

Outcomes FATF-MENAFATF Joint Plenary, 27-29 June 2018

Paris, 29 June 2018, FATF President Santiago Otamendi of Argentina and MENAFATF President Abdul Hafiz Mansour chaired the third Plenary meeting of XXIX in Paris on 27-29 June 2018.

The main issues dealt with by this Plenary were:

- Combating terrorist financing, including the outcomes from the Ministerial Conference on the Fight against the Financing of Daesh and Al-Qaeda, organised by the French government
- Adoption of a report to the G20 Finance Ministers and Central Bank Governors
- Improving the effectiveness of the Criminal Justice System, a President's paper on the outcomes from FATF global engagement with judges and prosecutors
- Financial Flows from Human Trafficking, a typologies report
- Concealment of Beneficial Ownership, a typologies report
- Professional Money Launderers, a typologies report
- **Discussion of the mutual evaluation reports of the Kingdom of Bahrain and the Kingdom of Saudi Arabia.**
- Discussion of follow-up reports for the mutual evaluations of Australia, Belgium and Sweden, all three countries sought technical compliance re-ratings
- Brazil's progress in addressing the deficiencies identified in its mutual evaluation report since it agreed to an action plan in November 2017.
- **Identifying jurisdictions with strategic anti-money laundering and countering the financing of terrorism (AML/CFT) deficiencies**
 - **AML/CFT improvements in Iraq and Vanuatu**
 - **New jurisdiction subject to monitoring**
 - **Monitoring Iran's actions to address deficiencies in its AML/CFT system**
- Discussion of the draft risk-based approach guidance for the insurance sector and the draft risk-based approach guidance for the securities sector
- Update on FinTech & RegTech Initiatives
- Discussing FATF's work programme on virtual currencies/crypto-assets
- Outcomes of the meeting of the FATF Forum of Heads of Financial Intelligence Units (FIUs), which was held in the margins of the Plenary
- Strengthening FATF's institutional basis
- Activities of the FATF Training and Research Institute in Busan, Korea
- Discussion of the priorities of the US Presidency of the FATF
- **Welcoming Somalia as a member to MENAFATF**
- Welcoming Indonesia as an observer country to the FATF
- Welcoming CARIN as an observer organization to the FATF

Mutual evaluation reports of Bahrain and Saudi Arabia

The Plenary discussed the joint FATF-MENAFATF mutual evaluation reports of Bahrain and Saudi Arabia, which set out the level of effectiveness of each country's AML/CFT system 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 September 2018 after the quality and consistency review, in accordance with procedures.

Identifying jurisdictions with strategic AML/CFT deficiencies

The FATF maintains its February 2018 public documents which identify jurisdictions that may pose a risk to the international financial system, with the amendments set out below:

- Jurisdictions with strategic AML/CFT deficiencies for which a call for action applies.
- Jurisdictions with strategic AML/CFT deficiencies for which they have developed an action plan with the FATF

Jurisdictions no longer subject to monitoring

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

Both countries will no longer be subject to the FATF's monitoring under its on-going global AML/CFT compliance process, and will work with their FATF-Style Regional Bodies MENAFATF (Iraq) and APG (Vanuatu) as they continue to further strengthen their AML/CFT regime.

New Jurisdiction subject to monitoring

FATF has identified Pakistan as a jurisdiction with strategic AML/CFT deficiencies. The country has developed an action plan with the FATF to address the most serious deficiencies. The FATF welcomed the high level political commitment of Pakistan to their action plan.

Public Statement

Paris, France, 29 June 2018 - The Financial Action Task Force (FATF) is the global standard-setting body for anti-money laundering and combating the financing of terrorism (AML/CFT). In order to protect the international financial system from money laundering and financing of terrorism (ML/FT) risks and to encourage greater compliance with the AML/CFT standards, the FATF identifies jurisdictions that have strategic deficiencies and works with them to address those deficiencies that pose a risk to the international financial system.

Jurisdiction subject to a FATF call on its members and other jurisdictions to apply counter-measures to protect the international financial system from the ongoing and substantial money laundering and financing of terrorism (ML/FT) risks.

Democratic People's Republic of Korea (DPRK)

The FATF remains concerned by the DPRK's failure to address the significant deficiencies in its anti-money laundering and combating the financing of terrorism (AML/CFT) regime and the serious threats they pose to the integrity of the international financial system. The FATF urges the DPRK to immediately and meaningfully address its AML/CFT deficiencies. Further, the FATF has serious concerns with the threat posed by the DPRK's illicit activities related to the proliferation of weapons of mass destruction (WMDs) and its financing.

The FATF reaffirms its 25 February 2011 call on its members and urges all jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with the DPRK, including DPRK companies, financial institutions, and those acting on their behalf. In addition to enhanced scrutiny, the FATF further calls on its members and urges all jurisdictions to apply effective counter-measures, and targeted financial sanctions in accordance with applicable United Nations Security Council Resolutions, to protect their financial sectors from money laundering, financing of terrorism and WMD proliferation financing (ML/FT/PF) risks emanating from the DPRK. Jurisdictions should take necessary measures to close existing branches, subsidiaries and representative offices of DPRK banks within their territories and terminate correspondent relationships with DPRK banks, where required by relevant UNSC resolutions.

Jurisdiction subject to a FATF call on its members and other jurisdictions to apply enhanced due diligence measures proportionate to the risks arising from the jurisdiction.

Iran

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. Given that Iran provided that political commitment and the relevant steps it has taken, the FATF decided in February 2018 to continue the suspension of counter-measures.

Since November 2017, Iran has established a cash declaration regime and introduced draft amendments to its AML and CFT laws. However, Iran's action plan has expired with a majority of the action items remaining incomplete. Iran should fully address its remaining action items, including by: (1) adequately criminalising terrorist financing, including by removing the exemption for designated groups "attempting to end foreign occupation, colonialism and racism"; (2) identifying and freezing terrorist assets in line with the relevant United Nations Security Council resolutions; (3) ensuring an adequate and enforceable customer due diligence regime; (4) ensuring the full independence of the Financial Intelligence Unit and requiring the submission of STRs for attempted transactions; (5) demonstrating how authorities are identifying and sanctioning unlicensed money/value transfer service providers; (6) ratifying and implementing the Palermo and TF Conventions and clarifying the capability to provide mutual legal assistance; (7) ensuring that financial institutions verify that wire transfers contain complete originator and beneficiary information; (8) establishing a broader range of penalties for violations of the ML offense; and (9) ensuring adequate legislation and procedures to provide for confiscation of property of corresponding value.

The FATF is disappointed with Iran's failure to implement its action plan to address its significant AML/CFT deficiencies. Given the Iranian government's continued efforts to finalize and pass amendments to its AML and CFT laws, the FATF decided at its meeting this week to continue the suspension of counter-measures. The FATF urgently expects Iran to proceed swiftly in the reform path to ensure that it addresses all of the remaining items in its Action Plan by completing and implementing the necessary AML/CFT reforms, in particular enacting the necessary legislation. We expect Iran to enact amendments to its AML and CFT laws and ratify the Palermo and TF Conventions in full compliance with the FATF Standards by October 2018, otherwise, the FATF will decide upon appropriate and necessary actions at that time.

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.

Improving Global AML/CFT Compliance: On-going Process - 29 June 2018

Paris, France, 29 June 2018 - As part of its ongoing review of compliance with the AML/CFT standards, the FATF identifies the following jurisdictions that have strategic AML/CFT deficiencies for which they have developed an action plan with the FATF. While the situations differ among each jurisdiction, each jurisdiction has provided a written high-level political commitment to address the identified deficiencies. The FATF welcomes these commitments.

A number of jurisdictions have not yet been reviewed by the FATF. The FATF continues to identify additional jurisdictions, on an ongoing basis, that pose a risk to the international financial system.

The FATF and the FATF-style regional bodies (FSRBs) will continue to work with the jurisdictions noted below and to report on the progress made in addressing the identified deficiencies. The FATF calls on these jurisdictions to complete the implementation of action plans expeditiously and within the proposed timeframes. The FATF will closely monitor the implementation of these action plans and encourages its members to consider the information presented below: Ethiopia, Pakistan, Serbia, Sri Lanka, Trinidad and Tobago

Syria

Since February 2010, when Syria made a high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies, Syria has made progress to improve its AML/CFT regime. In June 2014, the FATF determined that Syria had substantially addressed its action plan at a technical level, including by criminalising terrorist financing and establishing procedures for freezing terrorist assets. While the FATF determined that Syria has completed its agreed action plan, due to the security situation, the FATF has been unable to conduct an on-site visit to confirm whether the process of implementing the required reforms and actions has begun and is being sustained. The FATF will continue to monitor the situation, and will conduct an on-site visit at the earliest possible date.

Tunisia

Since November 2017, when Tunisia made a high-level political commitment to work with the FATF and MENAFATF to strengthen the effectiveness of its AML/CFT regime and address any related technical deficiencies, Tunisia has taken steps towards improving its AML/CFT regime, including by adopting AML/CFT supervisory manuals and initiating risk-based supervision for the securities and insurance sectors; issuing the by-laws for the DNFBPs; and applying a risk-based approach to STR analysis. Tunisia should continue to work on implementing its action plan to address its strategic deficiencies, including by: (1) fully integrating the DNFBPs into its AML/CFT regime; (2) maintaining comprehensive and updated commercial registries and strengthening the system of sanctions for violations of transparency obligations; (3) continuing to demonstrate increasing efficiency with regard to suspicious transaction report processing; (4) demonstrating that its terrorism-related TFS regime is fully functional and that it is appropriately monitoring the association sector; and (5) establishing and implementing WMD-related targeted financial sanctions.

Yemen

Since February 2010, when Yemen made a high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies, Yemen has made progress to improve its AML/CFT regime. In June 2014, the FATF determined that Yemen had substantially addressed its action plan at a technical level, including by: (1) adequately criminalising money laundering and terrorist financing; (2) establishing procedures to identify and freeze terrorist assets; (3) improving its customer due diligence and suspicious transaction reporting requirements; (4) issuing guidance; (5) developing the monitoring and supervisory capacity of the financial sector supervisory authorities and the financial intelligence unit; and (6) establishing a fully operational and effectively functioning financial intelligence unit. While the FATF determined that Yemen has completed its agreed action plan, due to the security situation, the FATF has been unable to conduct an on-site visit to confirm whether the process of implementing the required reforms and actions has begun and is being sustained. The FATF will continue to monitor the situation, and conduct an on-site visit at the earliest possible date.