*. Originally adopted in February 2010, this paper aims to assist countries in creating a robust system of provisional measures and confiscation. It has proven to be a useful tool for practitioners in the implementation of the necessary measures to strengthen legal frameworks, minimise structural obstacles, and streamline processes and procedures for effective tracing and confiscation.

In June 2013, the FATF adopted the following three guidance papers and two best practices reports. The *Guidance for a Risk-based Approach to Prepaid Cards, Mobile Payments and Internet-based Payment Services* assists countries in the application of a risk-based approach to implementing AML/CFT measures to new and innovative payment products and services which have the potential of being used to launder and use illicit funds if adequate risk-mitigation measures are not in place. This guidance is based on previous FATF typologies studies that considered the ML/TF vulnerabilities of new payment

products and services. In consultation with the private sector, the FATF has now developed guidance which examines how these products work, how to identify risk factors that can significantly differ from one new payment product or service to another (depending on functionality), what risk mitigants can be tailored to a particular new payment product or service to address its specific risk profile, and how to regulate and supervise the activity. In areas where the majority of the population does not have access to classic banking services, these new payment products and services are often the only method for the 'unbanked' to access the financial system. From a 'financial inclusion' perspective, this guidance should therefore be read in conjunction with the *FATF guidance on anti-money laundering and terrorist financing measures and financial inclusion*.

The FATF adopted *Guidance on Politically Exposed Persons (Recommendations 12 and 22)*. Many politically exposed persons (PEPs) hold positions that can be abused for the purpose of laundering illicit funds or committing other predicate offences such as corruption or bribery. FATF Recommendations 12 and 22 require the application of additional preventive AML/CFT measures to business relationships with PEPs, in addition to normal customer due diligence measures. These requirements are preventive in nature, and should in no way be interpreted as meaning that all PEPs are involved in criminal activity. The FATF has developed guidance which will assist in the effective implementation of these additional measures for foreign, domestic and international organisation PEPs, their family members and close associates.

The *Guidance on the Implementation of Financial Provisions of UNSCRs to Counter the Proliferation of Weapons of Mass*

*Destruction* addresses the implementation of Recommendation 7. This Recommendations requires that countries implement targeted financial sanctions to comply with the United Nations Security Council Resolutions (UNSCRs) relating to the prevention, suppression and disruption of proliferation of weapons of mass destructions (WMD) and its financing. This guidance consolidates three FATF Guidance papers that were published between 2007 and 2008 which have been brought in line with the revised FATF Recommendations.

The FATF has undertaken a limited update of its *Best Practices Paper on Combating the Abuse of Non-Profit Organisations* which addresses a key area of concern, namely the abuse of charitable organisations for the purpose of terrorist financing. Unfortunately, charitable fundraising has been used to provide a cover for the financing of terrorism. Cases range from organisations where donors, management or staff were not aware of this abuse, to cases where the charitable organisations existed purely as a front to funnel money to terrorists. FATF Recommendation 8 and its Interpretive Note require countries to implement measures to protect the NPOs sector from abuse. However, such measures should not disrupt or discourage charitable or other legitimate activities of NPOs.

As part of the revision process, the FATF held a Consultation and Dialogue with NPOs in April 2013. This meeting was chaired by the FATF President, and stressed the importance of ensuring that FATF Recommendation 8 on non-profit organisation is not implemented in such a way that disrupts or discourages legitimate charitable activity.

This limited update brings the original

best practices paper (which was issued in October 2002) into line with the revised FATF Recommendations, and highlights that measures to protect NPOs from misuse should not disrupt or discourage legitimate charitable activities. Going forward, the FATF will be undertaking typologies work on this issue, after which the FATF will reconsider this paper with a view to determining whether further updates are needed.

Recommendation 6 requires countries to implement targeted financial sanctions to comply with the United Nations Security Council Resolutions (UNSCRs) relating to the prevention and suppression of terrorism and terrorist financing. These resolutions require countries to freeze, without delay, the funds or other assets of designated persons or entities involved in terrorism or terrorist financing. They also require countries to prevent funds or other assets from being made available for the benefit of designate persons and entities. Without the ability to freeze funds of assets quickly, and when necessary, efforts to combat terrorist financing are greatly undermined. The updated *Best Practices Paper on Targeted Financial Sanctions related to Terrorism and Terrorist Financing (Recommendation 6)* provides best practices to help countries in their implementation of targeted financial sanctions to prevent and suppress terrorist financing in accordance with the relevant UNSCRs.



FATF President Bjørn Aamo at Special meeting of the United Nations Counter-Terrorism Committee with Member States and relevant international and regional organizations on preventing and suppressing terrorist financing, New York, 20 November 2012

## Financial Inclusion

The promotion of well-regulated financial systems and services is central to any effective and comprehensive AML/CFT regime and remains a priority for the FATF. In February 2012 the FATF published its revised *Guidance on Anti-Money Laundering and Terrorist Financing Measures and Financial Inclusion*. This guidance was originally published in 2011 to provide support to countries and their financial institutions in designing AML/CFT measures that meet the goal of financial inclusion, without compromising the measures that exist for the purpose of combating crime. The guidance has since been updated to bring it in line with the revised FATF Recommendations. In particular it provides guidance on the reinforcement of the risk-based approach (RBA), as a general and underlying principle of all AML/CFT systems. FATF believes that the development of risk-sensitive AML/CFT frameworks will be a key step for countries that wish to build a more inclusive formal financial system, and give access to appropriate financial services to a larger proportion of the population, including the most vulnerable and un-served groups. This project was conducted in partnership with the World Bank and the Asia/Pacific Group on Money Laundering (APG), and in consultation with the financial industry.

Financial inclusion, financial integrity and financial stability are mutually reinforcing objectives. This was stressed by the United Nations Special Advocate for Financial Inclusion, Her Majesty Queen Máxima of the Netherlands at the meeting of the FATF Plenary on 20 June 2013. At the invitation of FATF President Bjørn Aamo, H.M. Queen Máxima's addressed the FATF Plenary on Strengthening Financial Integrity through Financial Inclusion. H.M. Queen Máxima

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As you consider all these new products, I urge you to look if and how these products are used. Because the use of informal financial services frequently persists because they are often more convenient, more reliable, or sometimes cheaper than formal ones. For example, international migrant workers are expected to send home about USD 450 billion this year through formal services, paying fees as high as 20%. They are also expected to send an additional USD 150 billion through informal channels, even though these are known to be not very safe for sender or receiver. FATF's continued focus on financial inclusion will help policy makers set regulations that encourage even better and cheaper products in order to tackle informality. ”

**H.M. Queen Máxima of the Netherlands**  
UN Secretary General's Special Advocate for  
Inclusive Finance for Development  
FATF Plenary Meeting, Oslo, 20 June 2013



From left: Minister of Finance of Norway, Sigbjørn Johnsen, H.M. Queen Máxima of the Netherlands and FATF President Bjørn Aamo, FATF Plenary, Oslo, 20 June 2013.

noted that in international fora, the G20 has encouraged FATF's efforts on financial inclusion. Financial inclusion is also being discussed as part of the global development agenda that will come into effect after 2015. For the FATF, financial inclusion will remain an important task in coming years, both in policy development and in other areas of work.

“ FATF has helped to develop a financial system that effectively reaches about two-thirds of the world's population. As the system expands to include the other third, we enter a new phase of financial system development. This is tremendously exciting. In FATF's second quarter century, you can build on its legacy as a body that, in breaking new ground, guides us all to a safer, more prosperous and more equitable future.”

H.M. Queen Máxima of the Netherlands  
UN Secretary General's Special Advocate for  
Inclusive Finance for Development



The image shows the cover of a FATF guidance document. At the top left is the FATF logo, and to its right are the logos for the Asia-Pacific Group (APG) and The World Bank. The title of the document is 'FATF GUIDANCE Anti-Money Laundering and Terrorist Financing Measures and Financial Inclusion'. Below the title is a photograph of a group of people in a market setting. The date 'February 2013' is visible at the bottom of the cover image.

**Guidance on Anti-Money Laundering and Terrorist Financing Measures and Financial Inclusion**

Document available on [www.fatf-gafi.org](http://www.fatf-gafi.org)

## FATF and Corruption

The FATF recognises the link between corruption and money laundering, including how AML/CFT measures can help combat corruption. The international community also recognises that the FATF Recommendations are a powerful tool in the fight against corruption. Effective implementation of the FATF Recommendations creates an environment in which it is much more difficult for corruption to thrive and go undetected and unpunished. In response to a call by G20 leaders the FATF strengthened corruption-related measures in its 2012 FATF Recommendations by tightening the requirements on customer due diligence,

beneficial ownership, politically exposed persons, and the transparency of cross-border wire transfers, and by requiring countries to take immediate steps to become party to and implement fully the United Nations Convention Against Corruption.

In February 2013, the FATF issued a new Methodology for assessing compliance with the FATF Recommendations. The new assessment process will have a greater focus on how effectively the FATF Recommendations are being implemented, including how implementation is being influenced by contextual factors, such as the level of

corruption and the impact of measures to combat corruption. In June 2013, the FATF adopted the *Guidance on Politically Exposed Persons (Recommendations 12 and 22)* which is clearly relevant to both AML/CFT and anti-corruption issues.

The FATF provides regular updates to the G20 on anti-corruption related developments. The FATF also continues to work closely with the G20 Anti-Corruption Working Group (G20 ACWG). In October 2012, the FATF organised its second Experts Meeting on Corruption in collaboration with the G20 ACWG. The meeting brought together anti-money laundering and counter-terrorist financing (AML/CFT) experts and anti-corruption (AC) experts. The purpose of the Experts Meeting on Corruption was to discuss issues of mutual interest, such as key challenges and possible solutions for facilitating international co-operation. Both AC and AML experts recognised that there was a need for a greater understanding, at the policy, legislative, operational and enforcement levels of how AML/CFT measures may be effectively

leveraged in the fight against corruption. Following the experts meeting, the FATF updated its information note on the *Use of the FATF Recommendations to Support the Fight Against Corruption* (originally published in 2010) to bring it in line with the revised FATF Recommendations. The information note explains how effectively implementing the FATF Recommendations can:

- ▶ better safeguard the integrity of the public sector
- ▶ protect designated private sector institutions from abuse
- ▶ increase transparency of the financial system, and
- ▶ facilitate the detection, investigation and prosecution of corruption and money laundering, and the recovery of stolen assets.

Information Note:

### **The Use of the FATF Recommendations to Support the Fight Against Corruption**

Document available on [www.fatf-gafi.org](http://www.fatf-gafi.org)



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## 2. Monitoring Compliance

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**The FATF's Mutual Evaluation and Follow-Up processes provide rigorous tools to assess a country's compliance with the FATF Recommendations and its progress in addressing deficiencies in their AML/CFT measures.**

### Fourth Round of Evaluations

The 2012 FATF Recommendations require all countries to have effective systems for preventing and addressing money laundering, terrorist financing and the financing of proliferation. The Recommendations provide a balance between an obligation to strengthen requirements in areas where the risks are higher, and by enabling countries to prioritise their resources and allocate them efficiently.

After three rounds of assessments of its members' compliance with the FATF Recommendations, the FATF concluded that there needs to be greater focus on the effectiveness of each country's AML/CFT system. The 3<sup>rd</sup> round of evaluations assessed compliance with the FATF Recommendations, which included a limited analysis of the effectiveness of implementation. The assessment of compliance with the 2012 FATF Recommendations will examine technical compliance with the Standards, but will also

look more comprehensively at how effective each country's AML/CFT measures really are. The *Methodology for assessing compliance with the FATF Recommendations* comprises two inter-linked components:

- ▶ Technical Compliance Assessment - will determine whether the fundamental components of an AML/CFT system, as set out in the requirements for each of the FATF's Recommendations, are present in the country.
- ▶ Effectiveness Assessment - will determine how well these fundamental components work together and how effectively they meet a set of defined outcomes that are central to a strong AML/CFT system.

Technical compliance remains an important aspect of the fourth round assessments. The technical compliance assessment looks at the foundations of a country's AML/CFT regime. Without a strong foundation, it is hard for a country's AML/CFT regime to be truly effective and reach the objective of protecting the financial system and the broader economy from the threat of illicit financing.

Assessing the effectiveness of a country's AML/CFT regime is fundamentally different from a technical compliance assessment. Assessors will not focus on specific requirements, or whether all the elements of a particular Recommendation are in place. Instead, they will determine whether the key objectives of an effective AML/CFT system are being met. This is not a statistical exercise, with a checklist of specific requirements. The assessment of the effectiveness of a country's AML/CFT system will rely on the judgement of the assessors, based on their understanding of how the country's AML/CFT regime works in practice, taking into account the country's risk and context.

## Immediate Outcomes

The overall goal of implementing the FATF Recommendations effectively is to ensure that financial systems and the broader economy are protected from the threats posed by money laundering and the financing of terrorism and proliferation. In order to determine whether this broader goal is being effectively achieved by each country, the FATF will focus the assessment of effectiveness on eleven Immediate Outcomes (see Figure 1). Each of these represents key goals that an effective AML/CFT system should achieve.

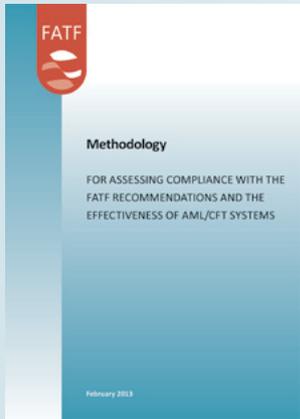
## Ratings and Recommendations

The assessment of a country will result in two sets of ratings:

- ▶ The level of technical compliance with each of the FATF Recommendations: Compliant; largely compliant; partially compliant; non-compliant).
- ▶ The level of effectiveness on each of the 11 Immediate Outcomes: ranges from high level of effectiveness to low level of effectiveness.

A vitally important part of the evaluations are the recommendations to the country on measures that it can take to improve its AML/CFT system.

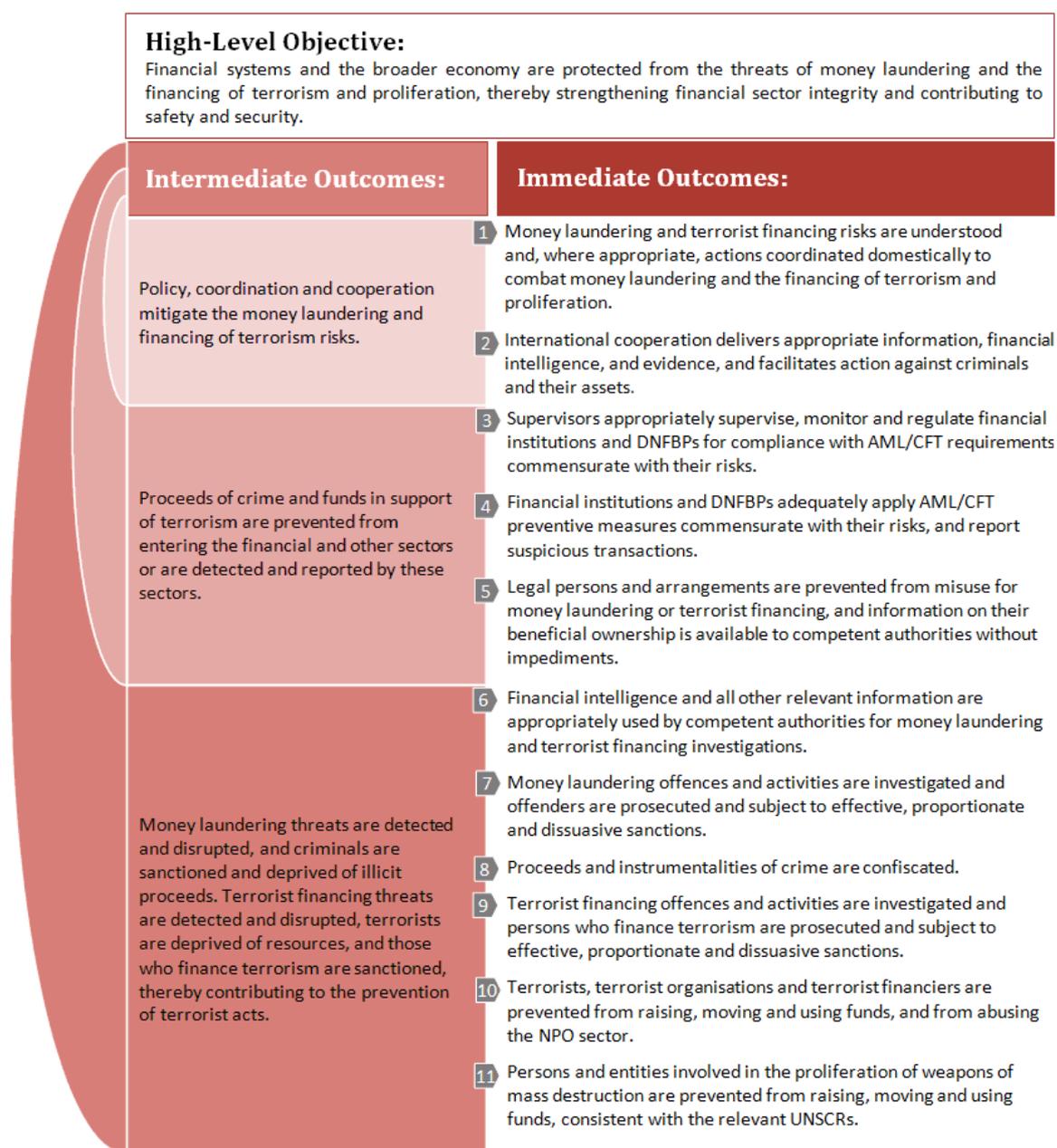
Through the FATF's follow-up process, the FATF will continue to closely monitor the progress the country is making in addressing the deficiencies identified in the report and putting in place the recommendations made by the assessment team.



**The Methodology for assessing compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems**

Document available on [www.fatf-gafi.org](http://www.fatf-gafi.org)

**Figure 1. Relation between High-Level Objective, Intermediate Outcomes and Immediate Outcomes**



## Risk Assessments

The FATF Recommendations require each country to develop its own national risk assessment. An essential step for countries in developing and implementing an AML/CFT regime is to identify, assess and understand their money laundering and terrorist financing risks. Once these risks are fully understood, then countries can focus their resources on the areas where the risks are greatest. This approach is central to the FATF Recommendations. The assessors will use this risk-assessment to build an understanding of the country's risks and context. The assessors will also evaluate how the country conducted its risk-assessment and whether the conclusions drawn were reasonable, given the information and analysis used.

To assist countries in the conduct of a risk assessment at a national level, the FATF has developed the *National money laundering and terrorist financing risk assessment guidance*. Although developed for national risk assessments, the general principles contained in this paper are also relevant when conducting more focused risk assessments. For example, the assessment of a particular financial sector.



## Third Round Follow-up

The FATF continues its process for following-up on the mutual evaluations conducted in the third round. Countries in the follow-up process regularly report back to the FATF on steps they have taken to address the shortcomings in their mutual evaluation report. If the AML/CFT deficiencies are particularly serious, or if the country is not making sufficient progress in addressing them, then the country will be placed in the enhanced follow-up process. The FATF closely monitors the progress that all members are making to strengthen their AML/CFT system, and countries that have sufficiently addressed the deficiencies are able to apply to be removed from the follow up process.

In October 2012, Hong Kong,China submitted its report seeking to exit follow-up, and in June 2013, Finland, India and Ireland also submitted their reports. The FATF Plenary considered these reports and decided for all four jurisdictions had sufficiently addressed the most significant problem areas in their AML/CFT systems, and could exit follow up.

As of 30 June 2013, the following countries are not in the follow up process:

Belgium	Norway
China	Portugal
Denmark	Singapore
France	Spain
Greece	Sweden
Hong Kong,China	Switzerland
Italy	the United Kingdom

## FATF-Style Regional Bodies' Assessments

During the past year, the FATF-Style Regional Bodies (FSRBs) adopted 17 mutual evaluations. These mutual evaluations were based on the 40+9 Recommendations as set out in the 2004 Methodology. The full reports are available on the websites of the assessing bodies.

The Secretariats of the FATF, the FSRB, and the IMF and World Bank work closely together in order to achieve a level of consistency in the approach to conducting a mutual evaluation. They use standard documentation and participate in the examination and discussion of draft evaluation reports.

Collaboration at this level is further achieved through the membership of approximately half of the FATF members to more than one or more FSRB, either as a full member or an observer.

FSRB	Country/countries assessed
APG	Timor- Leste Nauru Niue
CFATF	Sint Maarten
EAG	-
ESAAMLG	Republic of Angola
GAFISUD	-
GIABA	Côte d'Ivoire Guinea São Tomé and Príncipe
MENAFATF	Sudan Iraq Bahrain

FSRB	Country/countries assessed
MONEYVAL <sup>1</sup>	Georgia Latvia Lithuania Moldova Poland Holy See

1. MONEYVAL is in the process of conducting a 4th "follow-up" round on the basis of the 2004 FATF Methodology. Generally, this round examines the current effectiveness of implementation of all key and core and some other important FATF recommendations, whatever the rating achieved in the 3rd round, as well as all other FATF Recommendations where the rating was NC or PC in the 3rd round.

## Voluntary Tax Compliance Programmes

In June 2010, the FATF adopted four basic principles in relation to AML/CFT policy implications of voluntary tax compliance (VTC) programmes. These principles underscore the importance of ensuring that jurisdictions address and mitigate the ML/FT risks of VTC programmes, and are able to effectively investigate and prosecute their abuse.

All countries are urged to ensure that their VTC programmes are consistent with the FATF Recommendations and the FATF's four principles. FATF Members are required to inform the FATF of any new VTC schemes, including tax amnesty/asset repatriation programmes.

Throughout the past year, the FATF reviewed a number of new VTC programmes in order to determine if any elements of these programmes had a negative impact on a country's AML/CFT measures. In June 2012, the FATF discussed the planned VTC programme of Curaçao. At the time there

were some concerns about this programme. In October 2012, the FATF heard an updated report on Curaçao's VTC programme. Based on these additional materials, the FATF found that no particular elements of the programme were in breach of the FATF's five principles and the FATF decided that no further action was required.

In June 2013, the FATF heard reports on the VTC programmes of Argentina and Turkey. On Argentina, the FATF received from the country preliminary information on the planned programme which would take effect in July. The FATF expects the country to apply all AML/CFT measures to the programme. The FATF will further study the programme once all relevant information becomes available.

Argentina, Curaçao and Turkey committed to ensuring that their VTC programmes are consistent with the FATF Recommendations and FATF's four principles on the VTC.

To assist countries in their implementation of a VTC programme that does not impede on the effective implementation, the FATF updated its 2010 best practices paper on VTC. The *Best Practices: Managing the anti-money laundering and counter-terrorist financing policy implications of voluntary tax compliance programmes* was updated in October 2012 in order to clarify the application of the four basic principles on voluntary tax compliance since tax crimes became a predicate offence to money laundering, with the adoption of the 2012 FATF Recommendations.

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## 3. Typologies

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Anti-money laundering and countering the financing of terrorism measures need to be able to adapt to the changing methods and trends used to launder and use illicit assets. An important part of FATF work is the ongoing research into money laundering methods and trends, also referred to as typologies.

The typologies research projects are based on experiences in the field. Law enforcement or financial intelligence units, for example, are in the best position to detect new money laundering techniques or changes to old ones and then bring this information to the attention of the FATF. The FATF establishes a project team to gather intelligence about these techniques in order to understand and describe the ML/TF threat that such techniques represent. The research teams also look at the specific ML/TF vulnerabilities that might be exploited by criminals so as to allow them to use and launder illicit assets. The project teams consist of experts in the relevant area from a number of member countries, in particular those with experience dealing with the particular ML/TF technique or vulnerability.

The FATF publishes the findings of these research projects in a series of typologies reports that aim to raise global awareness and

thus lead to earlier detection of the misuse of the financial system. Typologies research also identifies areas where additional guidance may be needed. Ultimately, the typologies work plays a crucial role in ensuring that the FATF standards respond to new and evolving money laundering and terrorist financing techniques.

The 2012 FATF Recommendations include tax crimes as a predicate offence for money laundering. This year, the FATF has undertaken a mapping exercise and identified a body of case studies based on the experiences from countries where tax crimes have been a predicate offence for some time. These practical experiences with operational issues in the area of money laundering associated with tax crimes, along with increased practical co-operation, will provide a good basis for better working relationships with other international organisations in fighting tax crimes.

### 2012 Typologies Exercise

The FATF and the Inter Governmental Action Group against Money Laundering in West Africa (GIABA) organised a joint experts' meeting on typologies in Dakar, Senegal from 26 to 28 November 2012.

Over 150 delegates attended the meeting, representing 48 delegations from the FATF and GIABA Memberships.

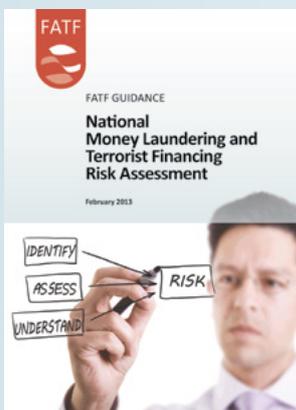
The annual joint experts' meeting brings together typologies experts in a series of workshops where new and on-going research projects are discussed. The workshops for this year's event focused on: terrorist financing in West Africa; the trade in diamonds; legal professionals; counterfeiting of currency and hawala. The discussions during the workshops allow the project members to validate progress and conclusions they have made so far and help them identify areas where additional focus is required. Two of the projects came to a conclusion by the end of this FATF year: legal professionals and counterfeiting of currency. The FATF will approve the final reports for the others in the second half of 2013.

## Typologies Research 2012-2013

In 2012-2013, the FATF finalised and published three typologies-related documents. The FATF adopted guidance on *National Money Laundering and Terrorist Financing Risk Assessment* in February 2013. This document is intended to assist countries in the conduct of a risk assessment at the country or national level in order to develop a better understanding of their money laundering and terrorist financing risks.

### National Money Laundering and Terrorist Financing Risk Assessment

Understanding the money laundering and terrorist financing risks is an essential part of developing and implementing a national anti-money laundering / countering the financing of terrorism (AML/CFT) regime.



A risk assessment allows countries to identify, assess and understand its money laundering and terrorist financing risks. Once these risks are properly understood, countries can apply AML/CFT measures that correspond to the level of risk, in other words: the risk-based approach (RBA). The risk-based approach, which is central to the FATF Recommendations, enables countries to prioritise their resources and allocate them efficiently.

The FATF has developed guidance which will assist countries in the conduct of risk assessment at the country or national level. The principles described in this guidance are also relevant to more focussed risk assessments, for example of a particular financial sector.

Document available on [www.fatf-gafi.org](http://www.fatf-gafi.org).

In June 2013, The FATF Plenary adopted two typologies studies: *Money Laundering and Terrorist Financing Related to Counterfeiting of Currency*, and *Money Laundering and Terrorist Financing Vulnerabilities of Legal Professionals*.

As part of the research project on money laundering and terrorist vulnerabilities of the legal professionals, the FATF sought the views of representatives of the legal profession. This collaboration allowed the FATF to clarify issues, where necessary, so that the final report could reach its potential of educating legal professionals on the potential ML/TF vulnerabilities of their sector. In October 2012, the FATF Plenary published a typologies

research report by the Asia Pacific Group on Money Laundering (APG) on trade based money laundering. This report builds on the 2006 FATF report on the same subject. The APG Typologies Report aims to update and extend the previous FATF study to identify current methods and techniques as well as to consider why so few TBML case investigations or prosecutions have been undertaken since the 2006 report.

## Money Laundering and Terrorist Financing Related to Counterfeiting of Currency



Producing counterfeit currency has always been a high profit crime and one that exists ever since money was introduced as a means of exchange. The circulation of counterfeit currency can seriously destabilise a country's currency and as such represents a serious threat to national economies. The FATF has conducted a study of the money laundering methods used for putting the proceeds of the illicit trade in counterfeit currency into the regular financial system. The study also focuses on how counterfeit currency is used for the purpose of terrorist financing and other crimes. The report identifies relevant AML/CFT measures and red flag indicators for detecting counterfeit currency, in particular as it relates to money laundering and terrorist financing.

Document available on [www.fatf-gafi.org](http://www.fatf-gafi.org).

## Money Laundering and Terrorist Financing Vulnerabilities of Legal Professionals

Criminals seek out the involvement of legal professionals in their ML/TF activities, sometimes because a legal professional is required to complete certain transactions, and sometimes to access specialised legal and notarial skills and services which could assist the laundering of the proceeds of crime and the funding of terrorism.

The report identifies a number of ML/TF methods that commonly employ or, in some countries, require the services of a legal professional. Inherently these activities pose ML/TF risk. When clients seek to misuse the legal professional's services in these areas, even law abiding legal professionals may be vulnerable. The methods are:

- ▶ misuse of client accounts
- ▶ purchase of real property
- ▶ creation of trusts and companies
- ▶ management of trusts and companies
- ▶ managing client affairs and making introductions
- ▶ undertaking certain litigation
- ▶ setting up and managing charities

The report also describes red flag indicators of ML/TF which may be useful to legal professionals, self-regulatory bodies (SRBs), competent authorities and law enforcement agencies.

In this report, over 100 case studies referring to these and other ML/TF methods were taken into account. Some of these case studies show that not all legal professionals are undertaking client due diligence (CDD) when required. Even where due diligence is obtained, if the legal professional lacks understanding of the ML/TF vulnerabilities and red flag indicators, they are less able to use that information to prevent the misuse of their services.



The report also challenges the perception sometimes held by criminals, and at times supported by claims from legal professionals themselves, that legal professional privilege or professional secrecy would lawfully enable a legal professional to continue to act for a client who was engaging in criminal activity and/or prevent law enforcement from accessing information to enable the client to be prosecuted.

Document available on [www.fatf-gafi.org](http://www.fatf-gafi.org).

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## 4. High-Risk and Non-Cooperative Jurisdictions

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The global financial system is only as strong as its weakest link. A key objective of the FATF is therefore to identify strategic weaknesses in national AML/CFT regimes. FATF identifies and engages with high-risk, non-cooperative jurisdictions and those with strategic deficiencies in their national AML/CFT regimes. FATF co-ordinates action to protect the integrity of the financial system against the threat posed by them.

Our experience has shown that the public identification of jurisdictions whose AML/CFT measures are insufficient encourages them to make significant improvements. This has resulted in better worldwide compliance with the FATF Standards and enhanced international co-operation to counter money laundering, terrorist financing, and other related threats. As of June 2013, the FATF had reviewed over 70 countries and publicly identified 50. Nearly all countries in the process have made some AML/CFT improvements. Many have made significant progress, and 15 have made sufficient progress so as to be removed from FATF review (i.e. “de-listed”), including 8 countries during the last year alone. A number of others are on their way towards being de-listed.

The FATF’s efforts in identifying high-risk and

non-cooperative jurisdictions have also been reinforced by consistent calls from the G20 since 2009 to continue this successful work, as well as regularly updating a public list on non-cooperative jurisdictions and jurisdictions with strategic deficiencies.

### Review Process

The FATF’s International Co-operation Review Group (ICRG) is responsible for identifying and engaging with jurisdictions that have strategic deficiencies. ICRG reviews a large number of potentially high-risk and non-cooperative jurisdictions around the world. Initial referral to the ICRG of a particular jurisdiction is based on information on threats, vulnerabilities or particular risks arising from the jurisdiction. Such information includes, but is not exclusively based on, the results of mutual evaluation reports (MERs); or the lack of a clear commitment to implementing the FATF standards through non-participation in any of the FATF-style regional bodies.

Jurisdictions that are identified as having serious AML/CFT threats and vulnerabilities or posing significant ML/FT risks are referred to the ICRG for a preliminary or prima facie review conducted by one of the four regional review groups, covering, respectively: the

Africa/Middle East, the Americas, the Asia/Pacific, and the Europe/Eurasia regions. Based upon reports from these groups, the FATF decides whether it should conduct a more in-depth, targeted review of the relevant jurisdiction's strategic AML/ CFT deficiencies. Each reviewed jurisdiction is provided an opportunity to participate in face-to-face meetings with the regional review group in order to discuss the report, including developing an action plan with the FATF to address the deficiencies identified. The FATF specifically requests high-level political commitment to implement these action plans.

The FATF will continue identifying and reviewing potentially non-cooperative jurisdictions in this process. Engaging with these jurisdictions to strengthen global AML/CFT compliance contributes to a more successful fight against money laundering and terrorist financing, and serves to protect the integrity of the international financial system.

During the next year, the FATF will also be looking at the current ICRG procedures and considering ways to align it with the updated FATF standards and forthcoming round of mutual evaluations.

## Public Identification

On the basis of the results of the ICRG review, jurisdictions may be publicly identified in one of two public statements that are issued by the FATF, three times a year, after each meeting of the FATF Plenary. The statements provide an indication of the strategic risk emanating from each country identified and therefore the protective measures that should be taken.

The *FATF Public Statement* identifies two groups of countries, namely:

1. jurisdictions for which the FATF calls on its members and non-members to apply counter-measures.
2. jurisdictions for which the FATF calls on its members to consider the risks arising from the deficiencies associated with the country. This normally results in countries applying enhanced due diligence measures to these countries in the Public Statement.

The public document *Improving Global AML/CFT Compliance: On-going process* identifies jurisdictions with strategic AML/ CFT deficiencies that have provided a high-level commitment to address those deficiencies through implementation of an action plan developed with the FATF. The FATF encourages its members to consider the strategic deficiencies identified for these jurisdictions.

## Public statement as of June 2013

The FATF calls for countermeasures against Iran and the Democratic People's Republic of Korea. These two jurisdictions have been the subject of calls for strengthened preventive measures and the application of countermeasures since February 2009 and

February 2011, respectively.

The second group of countries on the Public Statement, for which the risks arising from the deficiencies should be considered, includes:

- Ecuador
- Ethiopia
- Indonesia
- Kenya
- Myanmar
- Pakistan
- Sao Tomé and Príncipe
- Syria
- Tanzania
- Turkey
- Vietnam
- Yemen

Due to the lack of progress made by Ecuador, the FATF decided in June 2013 that if Ecuador does not take significant action by October 2013, the FATF will consider calling upon its members and non-members to apply counter-measures proportionate to the risk associated with this country.

### Improving Global AML/CFT Compliance: On-going process as of June 2013

As of June 2013, the FATF has identified the following countries as having strategic AML/CFT deficiencies. Each of these countries has shown commitment to improve its AML/CFT regime and has worked with the FATF to develop and implement an action plan to address the shortcomings.

- Afghanistan
- Albania

- Algeria
- Angola
- Antigua and Barbuda
- Argentina
- Bangladesh
- Cambodia
- Cuba
- Kuwait
- Kyrgyzstan
- Lao PDR
- Mongolia
- Morocco
- Namibia
- Nepal
- Nicaragua
- Nigeria
- Sudan
- Tajikistan
- Zimbabwe

If the countries identified in the group above do not make sufficient progress to improve their AML/CFT system within the timelines agreed with the FATF, the FATF may decide to move the country to the FATF Public Statement. Before such a decision, the FATF will first warn the country by indicating that the FATF is not satisfied with the progress made and that the country should implement significant components of its action plan expeditiously. If, despite this warning, the country fails to demonstrate sufficient progress, it will be moved to the Public Statement. Algeria and Antigua and Barbuda were issued such a warning in June 2013. Experience has shown that such warnings have accelerated countries' actions in line with their action plans.

## Removal from ICRG review

A country may be removed from the ICRG review process and public identification if it has addressed all or nearly all of the deficiencies identified in its action plan, followed by an on-site visit to the country to confirm that implementation of the reforms is underway and that there is political commitment to continue implementation. Between July 2012 and June 2013, the following countries were removed from the ICRG review process.

- ▶ Trinidad and Tobago (October 2012)
- ▶ Ghana and Venezuela (February 2013)
- ▶ Bolivia, Brunei Darussalam, the Philippines, Sri Lanka and Thailand (June 2013)

In June 2013, the FATF concluded that Morocco and Nigeria made significant improvements in their AML/CFT systems, and therefore fulfilled the criteria for an onsite visit. Visits to both countries will be organised prior to October 2013 to confirm that implementation of the required reforms is underway.

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## 5. Dialogue with the private sector consultative forum

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It is important for the FATF to remain informed about latest developments so that the FATF Standards and guidance remain up-to-date and relevant. The FATF values the strong dialogue it has built up over recent years with the private sector, civil society and other stakeholders, in particular during the revision of the FATF Recommendations.

This year, the FATF continued this collaboration and sought input from these stakeholders in a number of on-going projects. In April 2013 the private sector consultative forum discussed the guidance on a *Risk-Based Approach to Prepaid Cards, Mobile Payment Services, and Internet-based Payment Services*. This discussion allowed the FATF to ensure that the guidance covers all relevant new payment products and services. It was also an opportunity for the private sector representatives to give their feedback on the difficulties and challenges they face in implementing customer due diligence measures with these products and services. At the same meeting, the FATF sought the input from the private sector on the draft *Guidance on Politically Exposed Persons*. The feedback received on these draft reports was taken into consideration in the final reports, which were adopted by the FATF Plenary in June 2013 (see page 11).

The meetings of the private sector consultative forum are also an occasion for the private sector to bring certain issues of concern or interest to the attention of the FATF. During the April 2013 meeting, the FATF and private sector representatives discussed potential conflicts between data protection and privacy rules and the implementation of AML/CFT measures. Finally, the meeting allowed the FATF to identify any areas where additional guidance for the private sector is required. The FATF specifically sought feedback from the private sector on the challenges they faced when applying the risk-based approach, in particular in relation to the identification of risks, and the identification of beneficial owners. In the general discussion on relations between FATF and the private sector, several representatives of the private sector called for closer co-operation and co-ordination between FATF and financial regulators. In April 2013, the FATF held a separate consultation and dialogue meeting with non-profit organisations. The meeting focused on the concern that the implementation of Recommendation 8 on non-profit organisations could impede on the legitimate activities of a non-profit organisation. The participants had an exchange of views on the terrorist financing risks and vulnerabilities facing the NPO sector, how the

misinterpretation or poor implementation of FATF standards could have a negative impact on legitimate charitable activities and the need for clear guidance. As a result of this meeting, the FATF updated its *International Best Practices Paper on Combating the Abuse of Non-Profit Organisations* (originally issued in 2002) to bring it into line with the revised FATF Recommendations. The FATF will continue to work on this issue and will carry out typologies research to gain a better understanding of the vulnerabilities and risks currently facing the NPOs.

Throughout the typologies research project on *Money Laundering and Terrorist Financing Vulnerabilities of Legal Professionals* there was a consistent interaction with FATF and legal professionals. During a special consultation and dialogue meeting in May 2013 FATF and legal professionals reviewed the draft report. The feedback received was considered in the final report which was adopted by the FATF Plenary in June 2013 (see page 25).

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## 6. Strengthening the Global AML/CFT Network

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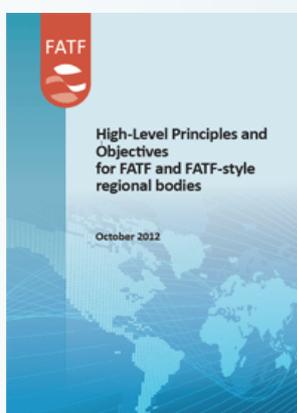
### FATF and FATF-Style Regional Bodies

FATF relies on its co-operation with the FATF-Style Regional Bodies (FSRBs) to promote effective global implementation of the FATF Recommendations. This co-operation between FATF and FSRB is particularly important to achieve consistency in the evaluation reports. While the approach to the mutual evaluation processes may differ slightly, the quality of the final reports of FATF and FSRBs should be consistent and be of a high standard.

Enhancing the quality of assessments of all bodies is one of the key objectives of FATF is the next round of assessments.

The FATF's Global Network Cooperation Group provides the forum for FSRBs and FATF to exchange experiences about past and ongoing projects. FATF and FSRBs work closely together to develop high standards of work and increased efficiency by better management of available resources. FATF and FSRBs co-operate together on the basis of high-level principles and objectives.

### High-Level Principles for the relationship between the FATF and the FATF-Style Regional Bodies



The high-level principles and objectives provide a list of rights and obligations that apply to both the FATF and the FATF-style regional bodies (FSRBs). They govern the relationship between the FATF and the FSRBs.

The FATF and FSRBs are interdependent partners in the global anti-money laundering and countering the financing of terrorist network. This common purpose is best achieved by a collaborative approach to their activities, in particular the peer review process.

Document available on [www.fatf-gafi.org](http://www.fatf-gafi.org).

Strengthening of the global network of FATF and FSRBs was one of the priorities of the Norwegian Presidency. During this past year, each of the FSRBs welcomed either the President or Vice President at one of their meetings. Copies of speeches given at these meetings are available on the FATF's public website.

The FATF President also hosted the annual meeting of FATF & FSRB Presidents, in Oslo, Norway. Among the topics that were discussed during this meeting was the need for quality, consistency and timeliness of mutual evaluation and follow-up reports. To improve the timely publication of the reports and to provide more transparency on the calendar of FATF and FSRB assessments, the FATF will integrate the assessment schedule into the existing global events calendar as published on the FATF website.



FATF President Bjørn Aamo at the opening ceremony of the Caribbean Financial Action Task Force (CFATF) XXXVI Plenary Meeting, 21 November 2012.

## FATF Observership and Membership

Last year, the FATF welcomed the *Groupe d'Action Contre le Blanchiment d'Argent en Afrique Centrale* (GABAC) as a new observer. This group is made up of the six members of the Economic and Monetary Community of Central Africa: Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea and Gabon. Since the start of GABAC's observership, the FATF has continued to support and participate in a number of activities carried out by GABAC, most importantly the assessment of the AML/CFT compliance of Gabon. This co-operation aims to help GABAC meet the FATF criteria for the recognition as an FSRB. Eventually, this will extend the FATF Global Network to Central Africa.

The FATF welcomed the Organization for Security and Co-operation in Europe (OSCE) as an observer in February 2013. The OSCE's observership will enhance FATF's global reach geographically in the greater European region, Asia, North Africa and the Middle East. With 57 participating states and 11 partners for co-operation, OSCE is the world's largest regional security organisation under Chapter VIII of the United Nations Charter. The OSCE fully supports the 2012 Recommendations and the work of FSRBs and their observers to fully implement those standards.

FATF currently counts 36 members: 34 member jurisdictions and 2 regional organisations. The last country to join the FATF membership was India, in 2010. This year, the FATF also established a process for considering a limited expansion of its membership to ensure that the FATF membership continues to represent the most major financial centres, whilst at the same time achieving a geographical balance.

## FSRBs Membership

In August 2012, Angola became a full member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG). The Crown Dependencies of the United Kingdom, Jersey, Guernsey and the Isle of Man, became subject to assessment by MONEYVAL in October 2012. In November 2012, the Inter Governmental Action Group against Money Laundering in West Africa (GIABA) welcomed the Comoros as an observer. Following these changes in FSRB membership, the FATF's global network of FATF and FSRB members has reached 188 jurisdictions.

## Assessing bodies

Country	FATF	APG	CFATF	EAG	ESAAMLG	GAFISUD	GIABA	MENAFATF	MONEYVAL
Afghanistan		●							
Albania								●	
Algeria							●		
Andorra								●	
Angola					●				
Anguilla		●							
Antigua and Barbuda		●							
Argentina	●				●				
Armenia								●	
Aruba		●							
Australia	●	●							
Austria	●								
Azerbaijan								●	
Bahamas		●							
Bahrain							●		
Bangladesh	●	●							
Barbados		●							
Belarus			●						
Belgium	●								
Belize		●							
Benin							●		
Bermuda		●							
Bhutan	●								
Bolivia					●				
Bosnia and Herzegovina								●	
Botswana					●				
Brazil	●				●				

● FSRB(s) responsible for assessing compliance with FATF Recommendations  
○ Not subject to assessment of compliance with FATF Recommendations

### Assessing bodies (continued)

Country	FATF	APG	CFATF	EAG	ESAMLG	GAFISUD	GIABA	MENAFATF	MONEYVAL
Brunei Darussalam		●							
Bulgaria									●
Burkina Faso							●		
Cambodia		●							
Canada	●	●							
Cape Verde							●		
Cayman Islands			●						
Chile						●			
China (People's Republic of)	●	●		●					
Chinese Taipei		●							
Colombia						●			
Comoros					○				
Cook Islands		●							
Costa Rica						●			
Croatia									●
Cuba						●			
Curaçao			●						
Cyprus									●
Czech Republic									●
Côte d'Ivoire							●		
Denmark	●								
Dominica			●						
Dominican Republic			●						
Ecuador						●			
Egypt							●		
El Salvador			●						
Estonia									●

● FSRB(s) responsible for assessing compliance with FATF Recommendations  
○ Not subject to assessment of compliance with FATF Recommendations

Country	FATF	APG	CFATF	EAG	ESAMLG	GAFISUD	GIABA	MENAFATF	MONEYVAL
Fiji		●							
Finland	●								
France	●								
Gambia							●		
Georgia									●
Germany	●								
Ghana							●		
Greece	●								
Grenada			●						
Guatemala			●						
Guernsey									●
Guinea							●		
Guinea-Bissau							●		
Guyana			●						
Haiti			●						
Holy See									●
Honduras			●						
Hong Kong, China	●	●							
Hungary									●
Iceland	●								
India	●	●		●					
Indonesia		●							
Iraq								●	
Ireland	●								
Isle of Man									●
Israel									○
Italy	●								
Jamaica			●						

● FSRB(s) responsible for assessing compliance with FATF Recommendations  
○ Not subject to assessment of compliance with FATF Recommendations

### Assessing bodies (continued)

Country	FATF	APG	CFATF	EAG	ESAMLG	GAFISUD	GIABA	MENAFATF	MONEYVAL
Japan	●	●							
Jersey									●
Jordan								●	
Kazakhstan				●					
Kenya					●				
Korea	●	●							
Kuwait								●	
Kyrgyzstan				●					
Lao, People's Democratic Republic		●							
Latvia									●
Lebanon								●	
Lesotho					●				
Liberia								●	
Libya								●	
Liechtenstein									●
Lithuania									●
Luxembourg	●								
Macao, China		●							
Malawi					●				
Malaysia		●							
Maldives		●							
Mali								●	
Malta									●
Marshall Islands		●							
Mauritania								●	
Mauritius					●				
Mexico	●				●				

● FSRB(s) responsible for assessing compliance with FATF Recommendations  
○ Not subject to assessment of compliance with FATF Recommendations

Country	FATF	APG	CFATF	EAG	ESAMLG	GAFISUD	GIABA	MENAFATF	MONEYVAL
Moldova									●
Monaco									●
Mongolia		●							
Montenegro									●
Montserrat			●						
Morocco									●
Mozambique					●				
Myanmar		●							
Namibia					●				
Nauru		●							
Nepal		●							
Netherlands	●								
New Zealand	●	●							
Nicaragua			●						
Niger									●
Nigeria									●
Niue		●							
Norway	●								
Oman									●
Pakistan		●							
Palau		●							
Palestinean Administered Areas									○
Panama									●
Papua New Guinea		●							
Paraguay									●
Peru									●
Philippines		●							

● FSRB(s) responsible for assessing compliance with FATF Recommendations  
○ Not subject to assessment of compliance with FATF Recommendations

### Assessing bodies (continued)

Country	FATF	APG	CFATF	EAG	ESAMLG	GAFISUD	GIABA	MENAFATF	MONEYVAL
Poland									●
Portugal	●								
Qatar								●	
Romania									●
Russian Federation	●			●					●
Saint Kitts and Nevis			●						
Saint Lucia			●						
Saint Maarten			●						
Saint Vincent and the Grenadines			●						
Samoa		●							
San Marino									●
Sao Tomé and Príncipe						●	●		
Saudi Arabia								●	
Senegal						●			
Serbia									●
Seychelles					●				
Sierra Leone							●		
Singapore	●	●							
Slovak Republic									●
Slovenia									●
Solomon Islands		●							
South Africa	●				●				
Spain	●								
Sri Lanka		●							
Sudan								●	
Suriname			●						
Swaziland					●				

● FSRB(s) responsible for assessing compliance with FATF Recommendations  
○ Not subject to assessment of compliance with FATF Recommendations

Country	FATF	APG	CFATF	EAG	ESAMLG	GAFISUD	GIABA	MENAFATF	MONEYVAL
Sweden	●								
Switzerland	●								
Syrian Arab Republic									●
Tajikistan				●					
Tanzania					●				
Thailand		●							
Timor-Leste		●							
Togo								●	
Tonga		●							
Trinidad and Tobago			●						
Tunisia									●
Turkey	●								
Turkmenistan				●					
Turks and Caicos Islands			●						
Uganda					●				
Ukraine									●
United Arab Emirates									●
United Kingdom	●								
United States	●	●							
Uruguay							●		
Uzbekistan				●					
Vanuatu		●							
Venezuela			●						
Vietnam		●							
Virgin Islands (UK)			●						
Yemen									●
Zambia					●				
Zimbabwe					●				

● FSRB(s) responsible for assessing compliance with FATF Recommendations  
○ Not subject to assessment of compliance with FATF Recommendations

## 7. Financial Statement

There are currently 22 staff members at the FATF Secretariat: an executive secretary, four senior policy analysts, one senior expert, ten policy analysts, one resource management advisor, one communications management advisor and four assistants. In addition, the FATF occasionally also hosts short-term interns and consultants.

The FATF Secretariat provides support to the FATF, including:

- ▶ Organising Plenary and Working Groups meetings.
- ▶ Providing support to the FATF President, the Steering Group and FATF delegations.
- ▶ Preparing and producing policy papers to be discussed in Working Groups and/or the Plenary.
- ▶ Coordinating of and participating in

mutual evaluation missions and drafting the related assessment reports.

The FATF Secretariat also liaises on an ongoing basis with the numerous FATF partners, undertakes a representational role at professional events and provides information to the public and the media. Funding for the FATF Secretariat is provided by the FATF members on an annual basis and in accordance with the scale of contributions to the OECD. The scale is based on a formula related to the size of the country's economy. Non-OECD members' contributions are also calculated using the OECD scale. The two member organisations also make voluntary contributions to the FATF.

The table below reflects the budget of the FATF for fiscal years 2012 and 2013.

**Table 1. FATF Budget summary, Fiscal years (FY) 2012 and 2013**

Budget items	Budget FY 2012	Budget FY 2013
Permanent staff, auxiliaries and consultants	2 163 529	2 300 606
Travel	210 045	250 000
Entertainment expenses	1 835	1 500
Operating costs	177 652	205 277
OECD Overhead charges	328 000	333 824
Meeting room costs, translation, interpretation	314 139	283 300
IT: Investments and maintenance costs	78 438	72 898
<b>Total</b>	<b>3 273 639</b>	<b>3 447 404</b>

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## Annex A

# FATF Member Jurisdictions and Organisations

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- ▶ Argentina
- ▶ Australia
- ▶ Austria
- ▶ Belgium
- ▶ Brazil
- ▶ Canada
- ▶ China
- ▶ Denmark
- ▶ European Commission
- ▶ Finland
- ▶ France
- ▶ Germany
- ▶ Greece
- ▶ Gulf Co-operation Council
- ▶ Hong Kong, China
- ▶ Iceland
- ▶ India
- ▶ Ireland
- ▶ Italy
- ▶ Japan
- ▶ Republic of Korea
- ▶ Luxembourg
- ▶ Mexico
- ▶ Netherlands, Kingdom of
- ▶ New Zealand
- ▶ Norway
- ▶ Portugal
- ▶ Russian Federation
- ▶ Singapore
- ▶ South Africa
- ▶ Spain
- ▶ Sweden
- ▶ Switzerland
- ▶ Turkey
- ▶ United Kingdom
- ▶ United States

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## Annex B

### FATF Associate Members

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- ▶ Asia/Pacific Group on Money Laundering (APG)
- ▶ Caribbean Financial Action Task Force (CFATF)
- ▶ Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
- ▶ Eurasian Group (EAG)
- ▶ Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)
- ▶ Financial Action Task Force on Money Laundering in South America (GAFISUD)
- ▶ Inter Governmental Action Group against Money Laundering in West Africa (GIABA)
- ▶ Middle East and North Africa Financial Action Task Force (MENAFATF)

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## Annex C

### FATF Observers

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- ▶ African Development Bank
- ▶ Anti-Money Laundering Liaison Committee of the Franc Zone (CLAB)
- ▶ Basel Committee on Banking Supervision (BCBS)
- ▶ Commonwealth Secretariat
- ▶ Egmont Group of Financial Intelligence Units
- ▶ European Bank for Reconstruction and Development (EBRD)
- ▶ European Central Bank (ECB)
- ▶ Eurojust
- ▶ Europol
- ▶ Group of International Finance Centre Supervisors (GIFCS) [*formerly the Offshore Group of Banking Supervisors - OGBS*]
- ▶ Inter-American Development Bank (IDB)
- ▶ International Association of Insurance Supervisors (IAIS)
- ▶ International Monetary Fund (IMF)
- ▶ International Organisation of Securities Commissions (IOSCO)
- ▶ Interpol
- ▶ Organization of American States :
  - ▶ Inter-American Committee Against Terrorism (OAS/CICTE)
  - ▶ Inter-American Drug Abuse Control Commission (OAS/CICAD)
- ▶ Organisation for Economic Co-operation and Development (OECD)
- ▶ Organization for Security and Co-operation in Europe (OSCE)
- ▶ Task Force on Money Laundering in Central Africa (GABAC)
- ▶ United Nations :
  - ▶ Office on Drugs and Crime (UNODC)
  - ▶ Counter-Terrorism Committee of the Security Council (UNCTC)
  - ▶ The Al-Qaida and Taliban Sanctions Committee (1267 Committee)
- ▶ World Bank
- ▶ World Customs Organization (WCO)

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## Annex D

# FATF Publications and speeches - 2012-2013

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### Publications

- ▶ Information note: Use of the FATF Recommendations to support the fight against corruption, October 2012
- ▶ Best Practices: Managing the anti-money laundering and counter-terrorist financing policy implications of voluntary tax compliance programmes, October 2012
- ▶ Best Practices on Confiscation (Recommendations 4 and 38) and a Framework for Ongoing Work on Asset Recovery, October 2012
- ▶ High-Level Principles for the relationship between the FATF and the FATF-style regional bodies, October 2012
- ▶ Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems, February 2013
- ▶ Revised Guidance on AML/CFT and Financial Inclusion, February 2013
- ▶ National Money Laundering and Terrorist Financing Risk Assessment, February 2013
- ▶ Money Laundering and Terrorist Financing Vulnerabilities of Legal Professionals, June 2013
- ▶ Mutual Evaluation of India: 8th Follow-up report & Progress Report on Action Plan, June 2013
- ▶ Mutual Evaluation of Finland: 9th Follow-up report, June 2013
- ▶ Mutual Evaluation of Ireland: 11th Follow-up Report, June 2013
- ▶ Guidance for a Risk-Based Approach to Prepaid Cards, Mobile Payments and Internet-Based Payment Services, June 2013
- ▶ FATF Guidance: The Implementation of Financial Provisions of United Nations Security Council Resolutions to Counter the Proliferation of Weapons of Mass Destruction, June 2013
- ▶ Best Practices: Combating the Abuse of Non-Profit Organisations (Recommendation 8), June 2013
- ▶ FATF Guidance: Politically Exposed Persons (Recommendations 12 and 22), June 2013
- ▶ International Best Practices: Targeted Financial Sanctions Related to Terrorism and Terrorist Financing (Recommendation 6), June 2013

## Speeches by FATF President Bjørn Aamo

- ▶ Implementation of the FATF Recommendations by ESAAMLG Countries, Maputo, 31 August 2012
- ▶ FATF's focus on financial inclusion: protecting the integrity of the global financial system, Global Partnership for Financial Inclusion Conference on Standard-Setting Bodies and Financial Inclusion, Basel, 29 October 2012
- ▶ FATF President's Speech at the CFATF Plenary Meeting, Tortola, Virgin Islands, 14 November 2012
- ▶ Opening Remarks, and The importance of the global network in suppressing the financing of terrorism, Special Meeting of the United Nations Counter-Terrorism Committee with Member States, New York, 20 November 2012
- ▶ Development of the global network and other key elements of FATF work under the Norwegian Presidency, Speech on the occasion of the 15th anniversary session of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), Strasbourg, France, 3 December 2012
- ▶ GAFISUD contributions to the global AML/CFT network and programmes and priorities of the FATF during the Norwegian presidency, Buenos Aires, Argentina, 13 December 2012
- ▶ Effectiveness has moved to the top of the FATF Agenda, Statement at the EU Conference "Fighting money laundering and terrorist financing - New framework, future challenges", Brussels, Belgium, 15 March 2013
- ▶ Eurasian Group (EAG) Plenary Address, Minsk, Belarus, 23 May 2013.
- ▶ Introductory remarks by FATF President Bjørn Skogstad Aamo at the third FATF Plenary meeting under the Norwegian Presidency, Oslo, Norway, 19 June 2013

## Other speeches

- ▶ Tackling terrorism financing: the revised FATF standards, speech by FATF Executive Secretary Mr. Rick McDonell, Special Meeting of the United Nations Counter-Terrorism Committee with Member States, New York, 20 November 2012
- ▶ Recent developments in the fight against money laundering and terrorist financing, and MENAFATF's vital contribution to these efforts, Speech by FATF Vice-President Vladimir Nechaev, MENAFATF Plenary, Marrakech, 27 November 2012
- ▶ Combatting money laundering and terrorist financing in the West African region, speech by FATF Vice-President Vladimir Nechaev at the 12th Meeting of the Ministerial Committee of the Inter-Governmental Action Group Against Money Laundering in West Africa (GIABA), Accra, Ghana, 11 May 2013
- ▶ Strengthening Financial Integrity through Financial Inclusion, Speech by H.M. Queen Máxima of the Netherlands, UN Secretary-General's Special Advocate for Inclusive Finance for Development, FATF Plenary, Oslo, Norway, 20 June 2013
- ▶ Opening remarks by Norwegian Minister of Finance Sigbjørn Johnsen at the FATF Plenary, Oslo, Norway, 19 June 2013

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