

Outcomes of the Plenary meeting of the FATF, Valencia, 21-23 June 2017

Valencia, 23 June 2017 – Under the Spanish Presidency of Mr. Juan Manuel Vega-Serrano, the third Plenary meeting of Plenary year FATF-XXVIII was held.

- Mr. Rafael Catalá, Minister of Justice of Spain, opened the meeting, and highlighted the important role of the FATF in tackling terrorist financing and money laundering
- Ms. Christine Lagarde, Managing Director of the International Monetary Fund, addressed the Plenary to highlight three of the Fund's AML/CFT policy priorities
- Mr. Luis de Guindos, Minister of Economy, Industry and Competitiveness of Spain, addressed the FATF Heads of Delegation, highlighting the important priorities for FATF, including Fintech

The main issues dealt with by this Plenary were:

- Work on combating terrorist financing, which remains a priority for the FATF
- Work on improving transparency and beneficial ownership
- Adoption of the Report to the G20 Leaders' Summit
- Impact of recent FATF work on de-risking
- Discussion of the mutual evaluation reports of Denmark and Ireland
- Statement on Brazil's progress in addressing the deficiencies identified in its mutual evaluation reports, since the FATF's statement of February 2017
- Two public documents identifying jurisdictions that may pose a risk to the international financial system
- Jurisdictions with strategic anti-money laundering and countering the financing of terrorism (AML/CFT) deficiencies for which a call for action applies, including an update on Iran's engagement with FATF
- Jurisdictions with strategic AML/CFT deficiencies for which they have developed an action plan with the FATF, including an update on AML/CFT improvements in Afghanistan and Lao PDR
- Adoption of a revision to the interpretative note to Recommendation 7 (Targeted Financial Sanctions Related to Proliferation)
- Proposals to strengthen FATF's institutional basis, governance and capacity
- Outcomes of the meeting of the FATF Forum of Heads of Financial Intelligence Units, that was held in the margins of the Plenary
- Update on the activities of the FATF Training and Research Institute in Busan, Korea

Work on combatting terrorist financing

Terrorism remains a significant threat, as recent attacks have demonstrated. FATF has continued to prioritise its focus on terrorist financing, and to take a range of actions in line with its Operational Plan to counter terrorist financing. Recalling recent G20 and G7 statements, delegates decided on future projects to tackle sources, techniques and channels of terrorist financing and to ensure that all countries of the FATF Global Network have implemented measures to prevent, detect and counter terrorist financing. The Plenary invited all members of the FATF Global Network to share relevant

information which will facilitate the request to foreign countries to freeze terrorism related funds.

Information sharing is critical to effectively counter terrorist financing and terrorism. Recognising and collecting relevant information and sharing it effectively can lead to the detection of terrorist related activities and prevention of attacks. Delegates discussed progress in two projects that aim to improve information sharing.

The Plenary adopted a report on inter-agency information sharing. The report will be made available to key agencies involved in tackling terrorism and its financing, as well as agencies not traditionally involved in counter-terrorist financing activities and provides good practices and practical tools to improve cooperation and exchange of information within jurisdictions.

The Plenary also discussed the progress on guidance for private sector information sharing, following the private sector consultative forum in Vienna in March. The guidance will cover information-sharing at group wide level and potentially also between financial institutions not belonging to the same group. Private sector information sharing will improve transparency and access to beneficial ownership but also plays an important part in detecting financial flows in support of terrorism.

FATF continues to update its knowledge and understanding of changes to terrorists' financial strategies to raise, move and use funds since the February 2017 Plenary. Delegates discussed progress in ongoing research on the financing of recruitment for terrorist purposes. The research project will identify how terrorist organisations fund the recruitment of new members, and is expected to be completed in October 2017.

Work on improving transparency and beneficial ownership

Preventing the misuse of legal persons and legal arrangements remains a highly important issue for both the FATF and the international community. Effective implementation of the FATF Recommendations on beneficial ownership remains a challenge.

Delegates discussed progress in the FATF's programme of work to improve transparency and access to beneficial ownership information, since the February 2017 Plenary.

Delegates discussed progress in the FATF-Egmont Group research project on vulnerabilities linked to beneficial ownership. Among other issues, this project identifies the mechanisms used to obscure beneficial ownership of corporate vehicles. The project has benefitted from input at the Joint Experts Meeting in Moscow which involved representatives from banks, law societies, and trust and company service providers.

Delegates also discussed the results of a further study on the effective enforcement and supervision of beneficial ownership obligations and considered possible options for future action.

Report to the G20 Leaders' Summit

The Plenary discussed the FATF's report to the G20 Leaders' Summit on recent and ongoing efforts to counter terrorist financing, improving transparency and the availability of beneficial ownership information, and correspondent banking and remittances.

Impact of recent FATF work on de-risking

De-risking has been a priority for the FATF since 2014 and it has completed substantive work on the topic, such as guidance to clarify the risk-based approach, including for the money and value transfer services. The FATF will look at the use being made of its guidance by national supervisors and the financial sector. Delegates discussed recent developments in de-risking, including access to banking services by the remittances sector. The FATF is working closely with the Financial Stability Board, IMF and other relevant organisations to tackle this issue.

Discussion of the mutual evaluation reports of Denmark and Ireland

The Plenary discussed the mutual evaluation reports of Denmark and Ireland which set out the level of effectiveness of each country's AML/CFT systems and their level of compliance with the FATF Recommendations. The reports were prepared on the basis of the FATF Methodology for assessments, which requires countries to take into account the effectiveness with which AML/CFT measures are implemented, as well as technical compliance for each of the FATF Recommendations.

The Plenary discussed the respective assessment teams' key findings, priority actions, and recommendations regarding each country's AML/CFT regime. The FATF expects to publish the mutual evaluation reports in September, after their quality and consistency review, in accordance with its procedures.

Statement on Brazil's progress in addressing the deficiencies identified in its mutual evaluation reports, since the FATF statement of February 2017

In February 2016, the Financial Action Task Force (FATF), the international standard-setter for combating money laundering, the financing of terrorism and proliferation of weapons of mass destruction, released a statement conveying its deep concerns about Brazil's continued failure to remedy the serious deficiencies identified in its third mutual evaluation report adopted in June 2010, especially those related to terrorism and terrorist financing. The FATF called for actions to address those deficiencies. The FATF reiterated its concern in October 2016 and February 2017, and again called on Brazil to address these shortcomings.

The FATF recognises that Brazil has taken several significant steps to improve its CFT regime; however deficiencies remain regarding targeted financial sanctions.

The FATF calls on Brazil to fulfil its FATF membership commitment by taking further action to fully address these shortcomings. Should Brazil continue to fail to adequately rectify these deficiencies, the FATF may consider the next steps in its follow-up process.

Iran's engagement with FATF

In June 2016, the FATF welcomed Iran's high-level political commitment to address its strategic AML/CFT deficiencies, and its decision to seek technical assistance in the implementation of the Action Plan. In light of Iran's demonstration of its political commitment and the relevant steps it has taken in line with its Action Plan, the FATF has decided to continue the suspension of counter-measures. The FATF will keep monitoring progress in the implementation of the Action Plan and consider next steps.

Iran will remain on the FATF Public Statement until the full Action Plan has been completed. Until Iran implements the measures required to address the deficiencies identified in the Action Plan, the FATF will remain concerned with the terrorist financing risk emanating from Iran and the threat this poses to the international financial system. The FATF, therefore, calls on its members and urges all jurisdictions to continue to advise their financial institutions to apply enhanced due diligence to business relationships and transactions with natural and legal persons from Iran, consistent with FATF Recommendation 19. The FATF urges Iran to fully address its AML/CFT deficiencies, in particular those related to terrorist financing.

The FATF will continue to engage with Iran and closely monitor its progress.

AML/CFT improvements in Afghanistan and Lao PDR.

The FATF congratulated Afghanistan and Lao PDR for the significant progress made in addressing the strategic AML/CFT deficiencies earlier identified by the FATF and included in their respective action plans.

Both countries will no longer be subject to the FATF's monitoring under its on-going global AML/CFT compliance process. Both countries will work with the Asia/Pacific Group on Money Laundering as they continue to further strengthen their AML/CFT regime.

Adoption of a revision to the interpretative note to Recommendation 7 (Targeted Financial Sanctions Related to Proliferation)

The Plenary adopted a revision to the interpretative note to Recommendation 7, which will bring the FATF's standards in line with the requirements of recent United Nations Security Council Resolution. The revision will further clarify the implementation of targeted financial sanctions to comply with the United Nations Security Council resolutions and to prevent and disrupt the financing of proliferation of weapons of mass destruction.

Proposals to strengthen FATF's institutional basis, governance and capacity

In 2016, the FATF initiated a review of its current mandate with the support of the G20, to reflect on ways to further strengthen its capacity and enhance the effectiveness of the global network of FATF and FATF-style regional bodies. FATF Members discussed proposals to achieve these goals. The discussions resulted in an agreement to extend the President's term to two years and enhance the role of the Vice President. These reforms will come into effect after a three-year transition period. The FATF is reflecting on its legal status and discussions will continue in Buenos Aires in November.

Outcomes of the meeting of the Forum of FATF Heads of Financial Intelligence Units (FIUs), which was held in the margins of the Plenary

FATF Heads of FIUs met with representatives of several international banks and had productive discussions on how to enhance the effectiveness of suspicious transaction reporting regimes, as well as on recent developments concerning public-private partnerships. The Forum agreed a paper identifying a number of areas where further work would increase the effectiveness of international AML/CFT efforts.