

FATF



Annual Report 2014-2015

MONEY LAUNDERING / TERRORIST FINANCING RISKS, TRENDS & METHODS

SETTING THE INTERNATIONAL STANDARDS

MONITORING COMPLIANCE

HIGH-RISK AND
NON-COOPERATIVE
JURISDICTIONS

ENHANCED FOCUS ON TERRORIST FINANCING

DIALOGUE WITH
THE PRIVATE SECTOR

THE CLARIF

STRENGTHENING THE GLOBAL AML/CFT NETWORK

Photo credits:

Cover page illustration: © Thinkstock

Page 2 and 6: © FATF/OECD

Page 4: © UN Photo

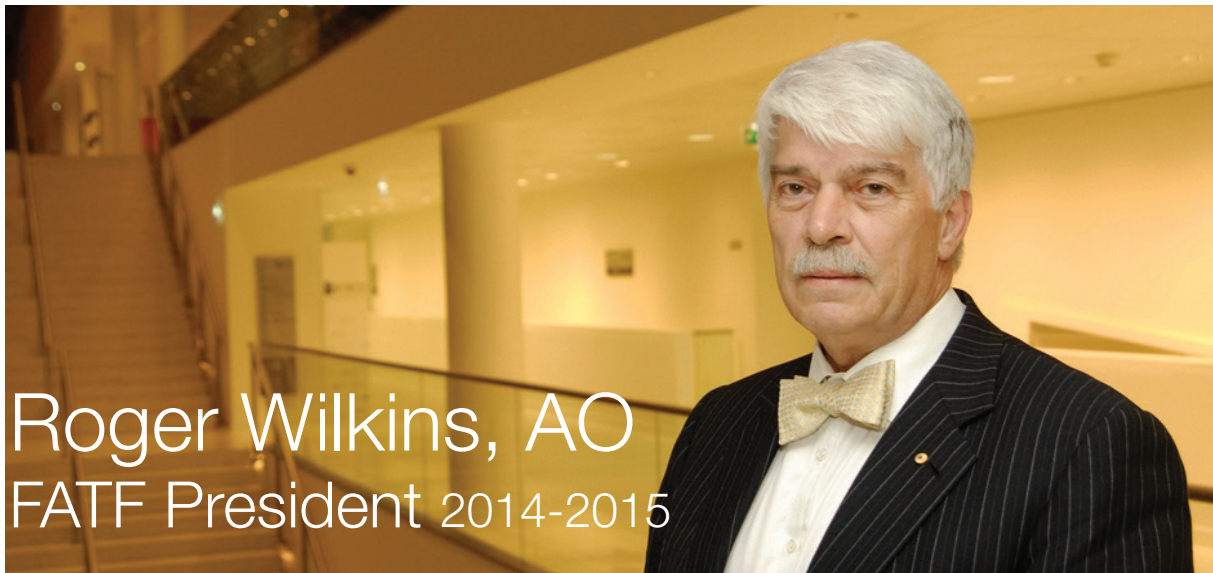
© 2016 FATF/OECD. All rights reserved.

No reproduction or translation of this publication may be made without prior written permission.

Applications for such permission, for all or part of this publication, should be made to the FATF Secretariat,
2 rue André Pascal 75775 Paris Cedex 16, France

CONTENTS

Roger Wilkins, AO, FATF President 2014-2015	2
Rick McDonell, FATF Executive Secretary	4
ENHANCED FOCUS ON TERRORIST FINANCING	5
SETTING THE INTERNATIONAL STANDARDS	7
MONITORING COMPLIANCE	11
MONEY LAUNDERING / TERRORIST FINANCING RISKS, TRENDS & METHODS	15
HIGH-RISK AND NON-COOPERATIVE JURISDICTIONS	18
DIALOGUE WITH THE PRIVATE SECTOR	21
STRENGTHENING THE GLOBAL AML/CFT NETWORK	23
FINANCIAL STATEMENT	25
ANNEX 1: GLOBAL NETWORK: GLOBAL MEMBER JURISDICTIONS & ASSESSING BODIES	26
ANNEX 2: FATF MEMBERS, ASSOCIATE MEMBERS AND OBSERVERS	29
ANNEX 3: FATF PUBLICATIONS AND SPEECHES - 2014-2015	31



I am pleased to introduce this annual report for the Australian Presidency of the FATF.

The key policy priorities for the Australian presidency were to examine the concept of de-risking, take action on terrorism financing, better understand virtual currency and further the work on beneficial ownership and transparency.

Strategically, the Australian presidency also focused on raising the profile of the FATF through more effective use of media and communication, and on engaging more effectively with private sector.

The key deliverables for this year include the *FATF Guidance on Transparency and Beneficial Ownership* (October 2014) which helps policy makers and practitioners identify, design and implement risk-based measures to prevent the misuse of corporate vehicles for the purpose of money laundering, terrorist financing and other illicit purposes. This guidance paper was developed in close consultation with the G20 Anti-Corruption Working Group, which is co-chaired by Australia, and represents an important collaborative effort between the FATF and the G20.

The typologies report on *Financing of the Terrorist Organisation Islamic State in Iraq and the Levant* (27 February 2015) was also published under the Australian Presidency. This report sets out the most important revenue sources and financial activities of ISIL and highlights a number of new and existing measures to disrupt its financing. It represented the beginning of a new phase of work for the FATF and will contribute to the FATF's upcoming report to the G20 on countries' performance against the FATF standards on terrorism financing. The report is also a good

example of what can be achieved through effective cross border cooperation. The project was led by the United States and Turkey, but input was received from a wide range of jurisdictions and international bodies.

Significant headway was made on the issue of de-risking throughout the Australian Presidency. FATF needed to take a position on this issue, at least initially to clarify that the FATF standards were not to blame for the actions of financial institutions in de-banking large classes of customers without a proper risk assessment. On 23 October 2014, we issued a press release to this effect, reminding the international community that the FATF standards only require financial institutions to terminate customer relationships where the money laundering and terrorist financing risks cannot be mitigated. Following that release, the FATF continued to discuss the de-risking issue at subsequent plenary meetings and by the end of the Australian Presidency, in June 2015, we had a clear de-risking strategy that was well informed and targeted. The FATF will continue to be engaged on this issue, and is now well positioned not only to defend its standards but to give useful guidance and clarification to financial institutions with respect to this issue.

Other reports published under the Australian Presidency include the *Risk-Based Approach for the Banking Sector* (October 2014), the *Revised Best Practices Paper on Combating the Abuse of Non-Profit Organisations* (June 2015), *Guidance for a Risk-Based Approach to Virtual Currencies* (June 2015), and *ML/TF Risks & Vulnerabilities Associated with Gold* (June 2015).

An important part of the Australian Presidency was to reiterate the importance of cross-border cooperation. Not just between FATF member jurisdictions, but also between the FATF and other international bodies such as the Egmont Group of Financial Intelligence Units, the World Bank, the IMF and the UN, in order to work together on issues of mutual interest and to avoid duplication of efforts.

Similarly, the Australian Presidency emphasized the importance of engaging more effectively with the private sector and to regard them as a partner in the fight against money laundering and terrorist financing.

Throughout the year, the core business component of FATF's activities was focused on the fourth round of mutual evaluations, in particular, ensuring quality and consistency in the application of the FATF standards across each mutual evaluation and across the FATF global network. This was the first time that FATF members were assessed on the effectiveness of their AML/CFT systems – a process which proved challenging for the assessed

countries, the assessment teams and the FATF as a whole. A key priority of the Australian Presidency was to pay close attention to this process and lead a plenary discussion in June 2015 on initial challenges and possible adjustments to the process going forward.

During this successful Plenary year, which saw key deliverables and important progress on issues such as the application of AML/CFT requirements to virtual currency exchangers, the FATF broadened its engagement with the international community and the private sector as well as media.

Mr. Je-Yoon Shin of Korea, the Vice-President during the Australian Presidency, will take over the Presidency of the FATF and carry forward its important work.



Roger Wilkins, AO



Rick McDonnell FATF Executive Secretary 2007-2015

This is my last foreword to an Annual Report as FATF Executive Secretary. After eight challenging but rewarding years I will retire from my position on 1 November 2015.

During those years the FATF completed its third round of mutual evaluations, revised the global standards, created a new Methodology for assessing compliance and began its fourth round of evaluations focussing on effectiveness. It also produced policy, guidance and best practice papers to help countries and other stakeholders in the implementation of the standards.

As financial crime has evolved, so too has the work and operation of the FATF and this has necessitated a deeper understanding of money laundering and terrorist financing techniques and the policy and practical responses which must follow. This is especially so in relation to recent FATF reports on terrorist financing.

The revision and strengthening of the FATF Recommendations and the development of the new assessment Methodology are major milestones for the FATF. Combined with a robust follow-up process for mutual evaluation reports and the identification of high-risk and non-cooperative jurisdictions, these have made the FATF's work an essential component of global financial crime efforts and the safeguarding of the integrity of the international financial system.

Fighting money laundering and terrorist financing requires a global effort and in that regard I am very pleased to have seen and been part of the evolution, growth and coordination of work between the FATF-Style Regional Bodies (FSRBs) and the FATF. The full implementation of the FATF

standards depends on the success of this global network which now numbers eight FSRBs and, with the FATF members, includes 194 jurisdictions all of which have reinforced their engagement, particularly in assessing and ensuring the implementation of the FATF Recommendations. While there is much work still to be done the efforts of all these jurisdictions is particularly evident in the FATF's current anti-terrorist financing work aimed at cutting off terrorism-related financial flows.

I would like to extend my appreciation and thanks to all FATF and FSRB delegates, to the FATF and FSRB presidents past and present, to the staff of the Secretariats and to all those myriad people and organisations who have contributed to the work of the FATF over the years. Their dedication, professionalism, expertise and, often, friendship, have made this both an enjoyable and fulfilling role. I am proud to have been part of this important work and this combined effort.

My successor, David Lewis, will carry forward the work of the FATF Secretariat as it continues to support the FATF in facing rapidly changing threats from money laundering, terrorist financing and the financing of the proliferation of weapons of mass destruction. I wish him well in that endeavor.

Rick McDonnell

Enhanced focus on terrorist financing

The sudden rise of the terrorist organisation Islamic State in Iraq and the Levant (ISIL) to a powerful organisation, capable of terror and destruction at an almost unprecedented scale has escalated the fight against terrorism and terrorist financing to an urgent global priority. The FATF first expressed its concern about these recent developments in October 2014¹.

Given the heightened risks of terrorism, there is an urgent need for countries to fully and effectively implement the FATF standards to combat terrorist financing. A fundamental starting point for cutting off terrorism-related financial flows and thwarting terrorist organisations such as ISIL is for countries to:

- actively **investigate** and **prosecute** the financing of terrorist organisations and individuals, even in the absence of a link to a specific terrorist act (FATF Recommendation 5), and
- robustly **implement targeted financial sanctions** without delay (Recommendation 6).

As a matter of priority, the FATF and FATF-Style Regional Bodies (FSRBs) agreed in February 2015 to review whether all countries in the global AML/CFT network had established adequate legal frameworks and mechanisms to criminalise terrorist financing and implement targeted financial sanctions, and to put pressure on those countries which have not yet done so. The FATF will report the results of this review to the G20 in October 2015.

By implementing the FATF standards in these areas, countries are also fulfilling their legal obligations to criminalise terrorist financing pursuant to the *United Nations Convention Against the Suppression of Terrorist Financing* and to implement targeted financial sanctions pursuant to relevant United

Nations Security Council Resolutions (UNSCRs). For this reason, the FATF collaborates closely with the United Nations on terrorist financing issues.

Other FATF Recommendations are also especially relevant to choke off the financial flows of ISIL and other terrorist organisations as they require countries to:

- ensure that **non-profit organisations are not being abused by terrorist organisations** to raise, move, or use funds (FATF Recommendation 8),
- implement **appropriate preventive measures to prevent ISIL from accessing the international financial system**, including measures related to customer due diligence, correspondent banking, and wire transfers (FATF Recommendations 10, 13, 16),
- ensure that **individuals providing money or value transfer services are licensed, monitored, and sanctioned** for lack of compliance (FATF Recommendation 14),
- implement **cash declaration/disclosure systems for both incoming and outgoing transportation of currency and bearer negotiable instruments (BNIs)** which enable the authorities to stop, restrain and confiscate, as appropriate, currency and BNIs related to terrorism (FATF Recommendation 32), and

¹ The FATF expanded its mandate in 2002 to include efforts to combat terrorist financing and first established Recommendations to combat terrorist financing in 2003.

- **provide prompt and useful international cooperation**, including inter-agency cooperation, mutual legal assistance and extradition, to other countries seeking to detect, investigate or prosecute individuals or entities connected to terrorist financing activity (FATF Recommendations 37, 39, 40).

To effectively combat ISIL, it is also essential to have an insight into its sources and methods of financing. The FATF published a report in February 2015 that identifies ISIL's most important revenue sources and financial activities. The report concludes that ISIL is a unique terrorist organisation which requires a constant and considerable amount of funding to finance its activities and to administer its government-like social and economic programs within the territory it occupies. The fact that a constant stream of funding is so central and critical to ISIL represents a vulnerability to ISIL's infrastructure. Cutting off its funding is both a challenge and an opportunity for the international community to defeat this terrorist organisation. (for more information, see page 16).

The following UNSCRs are significant in the fight against ISIL:

- ISIL is subject to sanctions under UNSCR 1267 (1999) and 2161 (2014).

- UNSCR 2170 (2014) identifies ISIL-related funding streams, including
 - revenues generated from control of oil fields and related infrastructure,
 - kidnapping for ransom,
 - trade with UN-designated entities,
 - donations from individuals and entities, and
 - possible sanctions evasion through aircraft or other transport to transfer gold or other valuable items and economic resources for sale on international markets.
- In addition, UNSCR 2178 (2014)², requires all member states to prevent and suppress the financing of foreign terrorist fighters, including their travel and subsequent activities.

The FATF will continue its research and analysis into the significant and emerging terrorist financing risks that were identified in the report on the financing of ISIL.



Michel Sapin, Minister of Finance and Public Accounts; Roger Wilkins, FATF; Rick McDonell, FATF and Je-Yoon Shin, FATF (from right to left), during Mr. Sapin's address to the FATF Plenary on 25 February 2015, stressing the importance of FATF work and the urgency to find an effective response to the problem of terrorist financing.

Setting the international Standards

‘De-risking’

The cornerstone of an effective approach to combatting money laundering and terrorist financing is the risk-based approach which involves identifying, assessing, and understanding money laundering and terrorist financing risks.

This applies to countries, as they develop and strengthen their legal, regulatory and operational framework to combat money laundering and terrorist financing (ML/TF). The risk-based approach also applies to the private sector as they develop and strengthen their implementation of preventive measures including customer due diligence (CDD), record keeping and suspicious transaction reporting. The risk-based approach requires both countries and financial institutions to implement AML/CFT measures that are commensurate with the risks identified. This means applying more enhanced measures in high risks situations, and leaving flexibility to apply simplified measures in low risk situations. Where financial institutions are unable to comply with relevant CDD measures (a determination which is to be made on a case-by-case basis), the FATF Recommendations require that the particular business relationship be terminated.

This last year, the phenomenon of ‘de-risking’ emerged and came to the attention of the FATF. While there is no universally agreed definition of ‘de-risking’, the FATF understands the term to mean decisions by banks to exit or restrict the business relationships with whole categories of customer (e.g., correspondent banks, money or value transfer services, non-profit organisations, etc.) to avoid, rather than manage, risk in a manner which is not in line with the FATF’s risk-based approach. Such

behaviour is of great concern to the FATF. Denying entire sectors access to the financial system goes against what the FATF Recommendations require and increases financial exclusion. Financial exclusion drives financial activities underground, thereby making financial flows more opaque which increases money laundering and terrorist financing risks.

‘De-risking’ is a complex issue which can be the result of various drivers including concerns about profitability, compliance costs, prudential requirements, anxiety after the global financial crisis, and reputational risk. The FATF has gathered preliminary information on the potential drivers of this phenomenon with input from the private sector which highlights that there is a continued need to improve the evidence base in order to determine the causes, scale and impact of ‘de-risking’. Indeed, much of the evidence gathered to date is anecdotal and there is a serious need for more empirical data which can inform policy making.

In the meantime, the FATF is working to clarify its standards with a view to ensuring that both financial institutions and supervisors have a common understanding of how to properly implement the risk-based approach. For example, the best practices paper on non-profit organisations specifically addresses the access of non-profit organisations to financial services. The FATF is also working to develop risk-based approach guidance for money or value transfer services which will also address this issue. In June 2015, the FATF also announced that it is undertaking work to develop guidance on correspondent banking.

When establishing correspondent banking relationships, banks are required to gather

sufficient information about the respondent bank to understand its business, reputation, the quality of its supervision and whether it has been subject to a money laundering or terrorist financing investigation or regulatory action, and to assess the respondent bank's AML/CFT controls. Although there will be exceptions in high-risk scenarios, the FATF Recommendations do not require banks to perform, as a matter of course, normal customer due diligence on the customers of their respondent banks when establishing and maintaining correspondent banking relationships.

Building on new guidance on the risk-based approach for the banking sector, the FATF is working on clarifying the interplay between the FATF standards on:

- correspondent banking (Recommendation 13) and other intermediated relationships,
- customer due diligence (Recommendation 10), and
- wire transfers (Recommendation 16).

The FATF will take into account input from the private sector, as well as regulators and relevant work by the Basel Committee on Banking Supervision (BCBS), the Committee on Payments and Market Infrastructures (CPMI), the Financial Stability Board (FSB), the Global Partnership for Financial Inclusion (GPII), the International Monetary Fund (IMF) and the Union of Arab Banks (UAB), the World Bank Group (WBG), and the World Trade Organisation (WTO).

New Guidance and Best Practices

The FATF Recommendations provide a detailed set of measures that a country should implement to effectively combat money laundering and the financing of terrorism and proliferation. While these standards aim to be a detailed and clear as possible, some countries may need further guidance or examples to correctly interpret the various technical requirements, or learn how they apply AML/CFT measures to specific sectors or products. A correct interpretation of the FATF Recommendations is key to developing AML/CFT measures that are effective, and in line with the standards. Over the years, the FATF has developed a

comprehensive body of guidance and best practices papers to complement the FATF Recommendations. These documents clarify the requirements of the FATF Recommendations and help countries implement the necessary legal, regulatory, and operational framework. This year, the FATF adopted four guidance papers and one best practices paper.

In October 2014, the FATF adopted **guidance on transparency and beneficial ownership**. This guidance will assist countries in their design and implementation of measures to deter and prevent the use of corporate vehicles for money laundering, terrorist financing and other illicit purposes.

Corporate vehicles, such as companies, trusts and other types of legal persons and arrangements, play an essential role in the global economy. However, criminals have been known to misuse them to hide their identity and the source of their funds or assets. Such misuse could be reduced considerably if the authorities had access to accurate information about both the legal and ultimate beneficial owner(s) of corporate vehicles.

The FATF Recommendations address the transparency and beneficial ownership of legal persons (Recommendation 24) and legal arrangements (Recommendation 25). These Recommendations are primarily aimed at combating money laundering and terrorist financing, but have also proven to complement efforts to deter other crimes such as tax crimes and corruption. Global leaders have recognised FATF's role as global standard setter on beneficial ownership, echoed in the G20 Leaders' commitment to implement the FATF standards on beneficial ownership.

However, earlier mutual evaluation cycles demonstrated that many countries found it challenging to implement the FATF requirements on transparency and beneficial ownership. With input from the private sector and corruption experts, the FATF has developed guidance that will help policy makers and practitioners in national authorities identify, design and implement appropriate measures to prevent the misuse of corporate vehicles by:

- assessing the risks associated legal persons and legal arrangements,

- making legal persons and legal arrangements sufficiently transparent, and
- ensuring that accurate and up-to-date basic and beneficial ownership information is available to competent authorities in a timely fashion.

In October 2014, the FATF also adopted **guidance for a risk-based approach for the banking sector**. This guidance will assist banks and banking supervisors identify, assess and understand the money laundering and terrorist financing risks to which they are exposed, and take the appropriate mitigation measures in accordance with the risk, taking into account national risk assessments and the national legal and regulatory framework. The risk-based approach also enables both banks and supervisors to focus their resources and take enhanced measures in higher risk situation, and apply simplified measures in lower risk situations.

This guidance is aimed at promoting a common understanding of the risk-based approach between supervisory authorities and banks. This is particularly important because the successful implementation of the risk-based approach in the banking sector, will avoid the unintended consequence of the inappropriate and indiscriminate termination of business relationships with entire classes of customers.

In June 2015, the FATF published the **revised best practices on combating the abuse of non-profit organisations** (Recommendation 8). Charities and non-profit organisations (NPOs) perform a vital role in our society, often in remote and difficult areas. The FATF applauds the efforts of NPOs to provide these much needed charitable services but also realises that there are cases in which charitable fundraising has been used as a front for terrorist financing. Having said that, not all NPOs are high risk, and some may represent little or no risk at all. This has important implications for both countries and financial institutions in their implementation of a risk-based approach. In particular, it means that a “one size fits all approach is not appropriate, either in terms of how countries supervise and monitor the sector, or how financial institutions manage business relationships with customers who are NPOs. It is also important to remember that the measures adopted by countries to protect the NPO sector for terrorist abuse should not disrupt or discourage legitimate charitable activities.

The FATF Recommendations require that countries review their laws that govern non-profits be reviewed so that these organisations cannot be abused for the financing of terrorism. The best practices paper provide examples of ways that government and the NPO sector can work together to ensure the integrity of the global NPO sector and protect it from terrorist abuse, without impeding on its legitimate activities.

These best practices, originally published in 2002, and updated in 2013, were fully revised with input from the NPO sector, private sector, and governments. The best practices paper also takes into account the findings from the June 2014 FATF typologies report on the risk of terrorist abuse in non-profit organisations.

FATF published a new **guidance for a risk-based approach to virtual currencies** in June 2015. Virtual currencies have been increasingly adopted as a new payment mechanism. This method of transferring value over the internet introduces efficiencies and flexibility, particularly for those with no or limited access to the regular financial system. At the same time, virtual currency payment products and services pose challenges for national authorities as they consider regulatory action to prevent the abuse of this payment mechanism to launder the proceeds of crimes or transfer funds in support of terrorism.

The FATF made a preliminary assessment of the money laundering and terrorist financing risks associated with virtual currencies in June 2014. Based on this report, the FATF has developed a guidance paper that explains the application of the risk-based approach to AML/CFT measures in the virtual currency context, in particular to virtual currency exchangers. The guidance will help national authorities understand and potentially develop regulatory responses, such as amendments to national laws in order to address the ML/TF risk of virtual currency payment products and services. This guidance also intends to help the private sector better understand and comply with the relevant AML/CFT obligations.

This guidance focuses on the points of intersection, and possible gateways, from virtual currencies

to the regulated financial system, in particular convertible virtual currency exchangers. The FATF will continue to monitor developments in currency payment products and services and update this guidance where appropriate.

Corruption

AML/CFT experts and anti-corruption experts recognise that the FATF Recommendations are valuable tools in the fight against corruption. This is echoed in the G20 support for FATF work to enhance transparency and combat corruption.

During a joint FATF and G20 Anti-Corruption Working Group (ACWG) experts' meeting on 18 October 2014, AML/CFT experts and anti-corruption experts met to discuss issues of common interest and share experiences to strengthen the fight against corruption.

The key objectives of the meeting were:

- to discuss the FATF's draft *Guidance on transparency and beneficial ownership*, and incorporate feedback from anti-corruption experts to enhance the paper. The draft paper

received strong support from participants, and their feedback was taken into account in the final version that was adopted by the FATF Plenary later that month.

- to build on the previous discussion between the FATF and the G20 on anti-corruption issue, with a particular focus on measures to combat the misuse of corporate vehicles.

This was the fourth time that FATF and G20 ACWG experts' have jointly organised this meeting. During the meeting, chaired by FATF President Roger Wilkins AO, the G20 ACWG co-chairs, Mr. Stefano Mogini (Italy) and Mr. Kieran Butler (Australia) reiterated the G20 support for FATF work to enhance transparency and combat corruption and encouraged continued engagement on these issues.

Transparency and beneficial ownership remain priority issues on the agendas of both FATF and G20. The AML/CFT and anti-corruption experts who participated in the meeting committed to continue their cooperation and sharing of experiences to strengthen the fight against corruption.

www.fatf-gafi.org/publications/fatfrecommendations

www.fatf-gafi.org/documents/guidance
www.fatf-gafi.org/documents/riskbasedapproach

Monitoring compliance

The FATF's assessment process, or mutual evaluations, is a powerful framework to determine the effectiveness of a country measures to combat money laundering and terrorist financing (ML/TF), and how well the country has met all the technical requirements of the FATF Recommendations.

Fourth round of mutual evaluations

During this Plenary year, the FATF completed the first four mutual evaluations in the fourth cycle of mutual evaluations. The assessments of Norway and Spain were adopted in October 2014, followed by the assessments of Australia and Belgium in February 2015.

This cycle of mutual evaluations takes a two-pronged approach at assessing compliance with the FATF Standards, focusing on both effectiveness and technical compliance. It is important that a country implements the technical requirements of each of the 40 FATF Recommendations. They provide the building blocks for a robust anti-money laundering and counter terrorist financing (AML/CFT) framework. However, what is more important is that the various legal, regulatory and operational components of this AML/CFT regime, can work together in an efficient and harmonious way to protect the financial system from abuse. Using the FATF Methodology that was adopted in 2013, the assessment teams look at how well a country's AML/CFT measures operate, in the context of the ML/TF risks that are specific to that country, to achieve the objectives of an efficient AML/CFT framework.

For a country, the starting point to build an effective AML/CFT regime, is to identify and understand its ML/TF risks and context. For example, a country with a regional financial hub, could be exposed to considerable ML or TF risks as criminals from the region attempt to abuse that financial system to launder their illicit proceeds. This country must take specific AML/CFT measures that address these risks. Only when all the risks have been

identified and correctly addressed, can its AML/CFT framework be truly effective.

An FATF assessment therefore also starts with the understanding of a country's risk and context, based on which the assessment team will analyse whether the country has implemented AML/CFT measures and controls in the relevant sectors that are appropriate to the ML/TF risks that the country faces. The assessments of Australia, Belgium, Norway and Spain each resulted in a detailed analysis of the countries' measures to combat money laundering and terrorist financing. The reports identify each country's strengths and weaknesses in reaching the outcomes that are expected of an efficient and effective AML/CFT framework and provide a set of specific recommendations to the country to further strengthen its AML/CFT measures.

These first four FATF assessments, finalised only three years after the FATF revised its Recommendations, form the starting point for the country to address the shortcomings in its legal, regulatory and operational measures to combat money laundering and the financing of terrorism and proliferation. The FATF will work closely with all assessed countries as they put in place the necessary reforms. Countries will report back to the Plenary on a regular basis on the progress it has made.

Immediate outcome of an effective system to combat money laundering (ML) and terrorist financing (TF) Date publication	Extent to which the assessed country achieved this objective (High, Substantial, Moderate, Low)			
	Australia April 2015	Belgium April 2015	Norway December 2014	Spain December 2014
1. ML and TF risks are understood and, where appropriate, actions co-ordinated domestically to combat ML and TF	Substantial	Substantial	Moderate	Substantial
2. International co-operation delivers appropriate information, financial intelligence, and evidence, and facilitates action against criminals and their assets	High	Substantial	Substantial	Substantial
3. Supervisors appropriately supervise, monitor and regulate financial institutions and designated non-financial businesses and professions (DNFBPs) for compliance with AML/CFT requirements commensurate with their risks.	Moderate	Moderate	Moderate	Substantial
4. Financial institutions and DNFBPs adequately apply AML/CFT preventive measures commensurate with their risks, and report suspicious transactions.	Moderate	Moderate	Moderate	Moderate
5. Legal persons and arrangements are prevented from misuse for money laundering or terrorist financing, and information on their beneficial ownership is available to competent authorities without impediments	Moderate	Moderate	Moderate	Substantial
6. Financial intelligence and all other relevant information are appropriately used by competent authorities for money laundering and terrorist financing investigations.	Substantial	Substantial	Moderate	High
7. Money laundering offences and activities are investigated and offenders are prosecuted and subject to effective, proportionate and dissuasive sanctions	Moderate	Moderate	Moderate	Substantial
8. Proceeds and instrumentalities of crime are confiscated.	Moderate	Moderate	Moderate	Substantial
9. Terrorist financing offences and activities are investigated and persons who finance terrorism are prosecuted and subject to effective, proportionate and dissuasive sanctions.	Substantial	Substantial	Substantial	Substantial
10. Terrorists, terrorist organisations and terrorist financiers are prevented from raising, moving and using funds, and from abusing the non-profit sector.	Moderate	Moderate	Moderate	Moderate
11. Persons and entities involved in the proliferation of weapons of mass destruction are prevented from raising, moving and using funds, consistent with the relevant United Nations Security Council Resolutions.	Substantial	Moderate	Moderate	Moderate

At its June 2015 meeting the FATF Plenary also discussed the mutual evaluation of observer country Malaysia. The FSRB Asia/Pacific Group on Money Laundering (APG), of which Malaysia is a member, conducted the assessment. The findings of the assessment team will allow Malaysia to address its shortcomings to a satisfactory level, to be considered for membership of the FATF. Following the mandatory quality and consistency review, the assessment report will be published on the FATF website.

The quality and consistency review in the fourth round of mutual evaluations applies to all assessments, whether they were conducted by the FATF or one of the FSRBs. An assessment needs to pass this review successfully, which is a new feature of the fourth round of mutual evaluation as no such quality and consistency review was conducted during the third round. Only assessments that have passed the quality and consistency review will be published on the FATF website. Assessments that do not pass this review may not be made public. Instead, they will be referred back to the relevant FSRB who must address the shortcomings in quality and consistency. This year, the FATF published the joint World Bank and the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) mutual evaluation of Ethiopia.

Follow-up from the third round

The third round of mutual evaluations, which started in 2004, concluded in June 2014. At the time, a number of FATF members still had ongoing weaknesses in their AML/CFT regime that were identified in their assessment during that round. At the June 2014 Plenary meeting, these countries committed to swiftly rectify these deficiencies and since then, are subject to a targeted follow-up and required to report to the FATF Plenary at each meeting.

In October 2014, the FATF reviewed the progress made by Turkey to address the weaknesses in its legal and regulatory framework, such as the amendment of the money laundering offence in its criminal code and new or revised regulations to strengthen requirements on customer due diligence, beneficial ownership, risk and due diligence. Turkey also strengthened reporting requirements for suspected terrorist financing transactions and adopted a new regime on the prevention of the financing of terrorism. Based on this progress, the FATF Plenary decided in October 2014 that Turkey had taken sufficient action to be removed from the follow-up process.

The FATF also reviewed the progress made by Japan since their 2008 mutual evaluation. In June 2014, the FATF expressed its concern about the ongoing and serious deficiencies in Japan's legal framework to combat ML/TF and publicly called on Japan to take prompt action to address the most important deficiencies. In October 2014, the FATF welcomed the important legislative actions it had taken. Although not all its AML/CFT weaknesses have been addressed, and the country remains subject to a targeted follow-up, it has made important progress and the FATF encouraged Japan to continue to address deficiencies, including through the adoption of relevant bills.

Voluntary Tax Compliance programmes.

A number of FATF members have introduced voluntary tax compliance (VTC) programmes. VTC programmes can vary considerably, from programmes that allow citizens to correct tax reporting information to programmes that facilitate asset repatriation. All these programmes have one core principle in common: the voluntary compliance by those targeted by the programme. When the programme incorporates elements such as full or partial exemption from criminal investigation or prosecution of the tax amnesty of repatriation of funds, then there is a risk that criminals can abuse these programmes to launder the proceeds of their crimes. Based on the four basic principles in relation to the AML/CFT policy implications of voluntary tax compliance programmes, originally published in 2010 and revised in June 2014, all countries must inform the FATF or their FSRB of any new VTC scheme, tax amnesty and asset repatriation programme. The FATF and/or FSRB will then review the VTC programmes of its members to

determine if any aspect of it can undermine existing AML/CFT measures in place in the country. While the programme is in effect, the FATF and/or FSRB will monitor whether any suspicious transactions in relation to the VTC programme are reported.

This year, the FATF reviewed and monitored the voluntary tax compliance programmes of Argentina, Australia, France, Indonesia, Italy, Kyrgyzstan and Russian Federation . All of these programmes met the requirements of the FATF's basic principles and for those that were already in effect, no suspicious transactions were reported.

The APG, CFATF and EAG each adopted their own procedures to review the voluntary tax compliance programmes of their respective members. These procedures are in line with the FATF's VTC procedures.

www.fatf-gafi.org/publications/mutualevaluations

Money laundering / terrorist financing risks, trends and methods

The development of strong, effective measures to protect the financial system from abuse is only possible with knowledge about the methods that criminals, including terrorists, use to generate and move their assets. As countries implement stronger measures to prevent the misuse of their financial system, criminals must look for different ways to launder the proceeds of their crimes or to transfer funds in support of terrorist activities.

One of the key roles of the FATF is to identify and analyse new methods and trends, or typologies, and raise awareness about them. These typologies reports also serve to determine whether the current FATF Recommendations remain effective in addressing money laundering or terrorist financing risks or whether new policy or guidance is necessary.

The basis for FATF's typologies work is the experience and knowledge of our members' experts in the field, who are at the forefront of AML/CFT efforts and the first to encounter new methods of misuse of the financial system. These experts, working in law enforcement, investigation and financial intelligence, provide case studies and other relevant material for analysis. Depending on the topic, the research initiatives may also involve industry representatives to ensure that all angles are taken into account. This analysis leads to a better understanding of the money laundering and/or terrorist financing vulnerabilities of a particular sector or product and often results in a series of red flag indicators to help detect illicit transactions.

The FATF typologies research is published in a series of dedicated reports. FATF's research and in particular these reports, are important; they help to raise global awareness of the ways that criminals misuse the financial system to move their assets. They have led to earlier detection when criminals have attempted to use such methods. The typologies research also helps identify areas where

further policy or guidance is required. In June 2015, the FATF published guidance to apply a risk-based approach to virtual currencies, using the findings of the June 2014 typologies report *Virtual Currencies: Key Definitions and Potential AML/CFT Risks* (see also page 9).

Experts Meeting

Every year, the FATF organises a typologies experts' meeting to discuss current and future typologies work. Concurrent workshops during these meetings allow the research projects to validate the preliminary conclusions and to determine if any areas require further research or clarification.

This year, the Asia/Pacific Group on Money Laundering (APG) and the FATF, jointly organised a typologies experts' meeting in Bangkok from 24-26 November 2015. The meeting brought together approximately 250 typologies experts from 54 jurisdictions and eight international organisations.

The workshops for this year's typologies experts' meeting focused on three new research initiatives: transparency of beneficial ownership, third-party money laundering and trade-based money laundering. The joint experts' meeting also discussed the research project on the money laundering and terrorist financing vulnerabilities associated with gold, a joint APG/FATF project which was finalised for publication in June 2015.

Research Projects

This year, the rise of terrorist organisation Islamic State in Iraq and the Levant (ISIL) caused global concern, and understanding its funding mechanisms became a priority for the FATF. The FATF created a research project, led jointly by Turkey and the United States, to collect information and case studies from a variety of countries, and identify funding sources and channels used by ISIL to raise and move money. In February 2015, the FATF published the findings of this project. The report represents a snapshot of ISIL's financial flows but gaps remain, given the difficult and

dangerous operational situation on the ground and the ever changing nature of ISIL financing.

The FATF will continue its research and analysis of the significant and emerging terrorist financing methods that this report identified. At the February 2015 Plenary meeting, delegations also agreed that the next annual Joint Experts meeting should focus on the financing of terrorism. This joint FATF/GAFILAT experts meeting will be held in September 2015.

The FATF adopted a joint APG/FATF report on the money laundering and terrorist financing

Financing of the Terrorist Organisation Islamic State in Iraq and the Levant

FATF's report on the financing of the Financing of the Terrorist Organisation Islamic State in Iraq and the Levant (ISIL) analyses how this terrorist organisation generates and uses its funding. This knowledge is crucial in order to determine how FATF and the international community can choke off ISIL funding.

Information collected from a wide range of sources and countries such as Saudi Arabia, Turkey and the United States, demonstrate that ISIL's primary source of income comes from the territory it occupies. The appropriation of the cash held at state-owned banks, gave ISIL access to an estimated half a billion USD in late 2014. The exploitation of oil fields also generates significant funds for ISIL, particularly when it first took control of them. This report identifies other sources of funding that ISIL relies on to finance its terrorist activities and the regular investments into its infrastructure and governance requirements.

Globally, there has been a strong and clear response on the need to disrupt ISIL's financial flows and deprive it of its assets. Many countries have established stronger legal, regulatory and operational frameworks, to detect and prosecute terrorist financing activity, in line with the FATF Recommendations. But more needs to be done. This report highlights a number of new and existing measures to disrupt ISIL financing, for example:

- Request countries to proactively identify individuals and entities for inclusion in the UN Al Qaida Sanctions Committee list.
- Share practical information and intelligence at an international level, both spontaneously and on request, to effectively disrupt international financial flows.
- Suppress ISIL's proceeds from the sale of oil and oil products, through a better identification of oil produced in ISIL-held territory.
- Detect ISIL fundraising efforts through modern communication networks (social media).



Money laundering / terrorist financing risks and vulnerabilities associated with gold

The joint FATF-Asia/Pacific Group on Money Laundering report, money laundering / terrorist financing vulnerabilities associated with gold, identifies the many features that make gold attractive to criminals to use as a vehicle for money laundering: it has a stable value, it is anonymous and easily transformable and interchangeable. The highly lucrative gold market also presents proceed-generating opportunities for criminals at each stage, from mining to retailing.

Understanding what makes gold - like other precious metals and stones, such as diamonds - attractive to criminals to legitimise their assets and to generate profits is essential in identifying this sector's money laundering and terrorist financing risks.

This report provides a series of case studies and red flag indicators to raise awareness of the key vulnerabilities of gold and the gold market, particularly with anti-money laundering/ countering the financing of terrorism practitioners, and companies involved in the gold industry.



vulnerabilities associated with gold in June 2015. As law enforcement and regulators make it harder for criminals to use the financial system and cash markets to move their illicit assets, precious metals such as gold provide an attractive alternative. This report can be read in conjunction with the 2014 report on the money laundering and terrorist financing vulnerabilities associated with the trade in diamonds. Like gold, precious stones such as diamonds also provide an attractive alternative to bypass the anti-money laundering and counter-terrorist financing regulations of the formal financial system in the transfer of value.

www.fatf-gafi.org/publications/methodsandtrends

High-risk and non-cooperative jurisdictions

Global AML/CFT safeguards are only as strong as the country with the weakest measures. Criminals can circumvent weak AML/CFT controls to successfully launder money or to move assets to finance terrorism through the financial system. A country that is less vigilant or able to detect such cases of abuse is a threat to the integrity of the international financial system.

A key objective of the FATF is to identify countries with such strategic weaknesses in their AML/CFT system, and to work with them to establish an action plan to address these weaknesses. As part of the *Improving Global AML/CFT Compliance* process, it publicly identifies these countries or jurisdictions to raise global awareness about the risk they present to the financial system. Such public identification encourages countries with serious deficiencies to swiftly make significant improvements. The FATF closely monitors the progress these countries and jurisdictions are making in implementing the components of their action plan.

Since the start of this process, the FATF has reviewed over 80 countries and jurisdictions, and publicly identified 58 of them. Of these 58 countries and jurisdictions, 41 have since made the necessary reforms to address the weaknesses in their AML/CFT regime and have been removed from the process. Thirteen of these countries were removed between July 2014 and June 2015. The countries or jurisdictions that remain in the process are continuing their progress in strengthening their AML/CFT regime in accordance with their action plan.

Review Process

The basis for the referral of a country for review in the process is information on threats, vulnerabilities, or particular risks arising from the country. This information can come from their mutual evaluation reports, or from the fact that they are not participating in the work of any of the FATF-Style Regional Bodies and consequently not committing to implementing the FATF standards.

During the review process, the FATF determines for each country whether its AML/CFT weaknesses, in the context of the size of its financial industry, pose a threat to the financial system. This preliminary review, or *prima facie*, is carried out by the four regional review groups, covering Africa/Middle East, the Americas, Asia/Pacific, and Europe/Eurasia. On the basis of the reports by these regional review groups, the FATF will decide whether the seriousness of a country's lack of adequate AML/CFT measures, warrants a more in-depth, targeted review. Each jurisdiction under review has the opportunity to participate in a face-to-face meeting with the regional review group to discuss the report, including developing an action plan with the FATF to address the weaknesses in its AML/CFT measures. The FATF also requests a high-level political commitment that the legal, regulatory, and operational reforms required by the action plan will be implemented.

The FATF continues identifying and reviewing potentially non-cooperative jurisdictions in this process. It is currently reviewing its process in the context of the procedures for the fourth round of mutual evaluations.

Public identification

When the FATF publicly identifies the countries and jurisdictions with strategic AML/CFT deficiencies, this could potentially have serious consequences for the countries in question. Non-compliance with AML/CFT standards could result in international trading partners facing higher costs due to the additional measures that will be imposed, or, as financial institutions increasingly look to minimise their risks, they could find that they are no longer able to do business with them at all. The public identification of countries with serious weaknesses in their AML/CFT measures has therefore proven to be a powerful tool. Not only does it protect the integrity of the international financial system by issuing a warning about the risks emanating from countries with inadequate AML/CFT measures, it also puts pressure on the countries in question to address these deficiencies in order to maintain their position in the global economy.

On the basis of the results of its review, the FATF publishes two public statements at the end of each Plenary meeting in February, June and October. The statements provide a short summary of the specific strategic risks emanating from each country, as well as the protective measures that should be taken.

The two statements reflect the seriousness of the risks posed by the country.

- The FATF Public Statement, identifies two groups of countries:
 - Countries or jurisdictions with such serious strategic deficiencies that the FATF calls on its members and non-members to apply counter-measures.
 - Countries or jurisdictions for which the FATF calls on its members to consider the risks arising from the deficiencies associated with the country.
- The public document *Improving Global AML/CFT Compliance: On-going process* identifies jurisdictions having strategic weaknesses in their AML/CFT measures but that have provided a high-level commitment to address those deficiencies through the implementation of an action plan developed with the FATF. The FATF encourages its members to consider

the strategic deficiencies identified for these jurisdictions.

If a country fails to make sufficient or timely progress, the FATF can decide to increase its pressure on the country to make meaningful progress by moving it to the Public Statement.

The country will first receive a warning, in which it will be publicly identified as a jurisdiction that has not taken sufficient action in addressing its deficiencies. If the country fails to demonstrate sufficient progress, it will be moved to the Public Statement. In February 2015, the FATF issued a warning about the lack of progress by Uganda. Since then, the country has taken significant steps toward improving its AML/CFT measures, including by enacting the Anti-Terrorism Amendment Act. In June 2015, the FATF acknowledged this progress and encouraged the country to continue implementing its action plan. In June 2015, the FATF expressed its concern over a lack of progress in implementing the components of its action plan, including the criminalisation of money laundering and terrorist financing, and the implementation of a legal framework to identify, trace and freeze terrorist assets.

Removal from the ICRG review

The FATF will remove a country from the ongoing AML/CFT compliance process when it has implemented all, or nearly all, of the components of this action plan. An on-site visit by the relevant FATF regional review group will confirm that implementation of the necessary legal, regulatory and/or operational reforms is well underway. A high-level political commitment must ensure that the implementation of all the reforms will be continued and completed. Between July 2014 and June 2015, the following countries were removed from the review following a successful on-site visit:

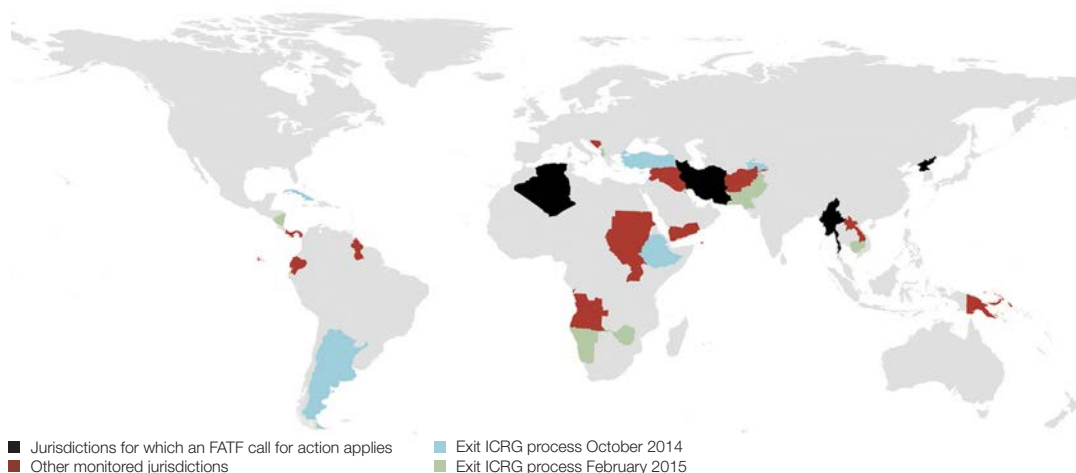
- October 2014:
 - Argentina
 - Cuba
 - Ethiopia
 - Tajikistan
 - Turkey
- February 2015:
 - Albania
 - Cambodia
 - Kuwait

- Namibia
- Nicaragua
- Pakistan
- Zimbabwe

In June 2015, the FATF recognised that Ecuador and Sudan had both substantially addressed the technical components from their respective action plans. An on-site visit will confirm level of implementation of the reforms and the high-level commitment to its continuation. A successful outcome of the on-site visits will mean that these countries will no longer be subject to the ongoing AML/CFT compliance process.

In June 2014 the FATF had also determined that Syria and Yemen had both completed the technical aspects of their respective action plans. However, due to security concerns, an on-site visit to these countries to confirm implementation is not possible. The FATF will continue to monitor the situation, but for the time being, these countries remain in the ongoing AML/CFT compliance process.

Chart 1. High-risk and non-co-operative jurisdiction (identification as at June 2015), exit July 2014 - June 2015



www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions

Dialogue with the private sector

Dialogue with the private sector is extremely valuable to the FATF. It offers an insight into the private sector perspective on some of the issues that the FATF is working on, and it allows the private sector to bring issues of concern to the attention of the FATF.

A constructive and continued dialogue is essential to the FATF. Private sector such as banks, are at the frontline of anti-money laundering and countering the financing of terrorism (AML/CFT) activities. Through their direct interaction with members of the public, they are closest to the origin of the terrorist financing or money laundering act and can have valuable experiences and viewpoints to share with the FATF. At the same time, as the first line of defence against money laundering and terrorist financing, it is crucial that they have a thorough understanding of AML/CFT requirements. Banks, for example, must ensure customer due diligence, and report transactions that are suspected to involve illicit assets or support terrorist activities.

Through the Private Sector Consultative Forum, the FATF meets with private sector at least once a year, more regularly if the issues on the FATF agenda require it. This year, the meeting of the Private Sector Consultative Forum brought together over 150 participants from the financial sector and professions that are covered by AML/CFT measures for a two-day meeting in Brussels on 26-27 March 2015.

At last year's meeting of the Private Sector Consultative Forum, experts in virtual currencies provided input into the typologies report on the key definitions and potential AML/CFT risks associated with virtual currencies, which was finalised in June 2014. This year, the FATF again sought private sector input into the issue of virtual currencies, this time focusing on its regulation. Based on the findings of the typologies report, participants discussed the need for baseline regulation and a clear legal framework for virtual currencies. This private sector input was a valuable contribution

towards a *guidance for a risk-based approach to virtual currencies* which was finalised in June 2015.

Private sector participants also provided input in the revision of the risk-based approach for money value transfer services (MVTs). This guidance is part of a series of sector-specific guidance that explains the risk-based approach and how to determine appropriate levels of AML/CFT regulation for a particular sector. The FATF is in the process of updating the risk-based approach guidance series to bring it into line with the FATF Recommendations of 2012. The discussion with the relevant business sectors provided valuable input, in particular concerning the new business models that have emerged since the guidance was first published in 2003.

The meeting was also an opportunity to discuss other issues on the FATF agenda, such as the implementation of measures to disrupt and prevent terrorist financing and what actions FATF can take to facilitate the implementation of these measures and share information between the public and private sector on terrorist financing. Participants also discussed the issue of 'de-risking' to understand how the decision to terminate or limit business relationships in this context relate to prudential requirements, supervision and enforcement actions, banks' risk appetite and last but not least, profitability.

Non-Profit Organisations

The FATF held a Consultation and Dialogue Meeting with Non-Profit Organisations (NPOs) on 25 March 2015. Representatives from 21 service and advocacy NPOs, attended this meeting, as well as

28 FATF Members and observer delegations and 2 financial institutions. The meeting was a valuable opportunity to engage directly with NPOs on issues including:

- the FATF's ongoing work to revise its Best Practices Paper on Combating the Abuse of Non-Profit Organisations (Recommendation 8)
- the different roles of government and NPOs in protecting the sector from terrorist financing abuse
- ways to mitigate the terrorist financing risks faced by NPOs delivering services in the field
- the FATF process for assessing countries' compliance with the FATF standards, particularly Recommendation 8 on NPOs, and
- the access of NPOs to financial services.

The input from service and advocacy NPOs contributed to a revised best practices paper on combating the abuse of non-profit organisations, which was shared with NPOs for further comments in April 2015, before its finalisation in June 2015.

The FATF is committed to continuing a constructive engagement with NPOs to prevent their misuse for the financing of terrorism, while at the same time respecting their legitimate activities. The FATF Plenary agreed in June 2015 to enhance its engagement with NPOs by holding an annual discussion on specific issues of common interest.

Strengthening the global AML/CFT network

Only a global implementation of sound AML/CFT measure can ensure the integrity of the international financial system.

In today's international financial system, funds can be moved around the world and through many countries in an increasingly efficient way. This offers many benefits to businesses around the world. But it also creates challenges to ensure that each country does what it needs to do to protect the international financial system from being used to launder illicit assets or to move funds in support of terrorism. To extend FATF's work beyond its own membership and to achieve a global implementation of the FATF Recommendations, the FATF works closely with eight FATF-style regional bodies (FSRBs). The FATF, FSRBs and their respective members form a global network of countries and jurisdictions that are committed to fight money laundering and the financing of terrorism and proliferation through an effective global implementation of the FATF Recommendations.

Through the Global Co-operation Network Group (GNCG), the FATF and FSRBs collaborate on equal terms to share experiences from their respective regions, work on typologies research into money laundering and terrorist financing trends and develop guidance. This collaboration between FATF and FSRBs is especially important in the mutual evaluation process. FSRBs assess the effectiveness of their members' AML/CFT measures and how well they have implemented the technical requirements of the FATF Recommendations. A consistent approach to implementing AML/CFT standards and assessing countries' compliance with the FATF Recommendations across all regions and regardless of a countries' membership is essential. Only if all countries take the same approach to assessing and addressing their AML/CFT risks in a rigorous and consistent manner can

the international financial system be protected from abuse. To ensure that FATF, FSRBs as well the other assessing bodies IMF and World Bank have a consistent approach to the determining AML/CFT effectiveness and levels of technical compliance, the FATF and FSRBs have established a quality and consistency review process. Mutual evaluations that have been reviewed in this process and have found to be consistent, thorough and of high quality will be published by the FATF. In June 2015, the FATF published the mutual evaluation of Ethiopia, which was conducted by the World Bank and adopted by the Eastern and Southern African Anti-Money Laundering Group (ESAAMLG).

FATF Membership and Observer Status

In June 2014, the FATF agreed to a limited expansion of its membership, currently at 36 members, including 2 regional bodies. The FATF selected a number of strategically important candidate countries that would enhance the geographic balance of the FATF membership. This year, the FATF worked with these candidate countries to determine their readiness to begin the membership process. Malaysia, a country with a dynamic and open economy was one of the candidate countries and would enhance the representation of the Asian region in the FATF membership. In October 2014, the FATF welcomed Malaysia as an observer country to the FATF, the country will now work closely with the FATF to meet all of the requirements for full membership of the FATF. Before Malaysia can become a full membership of the FATF, a mutual evaluation must demonstrate that the country has an effective

Chart 2. FATF Membership



AML/CFT system and an overall satisfactory level of compliance with the FATF Recommendations. At the June 2015 Plenary, the FATF discussed the mutual evaluation of Malaysia, conducted by the Asia/Pacific Group on Money Laundering (APG). The country must now address the deficiencies identified in this report and report to the FATF Plenary on the progress it has made (see also page 13).

In June 2015, the FATF welcomed the Kingdom of Saudi Arabia as an observer country to the FATF. Saudi Arabia is currently a member of the FSRB the Middle East and North Africa Financial Action Task Force (MENAFATF). The country has also been closely involved in FATF work through the Gulf Co-operation Council, which is one of the regional bodies that holds a membership status in the FATF. However, if it successfully completes the membership process, Saudi Arabia will be the first country from the Middle East and North Africa region to become a direct member of the FATF. As Malaysia, they will now commence the process towards full membership.

Changes in FSRB Membership

In September 2014, Rwanda became a full member of ESAAMLG, bringing its membership to 18 countries.

The Middle East & North Africa Financial Action Task Force (MENAFATF) welcomed Somalia as an observer in November 2014.

Egmont Group of Financial Intelligence Units

Financial intelligence units (FIUs) play a crucial role in the fight against money laundering and terrorist financing. It is their responsibility to investigate suspicious transactions reported by banks, financial institutions and other reporting institutions for evidence of illicit assets or transfers towards terrorism or terrorist organisations. They must be able to analyse large amounts of data, and make their findings available to the various stakeholders. This role allows the FIUs to detect emerging trends and methods used by criminals to move illicit assets and to finance illegal activities. The increasing threat of terrorism and the ease with which terrorist organisations are able to attract and use funds from donors around the world, further highlight the essential role of the FIU and the need for countries to establish and sufficiently resourced FIU as required by the FATF Recommendations. Since the creation of the Egmont Group of Financial Intelligence Units (Egmont Group), the FATF and the Egmont Group have built up a close working relationship and participate as observers in each other's events and activities. This collaboration has proven to be beneficial, facilitating the sharing of information and collaboration on projects of mutual interest.

Training and research

At the June 2015 Plenary meeting, the Republic of Korea proposed to establish a new AML/CFT training and research institute in Korea. This training and research institute would assist authorities across the FATF network in strengthening implementation and understanding of the global anti-money laundering and counter-terrorist financing standard through capacity-building programs. The FATF Plenary supports this proposal, and is now assessing the feasibility of making this training and research institute a reality.

www.fatf-gafi.org/countries

Financial Statement

There are currently 26 staff members at the FATF Secretariat: an executive secretary, four senior policy analysts, one senior expert, thirteen policy analysts, one resource management advisor, one communications management advisor and five 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.

Table 1. Budget of the FATF for fiscal years 2014 and 2015 (in EUR)

Budget items	Budget FY 2014	Budget FY 2015
Permanent staff, auxiliaries and consultants	2 413 789	2 892 485
Travel	296 958	289 872
Entertainment expenses	1 500	1 500
Operating costs	202 992	215 210
OECD Overhead charges	338 400	364 600
Meeting room costs, translation, interpretation	181 565	179 344
IT: Investments and maintenance costs	76 078	101 680
Total	3 511 280	4 044 692

ANNEX 1

Global network, global member jurisdictions and assessing bodies

Country or jurisdiction	Assessing body	Country or jurisdiction	Assessing body
Afghanistan	APG	China	FATF-APG
Albania	MONEYVAL	Colombia	GAFILAT (IMF)
Algeria	MENAFATF	Comoros	ESAAMLG
Andorra	MONEYVAL	Congo	GABAC
Angola	ESAAMLG	Congo, Republic of the	World Bank
Anguilla	CFATF	Cook Islands	APG
Antigua and Barbuda	CFATF	Costa Rica	GAFILAT
Argentina	FATF-GAFILAT	Côte d'Ivoire	GIABA
Armenia	MONEYVAL	Croatia	MONEYVAL
Aruba	CFATF	Cuba	GAFILAT
Australia	FATF-APG	Curaçao	CFATF
Austria	FATF	Cyprus	MONEYVAL
Azerbaijan	MONEYVAL	Czech Republic	MONEYVAL
Bahamas	CFATF	Denmark	FATF
Bahrain	FATF-MENAFATF	Djibouti	
Bangladesh	APG	Dominica	CFATF
Barbados	CFATF	Dominican Republic	CFATF
Belarus	EAG	DPRK (North Korea)	
Belgium	FATF	Ecuador	GAFILAT
Belize	CFATF	Egypt	MENAFATF
Benin	GIABA	El Salvador	CFATF
Bermuda	CFATF (IMF)	Equatorial Guinea	GABAC
Bhutan	APG	Eritrea	
Bolivia	GAFILAT	Estonia	MONEYVAL
Bosnia and Herzegovina	MONEYVAL	Ethiopia	ESAAMLG (World Bank)
Botswana	ESAAMLG	Fiji	APG
Brazil	FATF-MENAFATF	Finland	FATF
British Virgin Islands	CFATF	“Former Yugoslav Republic of Macedonia”	MONEYVAL
Brunei Darussalam	APG	France	FATF
Bulgaria	MONEYVAL	Gabon	GABAC
Burkina Faso	GIABA	Gambia	GIABA
Burundi		Georgia	MONEYVAL
Cabo Verde	GIABA	Germany	FATF
Cambodia	APG	Ghana	GIABA
Cameroon	GABAC	Gibraltar	
Canada	FATF-APG (IMF)	Greece	FATF
Cayman Islands	CFATF	Grenada	CFATF
Central African Republic	GABAC	Guatemala	CFATF-GAFILAT
Chad	GABAC		
Chile	GAFILAT		

Country or jurisdiction	Assessing body	Country or jurisdiction	Assessing body
Guernsey	MONEYVAL	Monaco	MONEYVAL
Guinea	GIABA	Mongolia	APG
Guinea-Bissau	GIABA	Montenegro	MONEYVAL
Guyana	CFATF	Montserrat	CFATF
Haiti	CFATF	Morocco	MENAFATF
Holy See	MONEYVAL	Mozambique	ESAAMLG
Honduras	GAFILAT	Myanmar	APG
Hong Kong, China	FATF-APG	Namibia	ESAAMLG
Hungary	MONEYVAL	Nauru	APG
Iceland	FATF	Nepal	APG
India	FATF-APG-EAG	Netherlands	FATF
Indonesia	APG	New Zealand	FATF-APG
Iran		Nicaragua	GAFILAT
Iraq	MENAFATF	Niger	GIABA
Ireland	FATF	Nigeria	GIABA
Isle of Man	MONEYVAL	Niue	APG
Israel	MONEYVAL	Norway	FATF
Italy	FATF (IMF)	Oman	FATF-MENAFATF
Jamaica	CFATF	Pakistan	APG
Japan	FATF-APG	Palau	APG
Jersey	MONEYVAL	Palestine Authority	MENAFATF
Jordan	MENAFATF	Panama	GAFILAT
Kazakhstan	EAG	Papua New Guinea	APG
Kenya	ESAAMLG	Paraguay	GAFILAT
Kiribati		Peru	GAFILAT
Korea	FATF-APG	Philippines	APG
Kosovo		Poland	MONEYVAL
Kyrgyzstan	EAG	Portugal	FATF
Kuwait	FATF-MENAFATF	Qatar	FATF-MENAFATF
Lao People's Democratic Republic	APG	Romania	MONEYVAL
Latvia	MONEYVAL	Russian Federation	FATF-EAG-MONEYVAL
Lebanon	MENAFATF	Rwanda	
Lesotho	ESAAMLG	Saint Kitts and Nevis	CFATF
Liberia	GIABA	Saint Lucia	CFATF
Libya	MENAFATF	Saint Maarten	CFATF
Liechtenstein	MONEYVAL	Samoa	APG
Lithuania	MONEYVAL	San Marino	MONEYVAL
Luxembourg	FATF	São Tomé and Príncipe	GIABA
Macau, China	APG	Saudi Arabia	FATF-MENAFATF
Madagascar		Senegal	GIABA
Malawi	ESAAMLG	Serbia	MONEYVAL
Malaysia	APG	Seychelles	ESAAMLG
Maldives	APG	Sierra Leone	GIABA (WB)
Mali	GIABA	Singapore	FATF-APG
Malta	MONEYVAL	Slovak Republic	MONEYVAL
Marshall Islands	APG	Slovenia	MONEYVAL
Mauritania	MENAFATF	Solomon Islands	APG
Mauritius	ESAAMLG	Somalia	
Mexico	FATF-GAFILAT (IMF)	South Africa	FATF-ESAAMLG
Micronesia		South Sudan	
Moldova	MONEYVAL	Spain	FATF

Country or jurisdiction	Assessing body
Sri Lanka	APG
St. Vincent and the Grenadines	CFATF
Sudan	MENAFATF
Suriname	CFATF
Swaziland	ESAAMLG
Sweden	FATF
Switzerland	FATF
Syria	MENAFATF
Chinese Taipei	APG
Tajikistan	EAG
Tanzania	ESAAMLG
Thailand	APG
Timor-Leste	APG
Togo	GIABA
Tonga	APG
Trinidad and Tobago	CFATF
Tunisia	MENAFATF (World Bank)
Turkey	FATF
Turkmenistan	EAG
Turks and Caicos Islands	CFATF
Tuvalu	
Uganda	ESAAMLG
Ukraine	MONEYVAL
United Arab Emirates	FATF-MENAFATF
United Kingdom	FATF
United States	FATF-APG
Uruguay	GAFILAT
Uzbekistan	EAG
Vanuatu	APG
Venezuela, Bolivarian Republic of	CFATF
VietNam	APG
Yemen	MENAFATF
Zambia	ESAAMLG
Zimbabwe	ESAAMLG

ANNEX 2

FATF Members, Associate Member and Observers

FATF Members

- 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

Observers

- Malaysia (since October 2014)
- Saudi Arabia (since June 2015)

FATF Associate Members

- 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 (MONEYVAL)
- Eurasian Group (EAG) Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)
- Financial Action Task Force of Latin America (GAFILAT)²
- Inter Governmental Action Group against Money Laundering in West Africa (GIABA)
- Middle East and North Africa Financial Action Task Force (MENAFATF)

² Formerly known as Financial Action Task Force on Money Laundering in South America (GAFISUD).

FATF Observer Organisations

- African Development Bank
- Anti-Money Laundering Liaison Committee of the Franc Zone (CLAB)
- Asian Development Bank
- Basel Committee on Banking Supervision (BCBS)
- 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
- Interpol/Money Laundering
- Organization of American States / Inter-American Committee Against Terrorism (OAS/CICTE)
- Organization of American States / 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 -
 - United Nations Office on Drugs and Crime (UNODC)
 - United Nations Counter-Terrorism Committee Executive Directorate (UNCTED)
 - The Analytical Support and Sanctions Monitoring Team to the Security Council Committee pursuant to resolutions 1267 (1999) and 1989 (2011), and 1988 (2011)
 - The Expert Group to the Security Council Committee established pursuant to resolution 1540 (2004)
 - Panel of Experts to the Security Council Committee established pursuant to resolution 1718 (2006)
 - Panel of Experts established pursuant to Security Council resolution 1929 (2010)
- World Bank
- World Customs Organization (WCO)

ANNEX 3

FATF Publications and speeches – 2014-2015

Publications

Mutual Evaluation of Turkey: 15th Follow-Up Report, October 2014,

www.fatf-gafi.org/countries/s-t/turkey/documents/fur-turkey-2014.html

Guidance on Transparency and Beneficial Ownership, October 2014,

www.fatf-gafi.org/publications/fatfrecommendations/documents/transparency-and-beneficial-ownership.html

Mutual Evaluation Report – Spain, December 2014,

www.fatf-gafi.org/countries/s-t/spain/documents/mer-spain-2014.html

Mutual Evaluation Report – Norway, December 2014,

www.fatf-gafi.org/countries/n-r/norway/documents/mer-norway-2014.html

Financing of the Terrorist Organisation Islamic State in Iraq and the Levant, February 2015,

www.fatf-gafi.org/publications/methodsandtrends/documents/financing-of-terrorist-organisation-isil.html

Mutual Evaluation Report – Australia, April 2015,

www.fatf-gafi.org/countries/a-c/australia/documents/mer-australia-2015.html

Mutual Evaluation Report – Belgium, April 2015,

www.fatf-gafi.org/countries/a-c/belgium/documents/mer-belgium-2015.html

**Best Practices on Combating the Abuse of Non-Profit Organisations (Recommendation 8),
June 2015,**

www.fatf-gafi.org/publications/fatfrecommendations/documents/bpp-combating-abuse-npo.html

**Money laundering and terrorist financing risks and vulnerabilities associated with gold, June
2015,**

www.fatf-gafi.org/publications/methodsandtrends/documents/ml-tf-risks-and-vulnerabilities-gold.html

Guidance for a risk-based approach to virtual currencies, June 2015,

www.fatf-gafi.org/publications/fatfgeneral/documents/guidance-rba-virtual-currencies.html

Summary of meetings

President's Summary of Outcomes from the Experts Meeting on Corruption, 18 October 2014,

www.fatf-gafi.org/publications/corruption/documents/corruption-experts-oct-2014.html

FATF Plenary meeting, Paris 22-24 October 2014,

www.fatf-gafi.org/publications/fatfgeneral/documents/plenary-outcomes-october-2014.html

FATF Plenary, Paris, 25-27 February 2015,

www.fatf-gafi.org/publications/fatfgeneral/documents/plenary-outcomes-february-2015.html

Consultation and dialogue with non-profit organisations, Brussels, 26 March 2015,

www.fatf-gafi.org/publications/fatfrecommendations/documents/npo-consultation-march-2015.html

Dialogue with the private sector, Brussels, 27 March 2015,

www.fatf-gafi.org/publications/fatfgeneral/documents/private-sector-forum-march-2015.html

FATF Plenary, Brisbane, Australia, 24-26 June 2015,

www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-plenary-june2015.html

Statements concerning high-risk and non-cooperative jurisdictions:

Public Statement, 24 October 2014,

www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-oct2014.html

Improving Global AML/CFT Compliance an on-going process, 24 October 2014,

www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/fatf-compliance-oct-2014.html

Public Statement, 27 February 2015,

www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-february-2015.html

Improving Global AML/CFT Compliance: on-going process – 27 February 2015,

www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/fatf-compliance-february-2015.html

Public Statement, 26 June 2015,

www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-june-2015.html

Improving Global AML/CFT Compliance an on-going process, 26 June 2015,

www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/fatf-compliance-june-2015.html

Other key statements

FATF action on the terrorist group ISIL, 24 October 2014,

www.fatf-gafi.org/publications/fatfgeneral/documents/fatf-action-isil.html

FATF clarifies risk-based approach: case-by-case, not wholesale de-risking, 23 October 2014,

www.fatf-gafi.org/topics/fatfrecommendations/documents/rba-and-de-risking.html

FATF Action on Terrorist Finance, 27 February 2015,

www.fatf-gafi.org/publications/fatfgeneral/documents/fatf-action-on-terrorist-finance.html

Drivers for “de-risking” go beyond anti-money laundering / terrorist financing, 26 June 2015,

www.fatf-gafi.org/publications/fatfrecommendations/documents/derisking-goes-beyond-amlcft.html



www.fatf-gafi.org