

Outcomes Joint FATF/GAFILAT Plenary, 1-3 November 2017

Buenos Aires, 3 November 2017 –FATF President Mr. Santiago Otamendi and GAFILAT President Mr. Eugenio Curia, both from Argentina, chaired the first Plenary meeting of FATF-XXIX in Buenos Aires. This was a joint Plenary with GAFILAT, therefore all members of both organisations were able to participate in the meeting.

- Mr. Mauricio Macri, President of the Republic of Argentina, opened the meeting and during his remarks emphasised the importance of a complete commitment to the fight against terrorism.
- Mr. Germán Garavano, Minister of Justice and Human Rights of Argentina addressed the Plenary on the second day of its meeting and highlighted the challenges in detecting and stopping illicit financial flows.

The main issues dealt with by this Plenary were:

- Combatting terrorist financing, including the adoption of a report on the financing of recruitment for terrorist purposes
- Information sharing, including the adoption of revisions to Recommendations 18 and 21 on information sharing, and the adoption of guidance on private sector information sharing
- Adoption of a supplement to the 2013 FATF Guidance on AML/CFT Measures and Financial Inclusion
- The mutual evaluation reports of Mexico and Portugal
- The follow-up report for the mutual evaluation of Austria
- Brazil's progress in addressing the deficiencies identified in its mutual evaluation reports, since the FATF statement of June 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 Uganda.
- Approval of a statement about the proliferation financing risk emanating from the Democratic People's Republic of Korea, stressing global obligations and the importance of robust implementation of the FATF standards and relevant UN Security Council Resolutions.
- AML/CFT improvements in Uganda.
- Revisions to the Methodology
- Strengthening FATF's institutional basis, governance and capacity
- Outcomes of the meeting of the Forum of FATF Heads of Financial Intelligence Units (FIUs), which was held in the margins of the Plenary
- Publication of a statement expressing FATF's strong support for responsible financial innovation in line with the FATF Standards, and exploration of opportunities that new financial and regulatory technologies present for improving the effective implementation of AML/CFT measures.
- FATF/GAFILAT Outreach to Prosecutorial Services and Criminal Justice Systems
- GAFILAT Private Sector engagement
- Activities of the FATF Training and Research Institute in Busan, Korea

Combatting terrorist financing

Tackling terrorism-related financing remains the top priority for the FATF given the continued threat of terrorism to societies, safety and security. Delegates discussed the actions taken in line with FATF's Operational Plan to counter terrorist financing.

The Plenary discussed and adopted a report, *The Financing of Recruitment for Terrorist Purposes*. The report sets out how terrorist organisations fund the recruitment of new members. Following a period of direct engagement with selected stakeholders, the FATF will publish the report.

The FATF recognises the value of collecting and sharing relevant information to effectively tackle terrorist financing. Terrorist financing, as well as money laundering, does not stop at national borders and can have links to several countries and financial institutions. The importance of a constructive and timely exchange of information is reflected across a number of FATF Recommendations and Immediate Outcomes.

An up-to-date knowledge and understanding of terrorists' financial strategies to raise, move and use funds is critical to choke off these financial flows. During this Plenary, delegates shared information on latest developments in order to take informed and effective action to tackle terrorist financing.

Information-Sharing

Effective information sharing is one of the cornerstones of a well-functioning AML/CFT framework and a key to promoting financial transparency and protecting the integrity of the financial system. Consultation with the private sector has highlighted the need to clarify some FATF requirements on information sharing and for more action to address obstacles to information sharing at national and international levels.

The FATF has agreed on revisions to the Interpretive Note on Recommendation 18 to clarify the requirements on sharing of information related to unusual or suspicious transactions within financial groups. This also includes providing this information to branches and subsidiaries when necessary for AML/CFT risk management. The FATF also adopted revisions to Recommendation 21 to clarify the interaction of these requirements with tipping-off provisions.

The FATF adopted *Guidance on Private Sector Information Sharing*, which identifies the key challenges that inhibit sharing of information to manage ML/TF risks, both group-wide within financial groups, and between financial institutions which are not part of the same group. It articulates how the FATF standards on information sharing apply and highlights examples of how authorities can facilitate the sharing of information, as well as examples of constructive engagement between the public and the private sectors.

Supplement to the 2013 FATF Guidance on AML/CFT Measures and Financial Inclusion

Financial inclusion is also a top priority for the FATF. An overly cautious approach to AML/CFT safeguards can have the unintended consequence of excluding legitimate businesses and consumers from the formal financial system. The Plenary adopted a supplement to the 2013 FATF Guidance on AML/CFT Measures and Financial Inclusion, which provides country examples of customer due diligence measures adapted to the context of financial inclusion. Lack of reliable identity documentation and data verification is one of the main obstacles to providing appropriate regulated financial services or products to the unbanked customers. This supplement to the 2013 guidance aims to encourage countries to make use of the FATF Recommendations' flexibility to provide sound financial services to the financially excluded.

Mutual evaluation reports of Mexico and Portugal

The Plenary discussed the mutual evaluation reports of Portugal and Mexico 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 key findings, priority actions, and recommendations regarding each country's AML/CFT regime. The mutual evaluation reports are expected to be published by January 2018 after their quality and consistency review, in accordance with procedures.

Follow-up report to the mutual evaluation of Austria

The Plenary discussed the progress that Austria has made since the adoption of its mutual evaluation in September 2016. Given the significant progress since the publication of Austria's latest assessment, the FATF Plenary agreed to re-rate a number of FATF Recommendations to reflect the country's current level of technical compliance. After a quality and consistency review, the FATF will publish the follow-up report which sets out the actions that Austria has taken to strengthen the effectiveness of its measures to combat money laundering and the financing of terrorism and proliferation.

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

In February 2016, the FATF 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, February 2017 and June 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 therefore calls on Brazil to fulfil its FATF membership commitment by taking further action to fully address these shortcomings. As the next step in its follow-up process, Brazil has committed to an action plan for addressing the remaining deficiencies in its regime for implementing targeted financial sanctions. Should Brazil continue to fail to adequately rectify these deficiencies, in line with its action plan, the FATF will consider further 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 took, the FATF decided in June 2017 to continue the suspension of counter-measures.

The action plan expires on 31 January 2018 and the FATF urges Iran to proceed swiftly in the reform path to ensure full and accurate implementation of the Action Plan, addressing all remaining AML/CFT deficiencies, in particular those related to terrorist financing. At its February 2018 meeting, the FATF will assess progress made by Iran and take all appropriate action.

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.

AML/CFT improvements in Uganda

The FATF congratulated Uganda for the significant progress made in addressing the strategic AML/CFT deficiencies earlier identified by the FATF and included in its action plan.

Uganda will no longer be subject to the FATF's monitoring under its on-going global AML/CFT compliance process, and will work with the ESAAMLG as it continues to further strengthen their AML/CFT regime.

Revisions to the Methodology

The Plenary adopted revisions to the Methodology for assessing compliance with the FATF Recommendations. These revisions:

a) clarify how assessors should determine whether legal arrangements have a similar structure or function as trusts and are, therefore, within the scope of the FATF standards on legal arrangements (Recommendation 25), and

b) update the assessment criteria for proliferation-related targeted financial sanctions to bring the Methodology fully into line with the recent revisions to the FATF standards in this area (Recommendation 7).

Strengthening FATF's institutional basis, governance and capacity

The Plenary agreed on how the FATF will transition to a two-year presidency. The terms of the President and Vice-President will be staggered to minimise the risk of disruption that might occur if the terms were concurrent. The longer presidential term will help to establish a higher profile for the FATF and increase its capacity in dealing with stakeholders at the international level.

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 discussed how to enhance the effectiveness of suspicious transaction reporting (STR) regimes and the quality of financial intelligence. The private sector and large financial institutions in particular play a crucial role in detecting and reporting transactions with suspected links to crime or terrorism. Discussions focused on the exchange of information between private and public sectors, how to improve the effectiveness of the STR regime and maximising the usefulness of the information shared in ongoing investigations, and the independence of financial intelligence units.

FATF/GAFILAT Outreach to Prosecutorial Services and Criminal Justice Systems

One of the priorities of both the FATF and GAFILAT Presidencies is to enhance engagement with national Prosecutorial Services and other experts within Criminal Justice Systems to build synergies, and ultimately improve the effectiveness of AML/CFT efforts. The President updated the Plenary on the outcomes of the joint FATF/GAFILAT workshop with judges and prosecutors, the first of a series of workshops which will continue throughout this Plenary year. The workshops will contribute efforts to identify the challenges that prosecutors and the judiciary face and suggest good practices to deal with them.

GAFILAT Private sector engagement

The Plenary heard an update about GAFILAT outreach activities to develop a constructive dialogue between the public and private sectors. These activities included sub-regional workshops with private sector participation on key issues that included transparency, beneficial ownership and de-risking, financial intelligence and risk-based supervision. GAFILAT also organised a regional meeting for notaries to discuss specific FATF standard applicable to them. Jointly with FATF, GAFILAT also reached out to

judiciary to discuss the role of judges and prosecutors in tackling money laundering and terrorist financing.

Activities of the FATF Training and Research Institute in Busan, Korea

The FATF Training and Research Institute, FATF TREIN, updated the Plenary on its activities since the June 2017. Among a range of research and training activities, was the FATF TREIN Symposium on Proliferation Financing. Discussions at this event have provided valuable information which will contribute to the development of an FATF TREIN training course on proliferation financing to assist countries with the effective implementation of relevant FATF Recommendations.