FATF

ANNUAL REPORT 2015-2016

FINANCIAL ACTION TASK FORCE

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

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

www.fatf-gafi.org

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More and more countries have adopted legislation to criminalize terrorist financing and build and strengthen regulatory systems to counter funding flows to terrorists. The focus and guidance of the Financial Action Task Force has expanded to include the spectrum of methods to fund terrorism.

Just as terrorist groups are innovating and diversifying, the international community must stay ahead of the curve to combat money-laundering and the financing of terrorism.

Ban Ki-moon
United Nations Secretary-General (2007-2016)

from ‘Secretary-General’s remarks to Security Council meeting of Finance Ministers on Countering the Financing of Terrorism ‘, New York, 17 December 2015

“ The greatest asset of the FATF is the expertise and integrity of its members, associate members and observers.

Je-yoon Shin, FATF President 2015-2016

Je-yoon Shin - FATF President 2015-2016

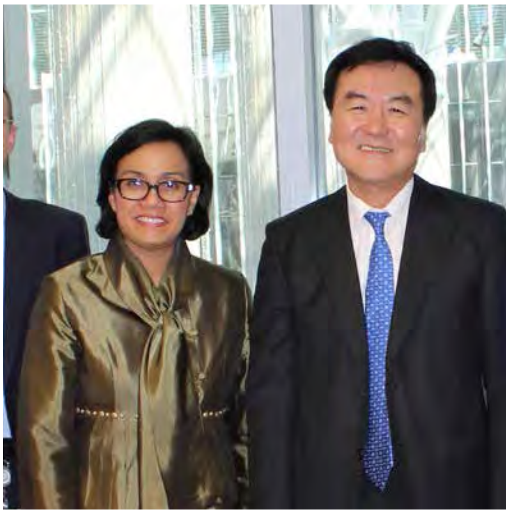
It is my pleasure to introduce the Annual Report 2015-2016 of the Financial Action Task Force (FATF) under the Korean Presidency. The FATF had a number of important agendas over the past year, including enhancing efforts in counter-terrorism financing, addressing challenges identified in the fourth round of mutual evaluations, and tackling capacity constraints, among others. It has been a privilege to represent the FATF during the pivotal juncture in improving our counter-terrorism measures. Despite the challenges and its limited resources, the FATF successfully demonstrated its strength and responsiveness while effectively cooperating with the FATF's global network. The greatest asset of the FATF is the expertise and integrity of its members, associate members and observers, who willingly uphold these values to the highest standards. It was my honour working with them during the past 12 months.

Countering terrorist financing has been the top priority during the Korean Presidency. The tragic terrorist attacks in Paris, Brussels, and other parts of the world called for swift and co-ordinated cross-border action against the imminent threats posed by terrorists and the underlying terrorist financing mechanisms. In response, the FATF convened a Special Plenary Meeting for the first time since 9/11. The discussions at this meeting informed a renewed, consolidated FATF Strategy on combating terrorist financing. As the FATF President, I was invited to address the Finance Ministers of the UN Security Council on its extraordinary session in December. At this meeting, the Ministers unanimously adopted Resolution 2253, which requires all countries to fully and effectively implement the FATF Standards in order to combat the financing of terrorists and terrorist organisations, especially ISIL.

Terrorist financing has been an on-going item on our agenda throughout the year. In response to a call by the G20 ministers in early 2015, we successfully completed a survey of counter-terrorist financing measures in 194 countries around the globe, with the crucial assistance of the FATF-Style Regional Bodies (FSRBs). The results of the survey showed that most jurisdictions criminalise terrorist financing and implement targeted financing sanctions in accordance with the FATF Standards, which reaffirmed the FATF's effectiveness in promoting the international standard of counter-terrorist financing (CFT) measures. The jurisdictions which did not have in place the basic legal system to criminalise terrorist financing have

FATF Plenary, Paris, October 2015

United Nations Security Council, New York, October 2015


World Bank Headquarters, with World Bank Managing Director and Chief Operating Officer, Sri Mulyani Indrawati, April 2016

since passed new legislation or committed to seeking assistance from relevant experts to draft such new legislations. And we are still working to improve the use and effectiveness of the existing targeted financial sanction regimes throughout the global anti-money laundering (AML) and CFT network.

The FATF remains alert to the evolving terrorist risks and trends. The *Emerging Terrorist Financing Risks* report published in October 2015 identifies threats and vulnerabilities posed by foreign terrorist fighters, fundraising through social media, new payment products and services, and the exploitation of natural resources. Based on the findings of this report, terrorist financing risk indicators for governments and the private sector were developed. In addition, the FATF Standards were revisited in order to better reflect the ever-changing environment. In October 2015, the Interpretive Note to Recommendation 5 was revised to address the threats posed by foreign terrorist fighters. At the Busan Plenary in June 2016, Recommendation 8 and its Interpretive Note were revised to better protect non-profit organisations from terrorist financing abuse.

The fourth round of mutual evaluations commenced in 2014 has been a dynamic and evolving process with nine FATF member jurisdictions assessed to date. During the Korean Presidency, we examined the mutual evaluation reports of Italy, Singapore, Austria and Canada. Through the discussions, we were able to identify many horizontal and cross-cutting issues and set case examples for the future evaluations.

On the policy side, FATF published *Guidance on AML/CFT-related Data and Statistics* to help countries demonstrate effectiveness of their respective AML/CFT measures, which provided useful AML/CFT data and statistics. Two RBA guidance papers - *Guidance for a Risk-Based Approach for Money or Value Transfer Services* and *Guidance for a risk-based approach: Effective supervision and enforcement by AML/CFT supervisors of the financial sector and law enforcement* - were made available to competent authorities, supervisors and market practitioners, greatly improving their application of the risk-based approach.

Despite our progress, there are remaining challenges as we proceed further into the fourth round of mutual evaluations. The demanding nature of the risk-based approach and effectiveness assessment has created challenges for some FATF and FSRB members who do not have enough resources or experience. As the then-incoming President, I had made a proposal to establish an AML/CFT training and research institute

UN Headquarters, with UN Secretary-General Bank Ki-moon, New York, April 2016

G7 Japan 2016, Finance Ministers and Central Bank Governors' Meeting, Sendai, May 2016

FATF Plenary, Busan, Korea, June 2016

in Korea, namely the FATF TREIN (Training and REsearch Institute), to support capacity building of FATF and FSRB members and to function as a knowledge hub. The establishment of FATF TREIN has been approved and gained wide support among the members. The institute will be operational in late 2016. Active participation of FATF members, FSRBs and other international organisations will be paramount to the success of FATF TREIN.

Engagement with the global AML/CFT network, as well as other international bodies and the private sector has also been one of my top priorities as President. During the past year, Malaysia became a member of the FATF while GABAC was recognised as a new FSRB representing the Central Africa region. The co-operation and co-ordination among the global network should continue to grow in the future. The partnerships with the G20, the UN and the Egmont Group are growing more fruitful than ever. Private sector engagement took place at a range of levels, from the annual consultative forum to on-line surveys.

Going forward, the FATF should continue to work to ensure full implementation of the FATF Recommendations and the FATF Standards, by all countries. The information leaked in the 'Panama Papers' in April 2016 highlighted the importance of fully implementing FATF Standards on transparency of beneficial ownership. I reiterated this point at the G7 Finance Ministers and Central Bank Governors Meeting in Japan in May 2016. The Busan Plenary decided that, as a next step, the FATF will collaborate with the Global Forum on Transparency and Exchange of Information for Tax Purposes to find ways to improve implementation of FATF Standards on transparency, including the availability of the basic and beneficial ownership information, and its international exchange.

The FATF has also been working to ensure proper implementation of FATF Standards and the risk-based approach by financial institutions. The ongoing work on correspondent banking is expected to address this issue.

I take this opportunity to thank the FATF Secretariat for their hard work and support throughout my presidential term. I wish all the best to my successor, Mr. Juan Manuel-Vega from Spain, and trust that under his leadership, the FATF will continue to address the challenges and succeed as the global standard-setting body.

Je-yoon Shin
FATF President (2015-2016)

> “The terrorist threat to all countries and the scale of worldwide corruption highlighted by the Panama papers demonstrates the ongoing need for countries to fully implement the FATF Recommendations.

David Lewis, FATF Executive Secretary

Introduction -

David Lewis,
FATF Executive Secretary

This report marks my first nine months in the job. The FATF Secretariat is a remarkable group of people, whose dedication and professionalism is second to none and whom it is my privilege to lead. Friday 13 November, the end of my second week, saw 130 people murdered and over 350 injured across Paris. In the days and weeks that followed, my team grieved, while at the same time leading a concerted international response to strengthen counter terrorist financing efforts globally.

On only the second occasion in 14 years, the FATF convened to respond specifically to a direct threat to the safety and security of citizens worldwide. In December we brought together representatives of the 198 countries of the FATF family, the UN, other international organisations, operational experts and financial institutions. Our objective was to learn practical lessons from these attacks and consolidate our strategy for countering terrorist financing. Days later, the FATF President addressed an unprecedented meeting of the UN Security Council.

In 2015, the FATF surveyed the counter measures in place by 194 countries. It found the vast majority have criminalised terrorist financing and can implement targeted financial sanctions. This is a testament to the work of the FATF. However it also found that while many countries had secured convictions, many more had yet to do so. And while many countries had implemented targeted financial sanctions, many had not. Of those that did, most did so too slowly in a world where money is moved across borders in seconds.

The FATF has proved effective in forcing action by countries. Since 2007 it has identified 88 countries with strategic deficiencies in their anti-money laundering and counter-terrorist financing measures that present a risk to the integrity and stability of the financial system and the safety and security of citizens. It has publicly named 53 of these, directly impacting foreign direct investment and the cost of doing business with those countries. 43 of these countries have since made the necessary reforms. Of the countries surveyed in 2015, 58 amended their laws in the months following the FATF report to the G20 in November.

In April, the 'Panama papers'[1], provided a powerful reminder to countries to fully implement the FATF Recommendations. In 2003, the FATF introduced internationally agreed standards to ensure the transparency of beneficial ownership. As a result most countries now require their financial institutions, lawyers, accountants and other regulated sectors, to identify the beneficial owner of their customers. However, most countries have yet to ensure the timely and accurate availability of basic legal information as well as beneficial ownership information for companies and trusts operating in their jurisdictions. In May, the FATF President and I participated in the Anti-Corruption Summit in London and the meeting of G7 Finance Ministers and Central Bank Governors in Japan to support efforts to improve the transparency of beneficial ownership. The FATF welcomes recent efforts by countries to do this, and the renewed interest of the G20 in improving implementation of the FATF standards on beneficial ownership.

The events of the past year have shown that effective action to tackle money laundering and terrorist financing requires much better information sharing. The FATF is now working on proposals to improve information sharing between agencies domestically, across borders, with and within the private sector. As the President noted in his address to the UN Security Council in December, financial institutions remain the largest source of untapped information and intelligence with too little use being made of the reports they make and different national laws preventing proper information sharing within and between banks as well as with and between national authorities. At the same time the willingness of these organisations to co-operate with the authorities globally and with each other, in order to protect their businesses, their customers and help detect and disrupt money laundering and terrorist financing, has never been greater. In the year ahead, the FATF and its members will be working more closely than ever with the private sector in order to achieve this. The value and importance of the FATF has never been clearer. The terrorist threat to all countries and the scale of worldwide corruption highlighted by the Panama papers demonstrates the ongoing need for countries to fully implement the FATF Recommendations. For its part, the FATF is committed to maintaining an up-to-date understanding of how criminals launder and how terrorists raise and access funds, to promoting global standards and to assessing effective implementation by all countries.

Germany has invited the FATF to participate next year in the G20 meetings under its presidency, and the FATF will consider how to ensure it has the organisational capability and capacity to meet the growing expectations of it. I look forward to working with members and supporting the President with this review and implementing their decisions.

More about FATF Executive Secretary David Lewis, including recent speeches at: www.fatf-gafi.org/about/fatfsecretariat

1. ICIJ (2016), *The Panama Papers*, Centre for Public Integrity, Washington, US, https://panamapapers.icij.org/

2015-2016

The FATF is leading work globally to understand the risks countries face from terrorist financing, and to develop policy responses to all aspects of it.

FATF priority: Terrorist Financing

The threat posed by terrorism has continued to grow and has become the biggest concern for many governments and citizens worldwide. The FATF's role as a standard-setting and assessment body is to support and encourage countries' efforts to combat terrorist financing by understanding the risk, developing robust counter-terrorist financing (CFT) Standards and policy responses, and monitoring implementation.

During the December 2015 special Plenary meeting on Terrorist Financing, participants met for three days of discussions to focus on and accelerate efforts to combat terrorist financing. A unique joint meeting of the FATF and Egmont Group of Financial Intelligence Units on the first day focused on operational aspects. Experts from financial intelligence units, law enforcement, security and intelligence agencies, shared information and lessons from the investigation of recent terrorist attacks, including the challenges they faced in identifying and cutting off terrorists' financial support. As a result of the three days of discussions, the FATF adapted its strategy to combat terrorist financing, which it finalised and adopted in February 2016.

Through this strategy the FATF is leading work globally to understand the risks countries face from terrorist financing, and develop policy responses to all aspects of it. The strategy focuses on five distinct areas.

FATF's strategy on combating terrorist financing

Improve and update the understanding of terrorist financing risks, in particular the financing of ISIL/Da'esh

The FATF continues to monitor developments regarding ISIL's financing and informs its members of any changes in the financing of ISIL and its affiliates so that members can take informed action to disrupt the financing of this terrorist organisation.

To improve government and private sector understanding and detection of terrorist financing activity, the FATF adopted a report on *Detecting Terrorist Financing: Relevant Risk Indicators* in June 2016. This report will help government agencies as well as banks, money remitters and other private sector businesses identify potential terrorist financing activity

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Ensure that the FATF Standards provide up-to-date and effective tools to identify and disrupt terrorist financing activity

The FATF Recommendations, interpretive notes and guidance provide countries with the fundamental legal law enforcement and operational tools to combat terrorist financing. They are strengthened from time to time, to reflect the evolving threats. This year, the FATF revised its Recommendation to address the rising threat of foreign terrorist fighters, and to ensure that the implementation of the FATF Standards does not disrupt or discourage legitimate charitable activities.

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Ensure countries are appropriately and effectively applying the tools, including UN Targeted Financial Sanctions, to identify and disrupt terrorist financing activity.

To prevent terrorists or terrorist organisations from using the financial system to raise or move their funds, all countries must implement the FATF Recommendations and use these laws and mechanisms. In November 2015, the FATF reported to the G20 the findings of a targeted review of 194 countries to determine whether they had established adequate legal frameworks and mechanisms to criminalise terrorist financing and implement targeted financial sanctions (Recommendations 5 and 6). The review found that almost all countries had criminalised terrorist financing, but relatively few had obtained convictions for terrorist financing. Most countries had never made practical use of targeted financial sanctions and those that tried to freeze terrorists' assets, took too long for it to be effective. By February 2016, as a result of pressure from the FATF, 58 countries passed legislation to criminalise terrorist financing and implement targeted financial sanctions.

The challenge today is not the absence of laws and regulations, the challenge now is to put them to use. During future mutual evaluations, assessors will pay particular attention to evidence to support that countries are using measures to detect and stop terrorist financing effectively. To further assist countries make effective use of financial sanctions, the FATF developed a *Terrorist financing handbook on requesting freezing action from FATF countries* in June 2016.

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Identify and take measures in relation to any country with strategic deficiencies for terrorist financing

The global financial system is only as strong as the country with the weakest safeguards. Out of the 194 countries that the FATF reviewed in 2015, 13 presented serious gaps in their legal framework to combat terrorist financing. FATF is following up with each of these countries, as well as other countries that have other serious deficiencies in their measures to protect the financial system.

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Promote more effective domestic co-ordination and international co-operation to combat the financing of terrorism.

Information sharing is a fundamental component of an effective AML/CFT system. To successfully investigate terrorist activity and prevent a possible terrorist attack, a wide range of information is often necessary. This information can be held by different agencies, by the private sector or in different countries. The FATF has made it a priority to overcome barriers and improve the exchange of information, involving the private sector as well as a range of agencies in this process.

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More about FATF's work on terrorist financing:
www.fatf-gafi.org/publications/fatfgeneral/documents/terroristfinancing.html

Support from the International Community

Throughout this year, the international community has expressed its support for the FATF's efforts to choke off terrorist financing and designated the FATF as the organisation best placed to carry forward this work.

This was echoed in the unanimous adoption of UN Security Council Resolution 2253, which integrates the FATF Standards in international law. The G20 Finance Ministers and Central Bank Governors reiterated the call for a swift and effective implementation of the FATF Standards by all countries in their February and April 2016 communiqués.

FATF President Shin at the meeting of the United Nations Security Council, December 2015.

In May 2016, FATF President Shin and FATF Executive Secretary David Lewis participated in the G7 Finance Ministers and Central bank Governors' meeting in Sendai. The discussions focused on money laundering and terrorist financing, including the importance of transparency of beneficial ownership for tax as well as crime and terrorism. Following the meeting, the G7 published an action plan[2] on combating the financing of terrorism, which acknowledges FATF's decisive role in tackling terrorist financing. The G7 Ise-Shima Leaders' Declaration reasserted the G7's leadership and commitment to combat terrorist financing as declared in this action plan.

FATF President Shin at G7 Finance Ministers and Central Bank Governor's Meeting, Sendai, Japan.

2. G7 Ise-Shima Summit (2016) G7 Action Plan on Combating the Financing of Terrorism, www.g7sendai2016.mof.go.jp/summary/pdf/g7_action_plan_on_cft_en.pdf

Criminals and terrorists will adapt and find new methods or exploit undetected loopholes.

Money Laundering & Terrorist Financing Risks, Trends and Methods

Effective systems to combat money laundering and terrorist financing require an in-depth understanding of current money laundering and terrorist financing risks. One of the key functions of the FATF is to identify new methods that criminals are using to hide the proceeds of their crimes, and that terrorists or terrorist groups are using to raise, move and use funds.

As governments act on the FATF Recommendations and strengthen their laws, regulations and other measures to prevent the misuse of the financial system, criminals and terrorists will adapt and find new methods or exploit undetected loopholes to allow them to continue their criminal behaviour. FATF must therefore continuously update its understanding of money laundering and terrorist financing methods and trends to ensure that the FATF Recommendations remain relevant in responding to today's threats.

The FATF conducts research into money laundering and terrorist financing threats as well as the vulnerabilities of particular sectors or activities. The results of this research are provided in typologies reports, which help to raise awareness with authorities and the private sector. As a result, authorities as well as financial institutions will be better able to detect attempted misuse of the financial system at an earlier stage.

The reports also allow FATF to determine whether additional guidance is needed to improve the implementation of relevant anti-money laundering (AML) and counter terrorist financing (CFT) measures. Sometimes it is the Standard itself that needs to be further refined to respond to the evolving nature of the threat to the financial system. In June 2016, the FATF adopted a revised Recommendation and interpretive note for non-profit organisations (Recommendation 8). The adoption of the new standard to protect the non-profit sector from abuse for terrorist financing started with the publication in June 2014 of the typologies report on the *Risk of Terrorist Abuse in Non-Profit Organisations* [see page 23].

This year, the priority of FATF's typologies work was to deepen the understanding of the methods used by terrorists and terrorist organisations to use the

Emerging Terrorist Financing Risks

The terrorist financing risks identified in the FATF's 2008 Terrorist Financing report, while still evolving, are as relevant today as they were back then. However, advances in social media and new payment methods have created additional vulnerabilities due to their broad reach and anonymity which make them attractive to terrorists and terrorist organisations. Terrorist groups, and in particular organisations such as ISIL, require a financial management strategy to allow them to obtain, move, store and use their assets. Understanding these strategies is essential to developing effective CFT measures. This report is not a comprehensive study but rather, aims to provide a snapshot of current terrorist financing risks to raise awareness.

www.fatf-gafi.org/publications/methodsandtrends/documents/emerging-terrorist-financing-risks.html

financial system to raise and move funds and use them to support their terrorism-related activities.

In October 2015, the FATF published a report on *Emerging Terrorist Financing Risks*. This report follows up from the *Financing of Terrorist Organisation ISIL* report that the FATF published in February 2015. As efforts to combat ISIL financing remain a priority for the FATF, this report covers a wider range of terrorist organisations but makes references to ISIL throughout.

In October 2015, the FATF also adopted a report on *Money Laundering Through the Physical Transportation of Cash*. As the debate on the risks of high denomination bank notes continues to draw headlines, this report draws attention to the oldest, yet still the most popular method of money laundering: the physical transportation of cash.

This joint FATF-MENAFATF report identifies the methods and techniques that criminals use to transport funds across the border and highlights the main challenges that relevant border control agencies face to detect and disrupt these transports.

Improving and updating understanding of terrorist financing is a core part of the FATF's consolidated strategy on combating terrorist financing (page 14). ISIL, with the resources it controls within the territory it occupies, and the complex network operating inside and outside that territory, poses a distinct threat. Understanding their sources of financing and the impact of recent actions to disrupt their financing is particularly important. In collaboration with the Counter-ISIL Financing Group (CIFG), the FATF held a meeting in February 2016 to bring together 55 states and multilateral organisations to exchange information on efforts to combat ISIL financing. In April, a joint UN/FATF open briefing on depriving terrorists of their funding provided another opportunity for countries to discuss new and emerging terrorist financing trends and highlight initiatives to prevent and counter terrorist financing.

Together with multinational organisations such as the United Nations, the Egmont Group of Financial Intelligence Units, the International Monetary Fund, the World Bank, its FATF-Style Regional Bodies and other stakeholders, the FATF will continue to deepen its understanding of terrorist financing threats.

Experts Meetings

This year, the annual meeting of typologies took place on 9-11 May 2016. Jointly organised by the Eurasian Group, FATF and the United Nations Office on Drugs and Crime, this meeting brought together over 200 experts from 28 jurisdictions and 16 international organisations.

The annual meeting of experts provided an important opportunity to discuss current money laundering and terrorist financing risks. Separate workshops allowed project teams to discuss the preliminary findings and to determine if any areas need further clarification.

Given recent developments and the FATF's current priorities, two workshops focused on terrorist financing, while the third related to money laundering:

- understanding ISIL financing and financial management
- disrupting illicit financial flows related to organised crime and professional money laundering networks, and
- terrorist financing in West and Central Africa.

The discussions provided valuable input into these ongoing projects, in particular regarding ISIL's financial management.

The intelligence and information about ISIL financing gleaned from the discussion during the Experts meeting formed part of the update on ISIL financing to delegations at the June Plenary meeting in Busan, Korea. The FATF continues to monitor developments in ISIL financing and updates FATF and FSRB members so that they can take informed action to disrupt ISIL financing.

www.fatf-gafi.org/publications/methodsandtrends

Training and Research Institute (TREIN)

In June 2015, at the start of the Korean Presidency, FATF President Je-Yoon Shin announced his government's proposal to establish a training and research institute (TREIN) in Korea for the benefit of the members of the FATF Global Network. The goal of TREIN is to support AML/CFT capacity building of FATF and FSRB member countries through training and research programmes, workshops, seminars and other events. The work of the institute will focus in particular on giving training on the FATF Standards and mutual evaluations and will target government experts, assessors and reviewers involved in mutual evaluations, as well as the private sector. TREIN will promote the effective implementation of measures to protect the financial system and ultimately assist countries of the FATF Global Network that have a less mature AML/CFT framework to further develop their capacity to combat money laundering and terrorist financing. The TREIN centre will be located in Busan, Korea and will open its doors in the last quarter of 2016.

The FATF Recommendations, or FATF Standards. Powerful tools to protect the financial system from abuse.

Setting the International Standards

The *FATF Recommendations*, or FATF Standards, provide countries with the necessary legal, law enforcement and operational tools to protect their financial system from abuse.

Revisions to the FATF Recommendations

The last full review of the FATF Recommendations was completed in February 2012. However, the financial system evolves, and so too do the methods that criminals and terrorists use to obtain and move their assets. The FATF therefore continues to review and revise its recommendations as necessary, so that they remain relevant and address the risks as they exist today. It can do so by issuing additional guidance or best practices, to clarify how some of the technical requirements should be implemented. Or, it can update the interpretive note or text of the recommendation itself.

This past year, the FATF refined FATF Recommendations 5 and 8, to reflect recent developments in the fight against terrorist financing.

Recommendation 5 – Criminalisation of terrorist financing

In October 2015, the FATF strengthened the standard on the terrorist financing offence to require countries to criminalise the funding of travel for foreign terrorist fighters. The foreign terrorist fighter threat is not new; however, it has reached a large scale, in particular in the context of the conflict in Syria and Iraq.

The revised Interpretive Note to Recommendation 5 now incorporates relevant elements of United Nations Security Council Resolution 2178. Specifically, it requires countries to criminalise the financing of 'travel of individuals who travel to a State other than their States of residence or nationality for the purpose of the perpetration, planning, or preparation of, or participation in, terrorist acts or the providing or receiving of terrorist training'.

Recommendation 8 – Non-profit Organisations (NPOs)

In June 2016, the FATF completed the revision of the FATF Standard and interpretive note on NPOs. Some NPOs may be vulnerable to terrorist financing abuse by terrorists for a variety of reasons, particularly when they operate within or near areas that are exposed to terrorist activity. Recommendation 8 and its interpretative note aim to protect these NPOs from such misuse and have been revised to promote a proportionate implementation of the FATF Standards, in line with the risk-based approach. Countries should adopt focused measures to protect these NPOs from such misuse and they should implement these measures in a manner which does not disrupt or discourage legitimate charitable activities. Recommendation 8 and its interpretive note apply to NPOs which fall within the following definition which is based on their activity, and not on the fact that they operate on a non-profit basis.

FATF definition of a non-profit organisation

"A legal person or arrangement or organisation that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of "good works".

In June 2014, the FATF published the FATF typologies report *Risk of Terrorist Abuse in Non-Profit Organisations*, which examines the methods used by terrorists to abuse NPOs. The findings of this report led to a comprehensive revision of the *Best Practices paper on Combating the Abuse of Non-Profit Organisations (Recommendation 8)* in June 2015.

Since then, the FATF has reviewed the FATF Standards to reflect the fact that the NPO sector and the threatening environment in which it operates have evolved, governments' experiences in implementing Recommendation 8 have advanced, and self-regulatory mechanisms have also evolved. Throughout this process, the FATF has engaged

Private Sector Consultative Forum, Vienna, 19 April 2016

directly with the NPOs and private sector through two public consultations conducted on the FATF's website in November 2015 and April 2016 as well as a Consultation and Dialogue Meeting held in Vienna in April 2016 to seek their view and specific proposals to the text of Recommendation 8 and its Interpretive Note.

The FATF discussed the considerable input received from the NPOs and private sector at its Plenary in June 2016 when it finalised and adopted the revised Recommendation 8 and interpretive note. The revised standard aims to strike a balance between:

- the terrorist financing risks that the NPO sector is exposed to
- the protection from terrorist abuse that the FATF Standards provide
- the need for NPOs to be able to carry out their work which more often than not is an important part of tackling the causes of terrorism effectively.

Assessing and addressing declines in correspondent banking relationships

The FATF remains concerned about the decline in the number of corresponding banking relationships in some regions of the world. Sometimes called 'de-risking' or more recently 'de-banking', the FATF is concerned about the risk this presents for financial inclusion and money laundering and terrorist financing. The FATF continues to warn against the practice of some of the largest global banks to exit or restrict business relationships with whole categories of customers (NPOs, correspondent banks, money-value transfer services etc.). It has issued guidance and public statements to be clear that such actions are not in line with the FATF Recommendations and an effective risk-based approach. The FATF is working with others to assess and monitor the scale and impact of this activity, promote clear and consistent guidance for governments, regulators and financial institutions, and take action to mitigate the risks as necessary. This includes working with the Financial Stability Board (FSB), the Committee on Payments and Market Infrastructure (CPMI), the International Monetary Fund and Union of Arab Banks, the Global Partnership for Financial Inclusion, the Basel Committee, the World Bank Group, and the World Trade Organization.

Corruption, Transparency & Beneficial Ownership

Measures to protect the financial system from abuse for money laundering and terrorist financing are fundamental to successful efforts to tackle corruption. A robust and effective AML/CFT framework creates an environment where it is difficult for corruption to remain undetected and unpunished, let alone thrive.

This is echoed in G20 support over the years for the work of the FATF to enhance transparency and combat corruption. The FATF's standard on beneficial ownership of legal persons and arrangements is the global 'golden standard' to improve transparency.

Hiding their identity behind companies and trusts has long been a preferred method for corrupt officials and criminals to hide the proceeds of crime and illegal activities. The FATF Standard on beneficial ownership requires the identification of the actual person(s) behind the structures of legal persons and arrangements that benefits from the assets in question. In its recent statements, the G20 repeatedly stressed the importance of the availability of this beneficial ownership information and urged countries and jurisdictions to implement the FATF Standard.

However, having sound laws and regulations in place is not sufficient. They need to be implemented and enforced effectively.

In April 2016, the 'Panama papers' highlighted the need for many countries to fully implement the FATF Standards. Over 11 million leaked documents identified 214 000 offshore entities in 21 jurisdictions, all over the world. The documents highlighted the intricate structures that are used for legal and illegal activity, including tax avoidance, tax evasion, corruption, sanctions evasion, terrorist financing and other predicate offences for money laundering.

This resulted in renewed interest by the G20 and others to fully implement the FATF Standards and ensure countries take action to improve the availability of beneficial ownership information.

The G20 Finance Ministers and Central Bank Governors, at their April 2016 meeting in Washington, urged all countries to fully implement the FATF Standards.[3] In addition, they asked the FATF and the Global Forum on Transparency and Exchange of Information for Tax Purposes to develop proposals by October 2016 to improve the implementation of international standards on transparency, including the availability of beneficial ownership information and its international exchange.

The FATF participated in a 'Tackling Corruption Together' conference on 11 May, hosted by the Commonwealth Secretariat together with organisations such as Transparency International, GOPAC and the G20 B-team. The participants at this high-level event shared experiences and information about worldwide anti-corruption efforts, to understand the key barriers to tackling corruption and to provide a focus for the Anti-Corruption Summit the following day. FATF supported this summit which brought together Heads of Government and State to discuss how to improve transparency and prevent corruption.

In their communiqué, the Summit participants committed to fully implement the FATF Recommendations on Transparency and Beneficial Ownership of Legal Persons and Arrangements. They also committed to ensure the collection of accurate and timely basic and beneficial ownership information (including legal ownership information) and to make this information accessible to those who have a legitimate need for it. They echoed the call from the G20 for the FATF, the Global Forum on Transparency and Exchange of Information for Tax Purposes as well as the OECD to work together and develop proposals to improve international transparency and exchange of beneficial ownership information. They called for greater collaboration between governments, regulators, law enforcement, financial intelligence units and businesses to detect and prevent the flow of illicit funds. In that context, they supported the work of the FATF to determine and address the barriers to effective sharing of information between authorities, jurisdictions and with and within the private sector.

Following the meeting, 42 individual countries sent declarations that set out the actions they committed to in order to tackle corruption, including by implementing the beneficial ownership standards and improving the collection of, access to and exchange of beneficial ownership information.

Tackling corruption by making it easier to identify the real persons you are doing business with, and to stop criminals hiding behind intricate legal arrangements and persons, remains high on the FATF agenda.

During its mutual evaluations, the FATF pays particular attention to how members have implemented transparency and beneficial ownership measures in their own legal framework. As the first organisation to assess how effective countries are at implementing international standards, FATF continues to lead global efforts to improve financial transparency.

3 Ministry of Finance of the People's Republic of China (2016), Communiqué G20 Finance Ministers and Central Bank Governors Meeting, 14-15 April 2016, http://wjb.mof.gov.cn/pindaoliebiao/gongzuodongtai/201604/t20160416_1952794.html

A review of the evaluations conducted to date identified the following challenges.

- Basic information relating to company registration is not always sufficiently accurate and accessible in the country.

- Customer due diligence requirements, including requirements to identify and verify beneficial owners, are often well-implemented by banks, but much less so by other key gatekeepers (e.g., company formation agents, lawyers, and trust-and-company-service providers). This problem is exacerbated because supervision of these sectors for compliance with these requirements is often less robust than it is in the banking sector.

- Companies are required to maintain registers of their shareholders or members. However, often registries do not verify the information received. This means that the information contained in registries is not always accurate or up-to-date.

- Companies are often not subject to sanctions for failing to keep their shareholder registry accurate and up-to-date as required.

- Data protection and privacy laws and other obstacles to information sharing often impede the competent authorities from getting timely access to adequate, accurate and up-to-date basic and beneficial ownership information. For example, even at the domestic level, tax authorities are often unable to share information with law enforcement authorities. These problems are amplified in the context of information sharing at the international level.

- Even where basic and beneficial ownership information is shared in a timely way (domestically or with foreign authorities), such exchange is of little value if the information is not accurate or up-to-date.

These challenges highlight the need for more focus on effective implementation of basic information as well as beneficial ownership and transparency requirements:

- Beneficial ownership information must be up to date and accurate.

- Beneficial ownership must be available to competent authorities in a timely manner, and rapidly shared with authorities in the context of investigating and prosecuting cases of abuse of the financial system.

- Failure to comply with these requirements should result in proportionate and dissuasive sanctions.

FATF is working with the Global Forum on Transparency and Exchange of Information for Tax Purposes and the OECD to identify and collaborate in areas of synergy. FATF and the Global Forum will discuss proposals on ways to improve the implementation of the international standards on transparency and the availability of basic and beneficial ownership information.

Joint Meeting of the FATF and G20 Anti-Corruption Working Group

In October 2015 and for the fifth year in a row, the joint FATF-G20 Anti-corruption Working Group meeting took place. This annual meeting provides a platform for anti-corruption and AML/CFT experts to get together and discuss issues of common interest. For the first time, the meeting also included experts from the private sector to exchange views, knowledge and experiences on combating corruption and the laundering of related proceeds.

Financial institutions play an important role in the fight against both corruption and money laundering. A key objective of the meeting was to get a better understanding of their role. Participants shared experiences on how proceeds of corruption enter the financial system and how these transactions can be identified. The discussions focused on how the authorities could assist industry to implement anti-corruption and relevant AML/CFT requirements. Participants also discussed a range of other issues, such as the requirements for politically exposed persons, and corruption issues in the context of correspondent banking.

The participants discussed the range of FATF guidance that financial institutions can use to leverage AML/CFT measures to tackle corruption. The input received will also feed into a guidance to clarify how to properly identify and manage risk in the context of correspondent banking and remittances which will be completed in October 2016.

The meeting brought together 103 delegates from 29 jurisdictions and 7 organisations as well as 16 representatives from the private sector.

New Guidance

The FATF Recommendations, with their interpretive notes, provide the detailed technical requirements of the laws, regulations and operational framework that countries must put in place to protect their financial system. On some issues, particularly those where it is important that the requirements are implemented in a consistent way by many different countries, extra guidance can be useful. Over the years, the FATF has developed a comprehensive body of guidance and best practices that help countries implement specific AML/CFT measures. The FATF continues to identify areas where countries could benefit from further guidance to help them develop measures that will be effective in what they set out to achieve.

This year, the FATF adopted three guidance papers.

In October 2015, the FATF adopted a *Guidance on AML/CFT-related Data and Statistics*. High-quality AML/CFT-related data and statistics can serve several important purposes. It can contribute to national risk assessments by quantifying certain risk factors. For example, the number of suspicious transaction reports or investigations could be indicative of the risk level for a specific activity. Data and statistics can help demonstrate the effectiveness of a country's AML/CFT measures. For example, countries must properly supervise, monitor and regulate financial institutions and DNFBPs (Immediate Outcome 3[4]). To help determine if a country is doing so effectively, it is useful for them to collect information on the number of financial institutions and DNFBPs that are licensed, the number of breaches of the licensing terms and conditions, and the number of cases when the regulator has taken supervisory or remedial action.

This guidance provides some helpful principles for collecting and analysing AMF/CFT-related data and

4. FATF (2013), FATF Methodology for assessing compliance with the FATF Recommendations and the effectiveness of AML/CFT systems

statistics, and presents examples of useful AML/CFT data that countries may want to collect, analyse and present.

Two of the new guidance papers that the FATF adopted this year focus on the implementation of the risk-based approach. The risk-based approach is the cornerstone of the FATF Recommendations. It allows countries to focus their resources on the areas where the risks are highest, and apply simplified measures where the risks are lower.

In October 2015, the FATF issued guidance to implement an effective supervisory system for the financial sector. The financial services sector plays an important role in preventing the movement of illicit assets or funds in support of terrorism through the financial system. They are the first line of defence of the financial system. Regulatory and enforcement actions in recent years have demonstrated that financial institutions have not always complied with AML/CFT measures.

Because of their key role, it is essential that this sector be properly supervised. Each country must ensure that its supervisors, regulators and law enforcement are able to take effective, dissuasive and proportionate action in the case of breaches of AML/CFT measures. In line with the risk approach, the level of supervision should be appropriate to the size and complexity of the financial sector, and take into account the ML/TF risk to which it is exposed. The *Guidance for a Risk-Based Approach: Effective Supervision and Enforcement by AML/CFT Supervisors of the Financial Sector and Law Enforcement* explains the features of an effective supervision model and clarifies the interplay with the role of law enforcement.

In February 2016, the FATF published *Guidance for a Risk-Based Approach for Money or Value Transfer Services (MVTS)*. MVTS businesses, such as money transmitters, provide an indispensable service, in particular to communities from developing countries.

Every year, using money transmitters, migrant workers abroad send large portions of their revenues back to their home country, to support their family and home community. MVTS plays an important role in supporting financial inclusion; for many of these communities, the remittance services are a lifeline. Unfortunately, like any other financial institution, MVTS service providers can be abused for the purpose of money laundering and terrorist financing. This does not mean that every MVTS provider is inherently high-risk.

In 2014, developing countries received over USD 400 billion in remittances from migrants living abroad. [5]

An effective risk-based approach reflects the nature, diversity and maturity of a country's MVTS sector, the risk profile of the sector, the risk profile of individual MVTS providers operating in the sector and the legal and regulatory approach in the country. The decision to terminate a business relationship should only be made if the ML/TF risks are too high and cannot be mitigated.

This guidance will help MVTS providers identify and manage their risk, and will help banks evaluate and manage the risks of a business relationship with the MVTS. This guidance will also help governments supervise these activities. The guidance is an update of the 2009 *Guidance on a Risk-Based Approach for Money Services Business*. It reflects the experiences gained by authorities and the private sector in applying the risk-based approach to this sector, and brings it into line with the 2012 FATF Recommendations.

5 United Nations, December 2015
www.un.org/sg/statements/index.asp?nid=9350

Sound laws and regulations are important, but it is more important that they are used effectively.

Monitoring Compliance

Fourth Round of Mutual Evaluations

FATF has a rigorous process to assess how well countries have implemented the standards.

Sound laws and regulations are important, but it is more important that they are used effectively to deliver results to protect the financial system, detecting and helping to prevent money laundering and terrorist financing.

Since the FATF first established the 40 Recommendations in 1990, most countries now have in place legal, regulatory and operational frameworks to tackle money laundering and the financing of terrorism and proliferation.

To reflect the growing priority of effective implementation, the FATF now takes a two-pronged approach to monitoring compliance. It assesses technical compliance with the FATF Recommendations; whether countries have implemented the requirements of each of the 40 Recommendations. For each Recommendation, a rating will indicate the level of compliance with what the FATF Recommendations require.

Separately, the FATF assesses how well countries' measures work in practice so that:

> Financial systems and the broader economy are protected from the threats of money laundering and the financing of terrorism and proliferation, thereby strengthening financial sector integrity and contributing to safety and security.

To determine whether a country has an effective framework to meet this objective the FATF measures outcomes that demonstrate effectiveness in 11 different areas. For example, it does not only look at the number of money laundering cases that the country has reported. The types of money laundering cases are considered in the context of the risks that a particular country is facing. That means that a certain number of cases can be sufficiently effective for one country, but insufficient for another. The table below shows the 11 different areas that the FATF looks at during its assessments, with the results for Italy and Malaysia.

At the time of the assessment, Malaysia was an observer country. Following the successful completion of the mutual evaluation, the Plenary welcomed the country as a full member in October 2015 (see page 49).

Immediate outcome of an effective system to combat money laundering (ML) and terrorist financing (TF)[1]

		Extent to which the assessed country achieved this objective (High, Substantial, Moderate, Low)					
		Australia[2]	**Belgium**	**Italy**[3]	**Malaysia**[2]	**Norway**	**Spain**
	Publication date	Apr 2015	Apr 2015	Feb 2016	Sep 2015	Dec 2014	Dec 2014
1	Risk, Policy and coordination - ML and TF risks are understood and where appropriate, actions co-ordinated domestically to combat ML and TF	subsantial	substantial	substantial	substantial	moderate	substantial
2	International co-operation - International co-operation delivers appropriate information, financial intelligence, and evidence, and facilitates action against criminals and their assets	high	substantial	substantial	moderate	substantial	substantial
3	Supervision - 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	moderate	substantial
4	Preventive measures - Financial institutions and DNFBPs adequately apply AML/CFT preventive measures commensurate with their risks, and report suspicious transactions	moderate	moderate	moderate	moderate	moderate	moderate
5	Legal persons and arrangements - 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	substantial	moderate	moderate	substantial
6	Financial intelligence - Financial intelligence and all other relevant information are appropriately used by competent authorities for money laundering and terrorist financing investigations	substantial	substantial	substantial	substantial	moderate	high
7	Money laundering investigation and prosecution - Money laundering offences and activities are investigated and offenders are prosecuted and subject to effective, proportionate and dissuasive sanctions	moderate	moderate	substantial	moderate	moderate	substantial
8	Confiscation - Proceeds and instrumentalities of crime are confiscated	moderate	moderate	substantial	moderate	moderate	substantial
9	Terrorist financing investigation and prosecution - 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	moderate	substantial	substantial
10	Terrorist financing preventive measures & financial sanctions - Terrorists, terrorist organisations and terrorist financiers are prevented from raising, moving and using funds, and from abusing the non-profit sector	moderate	moderate	moderate	substantial	moderate	moderate
11	Proliferation financing financial sanctions - Terrorists, terrorist organisations and terrorist financiers are prevented from raising, moving and using funds, and from abusing the non-profit sector	substantial	moderate	substantial	moderate	moderate	moderate

1. Completed and published assessments of FATF members as at the end of the Korean Presidency.
2. Joint FATF-APG assessments
3. Assessment conducted by IMF

In June 2016, the Plenary also discussed the mutual evaluation assessments of Austria, Canada and Singapore.

Following the Plenary discussions, the final assessment reports undergo a quality and consistency review. The FATF will publish the reports on its website when they have successfully passed this review.

The quality and consistency review is mandatory for all mutual evaluation reports, regardless of the assessing body. This review is the last stage in the assessment process and will ensure that all mutual evaluation reports meet the same high standards, whether the assessment was conducted by FATF, an FSRB, the IMF or the World Bank. Only reports that have passed the review will be considered adopted and then made public. The reports that do not pass the quality and consistency review will be referred back to the assessing body, who must address the inconsistencies.

This year, in addition to the mutual evaluation reports of Malaysia and Italy, the FATF published the following assessments conducted under the responsibility of one of the FATF-Style Regional Bodies. These assessment reports successfully completed the quality and consistency review.

- Armenia (MONEYVAL)
- Costa Rica (GAFISUD)
- Cuba (GAFISUD)
- Samoa (APG)
- Serbia (MONEYVAL)
- Sri Lanka (APG)
- Trinidad and Tobago (CFATF)
- Tunisia (MENAFATF)
- Vanuatu (APG)

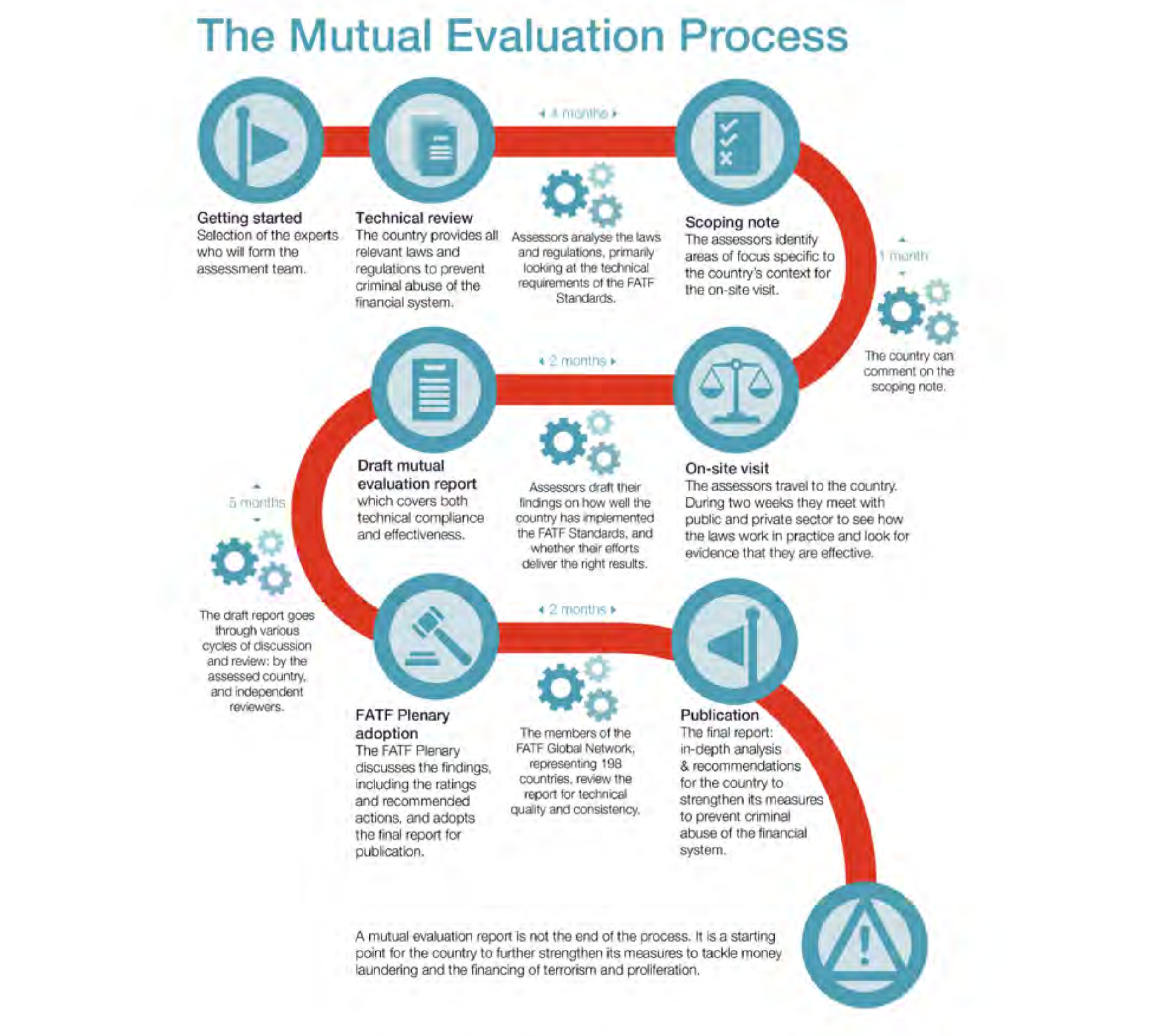
The FATF Follow-up Process

The FATF/FSRB mutual evaluation assessments form the starting point for countries to address the shortcomings in their AML/CFT framework. Each assessment provides a detailed analysis of the country's strengths and weaknesses and provides the country with a set of targeted recommendations that allow it to improve its effectiveness in protecting the financial system from these risks. Through the FATF follow-up process, countries that have undergone an assessment will provide regular updates of progress they have made towards any weaknesses identified in their mutual evaluation report. This follow-up process is intended to encourage implementation of the FATF Standards following the adoption of mutual evaluation reports and to strengthen accountability.

When a mutual evaluation identifies serious shortcomings in a country's AML/CFT regime, or if the country is not making meaningful progress in addressing them, the assessing body may choose to publicly identify these shortcomings. Should the country continue to fail to strengthen its AML/CFT measures, the next step would be referral to the FATF's International Co-operation Review Group, which would look at the countries weaknesses in the context of its work on identifying high-risk and non-cooperative jurisdictions. This is in addition to those countries that are placed in this process immediately following the adoption of their report because of key deficiencies.

This year, the APG highlighted the important key deficiencies in Vanuatu's measures to protect the financial system that its July 2015 mutual evaluation had identified, and the country was referred to the FATF's International Co-operation Review Group. Similarly, CFATF published statements to draw attention to Haiti and Suriname's lack of progress in implementing the necessary reforms. The FATF republished these public statements, as they contain relevant information that countries and the private sector should be aware of as part of their implementation of the risk-based approach.

Suriname has since made significant progress in strengthening its AML/CFT framework.



Follow-up from the Third Round of Mutual Evaluations

In February 2016, the FATF expressed its concern about Brazil's continued failure to address the serious weaknesses that its third round mutual evaluation report from June 2010 had identified. In particular, since 2004, Brazil had failed to criminalise terrorist financing.

One of the key requirements for FATF membership or that of the FATF-Style Regional Bodies is commitment to fully implementing the FATF Recommendations.

The FATF called on Brazil to fulfil its commitments by enacting counter terrorist financing legislation before the June 2016 Plenary. Since the February 2016 public statement, the country made significant progress and has enacted the law on the criminalisation of terrorist financing. While some shortcomings still remain (particularly in relation to targeted financial sanctions), the FATF Plenary recognised the progress made by Brazil. Brazil must continue to address the remaining deficiencies in its AML/CFT framework and report to the FATF on the progress it has made.

Assessor training sessions

A mutual evaluation is an in-depth and intrusive assessment of the measures a country is taking. To ensure that all mutual evaluations are of a consistently high quality, the FATF organises assessor trainings on a regular basis. Only trained assessors with experience of implementing these measures in practice can take part in a mutual evaluation.

This year, the FATF organised an assessor training in Paris in March 2016. During such training, volunteer assessors from FATF member countries as well as FSRB Secretariats and member countries can learn about the assessment process in detail, the information to look for during technical compliance assessments, and most importantly the evidence needed to determine the effectiveness of a country's AML/CFT efforts. The assessors learn to understand and critically analyse a national risk assessment so that they can determine whether a country adequately understands its risks and whether it has taken proportionate and effective measures to mitigate the money laundering and terrorist financing risks it is exposed to.

www.fatf-gafi.org/publications/mutualevaluations

Need for effective implementation – Panama papers

The recently leaked documents from Panamanian law firm, Mossack Fonseca, or the 'Panama papers', highlighted the need for an effective implementation of AML/CFT measures, and in particular the availability and exchange of beneficial ownership and transparency in relation to legal persons and legal arrangements.

The leaked information pointed to assets hidden from scrutiny in shell companies around the world; not just in Panama, or in other jurisdictions that have had a reputation of being a tax haven, but in a range of other countries including important financial centres.

As a result of the deficiencies identified by FATF in February 2014, the FATF placed Panama under special scrutiny (the ICRG process described below which can lead to public listing). Panama acted swiftly to introduce new, comprehensive legislation, including on beneficial ownership requirements and regulation of lawyers, accountants, and company service providers. As a result, FATF removed Panama from its enhanced scrutiny in February 2016. Panama must now demonstrate that it is using its laws and regulations effectively.

In 2017, GAFILAT will assess the effectiveness of Panama's AML/CFT measures and their compliance with the FATF Recommendations. As with all other mutual evaluations, assessors will look for evidence that the country is using its laws effectively. An unsatisfactory outcome of the assessment process may see the country under FATF scrutiny again.

Any country with weak measures to combat money laundering or the financing of terrorism or proliferation poses a risk to the entire global financial system.

High-Risk and Non-Cooperative Jurisdictions

Technological innovations and developments over the years have made it possible for virtually anybody to conduct financial transactions with the other side of the world with little time and effort. Today, the international financial system connects businesses and individuals from all over the world. To ensure that the international financial system is not misused to move the proceeds of crime or to raise or move funds in support of terrorism, it is important to identify loopholes and any weaknesses in the system. Any country with weak measures to combat money laundering or the financing of terrorism or proliferation poses a risk to the entire global financial system. Criminals or terrorists use these weaknesses to introduce their assets and from there, transfer them to other countries where the link to the crime or the purpose of the funds, may no longer be as easy to detect.

As one of its key objectives, the FATF identifies countries with such serious shortcomings in their AML/CFT system and engages with them to establish an action plan. It works with them to strengthen their measures to protect the financial system from abuse. Through the work of the International Co-operation Review Group (ICRG), the FATF publicly identifies these countries, which also serves to raise awareness about the risk they represent and help protect the integrity of the global financial system. Once identified, the FATF closely monitors the progress that each country makes to address the weaknesses in their AML/CFT system. Public identification has proved very successful at encouraging countries to take swift action; not least as it increases the costs of doing business with and in those countries and can deter direct foreign investment

The ICRG process started in 2007; since then, the FATF has reviewed over 80 countries, and publicly identified 59 of them. Forty-eight have since taken the necessary steps to strengthen their AML/CFT framework, of which seven between July 2015 and June 2016: Algeria, Angola, Ecuador, Myanmar, Panama, Papua New Guinea and Sudan.

The review process

The identification and review of potentially higher risk countries is an on-going process. Countries are referred for review based on information on threats, vulnerabilities or particular risks arising from the country. This information can come from a completed mutual evaluation report, information provided by members or the fact that the country is not working with any of the FATF-Style Regional Bodies, which signifies that it is not committing to implementing the FATF Standards.

Next, the FATF will review the AML/CFT progress made by the country. This review will determine whether its AML/CFT weakness, in the context of the size of the country's financial industry, poses a significant threat to the financial system. Together with the country, the FATF will develop an action plan to help the country make the necessary reforms to address the weaknesses and potential loopholes in its AML/CFT system. The country must also make a high-level political commitment that it will implement the necessary legal, regulatory and operational reforms that the action plan requires.

The reviews are carried out by four FATF regional review groups, Africa/Middle East, the Americas, Asia/Pacific, and Europe/Eurasia. Each country under review has the opportunity to take part in a face-to-face meeting to discuss the conclusions of the review group.

Public identification

The FATF publicly identifies countries and jurisdictions with serious weaknesses and potential loopholes in their AML/CFT framework. This process of 'naming and shaming' is a powerful tool to make important and necessary reforms happen. For a country, being labelled as a country with a weak AML/CFT framework can have serious consequences. Additional measures will apply to financial transactions with the country. As a result, international trading partners will face higher costs, or may no longer be able to do business at all. Unless the country takes urgent action to strengthen its AML/CFT measures in order to remove itself from FATF's enhanced scrutiny, it could see a negative impact on its position in the global economy. The public identification puts pressure on the governments to make the necessary reforms a priority and to implement them swiftly.

The public identification of countries that pose a risk to the international financial system happens three times a year, at the end of each Plenary. Each time, the FATF publishes two statements that provide a summary of the most important deficiencies that the countries must address.

The difference between the two statements is the level of money laundering / terrorist financing risk that the country poses as a result of its weak measures.

The FATF Public Statement identifies:

- The countries or jurisdictions with the most serious strategic deficiencies. The risk that these countries pose is so significant that the FATF calls on its members and non-members to apply counter-measures.
- Countries and jurisdictions with serious strategic deficiencies, that should be subject to enhanced due diligence measures, proportionate to the risks to the financial system that these countries represent.

The statement 'Improving Global AML/CFT Compliance: on-going process' lists countries that have weaknesses in their measures to combat money laundering and the financing of terrorism and proliferation. These countries have developed an action plan with the FATF to address these weaknesses and have provided a high-level political commitment to carry out the reforms called for in the action plan.

The country must demonstrate that it is making meaningful progress in a timely manner. If it fails to do so, the FATF can decide to increase pressure by moving it to the 'Public Statement'.

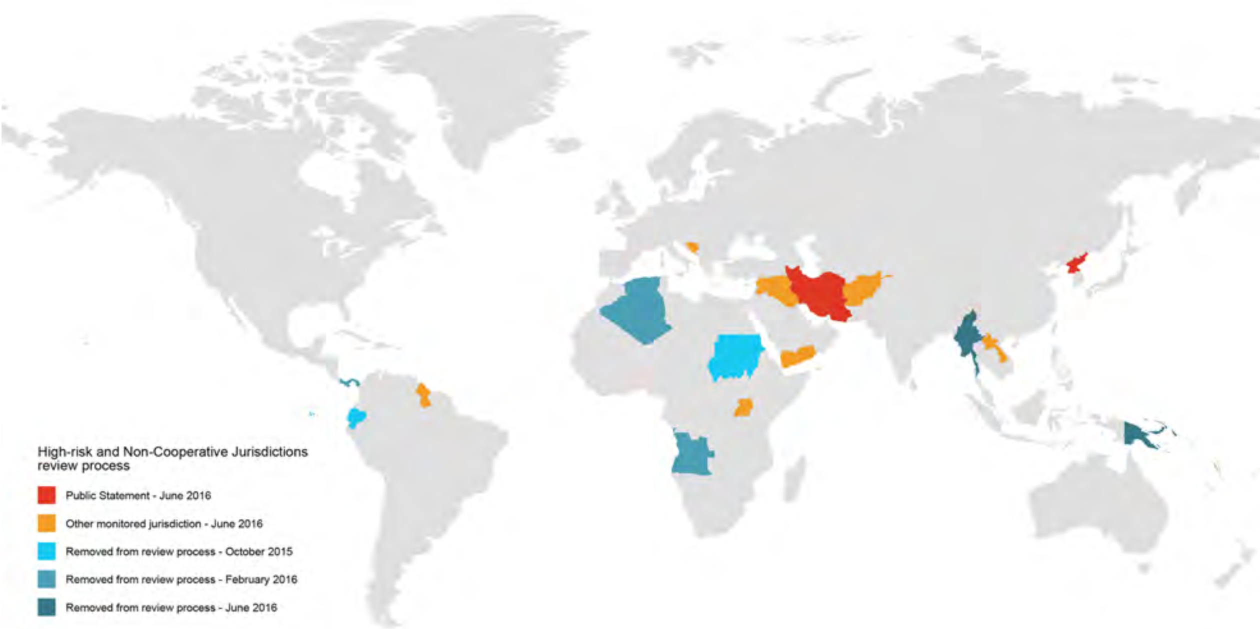
The threat of being included in the FATF Public Statement is often sufficient to drive urgent and necessary reforms. In October 2015, the FATF issued a warning about Lao PDR's lack of progress. By February 2016, the country had taken significant steps to strengthen its AML/CFT framework, including by issuing a Prime Minister's Order on the freezing of terrorist assets. The country needs to continue to address its remaining potential loopholes. However, for the time being, it is taking the required steps according to its action plan.

Removal from the review process

When a country has implemented the majority or all of the components of its action plan, the FATF will organise an on-site visit. This on-site visit by the relevant regional review group will confirm whether the necessary legal, regulatory and operational reforms are being implemented. The country must also demonstrate that there is a high-level political commitment to continue and complete the necessary reforms. A successful outcome of the on-site visit will lead to the country's removal from the review process.

This year, between July 2015 and June 2016, the FATF removed the following countries from its review process:

October 2015	Ecuador, Sudan
February 2016	Algeria, Angola and Panama
June 2016	Myanmar, Papua New Guinea



Iran

This year, Iran engaged with the FATF on the steps they must take to be in compliance with the FATF Recommendations.

Since its October 2007 Plenary meeting, the FATF has urged Iran to improve its AML/CFT measures. Despite commitment from Iran at the time, the country had failed to make meaningful progress in addressing the serious weaknesses in its legal, regulatory and operational framework.

Starting in February 2008, the FATF consistently and repeatedly issued public warnings about the serious deficiencies in Iran's AML/CFT framework, and the vulnerabilities this presents for the international financial system. This series of public warnings includes a public statement from February 2009 that urges all countries to apply counter-measures to Iran. Since then, after each Plenary, the FATF reaffirmed its February 2009 call on countries to advise their financial institutions to give special attention to business relationships and transactions with Iran and to apply effective counter-measures to protect their financial sectors from the risks emanating from Iran.

Following these statements, each country is responsible for defining specific enhanced due diligence measures and counter-measures, in line with the FATF Standards. The FATF provides instructions and examples of what these measures could be (Recommendation 10 and 19).

Over the years, as a result of FATF's statements, Iran was subject to a range of measures, which varied per country: from enhanced due diligence and reporting measures to complete prohibition of trade and financial transactions.

Iran's renewed engagement with the FATF is a positive development. FATF welcomes Iran's adoption of, and high-level commitment to, an Action Plan to address its strategic AML/CFT deficiencies, and its decision to seek technical assistance in the implementation of the Action Plan. In June 2016, the FATF therefore decided to suspend countermeasure for twelve months in order to monitor Iran's progress in implementing the Action Plan. If the country fails to make sufficient progress after that time period, the FATF will reimpose its call for countermeasures.

Until the country has completed the full Action Plan, the FATF remains concerned with the terrorist financing risk emanating from the country and the threat it poses to the international financial system. Iran will therefore remain on the Public Statement until it has implemented the measures required to address the deficiencies identified in the Action Plan. The FATF, therefore, continues to urge all jurisdictions to advise their financial institutions to apply enhanced due diligence to business relationships and transactions with natural and legal persons from Iran.

The FATF will continue its engagement with Iran and closely monitor its progress in completing its Action Plan.

www.fatf-gafi.org/countries/#Iran

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

As primary entry points into the international financial system, the private sector plays a crucial role in protecting its integrity.

Dialogue with the Private Sector

Over the years, the FATF has intensified its engagement with the private sector. This constructive and continued dialogue allows the FATF to benefit from their insights into the some of the issues that the FATF is working on. At the same time, private sector can bring issues of concern to the attention of the FATF.

As primary entry points into the international financial system, the private sector plays a crucial role in protecting its integrity. Private sector, and banks in particular, interact directly with members of the public, some of whom may attempt to use their services to launder illicit assets or move funds in support of terrorism. It is therefore crucial that the private sector has a thorough understanding of the AML/CFT requirements that apply to their line of business. For example, banks must ensure that they conduct customer due diligence on current and new clients. They must also report any transactions that indicate a possible transfer of proceeds of crime or terrorism-related funds. The valuable information on suspicious transactions that the private sector provides to its national financial intelligence unit could lead to earlier detection of criminals, terrorists or terrorist groups.

During the investigations into the terrorist attacks that took place in 2015 it soon became evident that the private sector held a considerable amount of information that could benefit the ongoing investigations.

The FATF's requirement on information sharing are set out in 25 of the 40 FATF Recommendations and impact 7 Immediate Outcomes. To clarify what the FATF requires in terms of information sharing, the FATF published the *Consolidated FATF Standards on Information Sharing* in June 2016. This compilation groups the relevant sections of the FATF Recommendations to explain what types of information should be shared, when it should be shared, and the safeguards and protections that should apply to information sharing.

As part of the consolidated strategy to combating terrorist financing, the FATF is therefore focusing on improving the exchange of information with the private sector. The strategy confirms that the private sector, such as banks, have an important role to play in stopping terrorist financing. Banks' understanding of terrorist financing, their vigilance, and their ability to take the necessary action and alert the national authorities, is essential.

In recent years, banks have invested heavily in strengthening their AML/CFT compliance capabilities. Recent high-profile fines for the deliberate breaches of sanctions and anti-money laundering rules caused widespread concern throughout the financial sector. Many banks now have the best AML/CFT experts and technology. This expertise can be put to use in the global fight against terrorist financing through a more intensive private-public sector partnership and better information sharing.

However, there are obstacles to information sharing, such as data protection rules and privacy issues. The annual meeting of the Private Sector Consultative Forum in April 2016 therefore focused on exploring these practical barriers. An open dialogue with over 150 participants from FATF members, associate members, observers and a variety of private sector institutions, discussed practical examples. These examples concerned sharing AML/CFT information in an enterprise-wide context, among financial institutions not part of the same financial group, and between governments and the private sector. Participants discussed the challenges and possible solutions to overcome these challenges as well as success stories. Tackling barriers to information sharing remains a priority for the FATF as it aims to identify best practices in this area.

In addition to information sharing, this year's private sector consultative forum also addressed correspondent banking. Banks have become increasingly risk-averse, which has resulted in de-risking: the indiscriminate termination of business relationships with whole sectors or regions. FATF has publicly raised concerns about the practice of de-risking, which could deprive vulnerable populations, legitimate businesses and charities of access to the financial system. The FATF, together with other relevant bodies such as the Financial Stability Board (FSB) and the Committee on Payments and Market Infrastructures (CPMI) is developing a guidance to clarify how to properly identify and manage risk in the context of correspondent banking and remittances. Forum participants shared their experiences and challenges in dealing with the money laundering and terrorist financing risks in starting or managing a correspondent banking relationship.

Private Sector Consultative Forum, Vienna, 19 April 2016

Terrorist financing indicators

The private sector has an important role to play, by identifying and reporting suspicious transactions. However, given the increased threat of terrorism, many countries have seen a dramatic increase in the volume of reported suspicious transactions. While this shows that financial institutions are more vigilant, it also puts a strain on the financial intelligence units who are responsible for investigating these reports. Banks may not know exactly what to look for and lower the threshold for reporting, to be on the safe side, while at the same time, genuine cases of terrorist financing may go unnoticed.

The difficulty with terrorist financing is that, contrary to money laundering, the source of the funds is often completely legitimate, and moreover the amounts are usually much smaller. This makes it challenging to recognise when a client is attempting to use the financial system to move funds for terrorist activities. To help financial institutions, as well as governments, identify terrorist financing risks, the FATF has developed a set of terrorist financing indicators. These indicators, which were developed with input from the private sector, will allow financial institutions to better recognise transactions that could potentially involve terrorism-related activities. The indicators will allow financial institutions as well as designated non-financial businesses and professions be more effective in their reporting. It will make more efficient use of their resources as well as the resources of the financial intelligence unit and law enforcement, charged with investigating the reports. To preserve the usefulness of these indicators, they have not been made public. The FATF has shared them with competent authorities, who in turn will disseminate them to relevant private-sector entities.

Non-Profit Organisations (NPOs)

This year, the FATF continued its constructive dialogue with the NPOs and financial institutions to prevent the misuse of NPOs for terrorist financing.

NPOs provide an indispensable service to those in need, often in remote and dangerous areas. However, the same structure that allows NPOs to carry out their important work could make them attractive for terrorists or terrorist organisations to raise and move money to finance their atrocities. NPOs have been known to have been created for this purpose, or abused to support terrorism, often without the knowledge of management, donors or staff.

FATF Recommendation 8 requires countries to review their laws concerning NPOs to prevent their misuse for terrorist financing. Since the FATF revised its Recommendations in 2012, the terrorist financing risk environment for the NPO sector has evolved, and so have governments' responses to it.

This year, the FATF refined the FATF Standard on NPOs, to reflect the June 2015 updated *Best Practices Paper on Combating the Abuse of Non-Profit Organisations* and the June 2014 Typologies Report on the *Risk of Terrorist Abuse in Non-Profit Organisations*. The FATF organised two public consultations in November 2015 and April 2016 respectively to collect views and specific proposals from the NPO sector on the text of Recommendation 8 and its Interpretive Note.

The FATF Consultation and Dialogue Meeting with NPOs took place at the UNODC Headquarters in Vienna on 18 April 2016. In total, 116 participants, including 21 FATF member and observer delegations, 26 NPOs and 37 private sector guests attended the meeting. The participants had an in-depth exchange of views on the following key issues:

- The important role NPOs play in the fight against terrorism by helping to mitigate extremism.
- How the FATF Standards protect NPOs from terrorist abuse and facilitate their access to financial services when implemented effectively.
- Why, as a starting point, countries must understand their NPO sector and its potential terrorist financing vulnerabilities, taking into account that the majority of NPOs may represent little or no risk at all.
- Why it is important to apply measures to protect NPOs from terrorist abuse, in line with the FATF's risk-based approach, and proportionate with the risks identified, while at the same time respecting human rights, due process and the rule of law.

The FATF reiterates its commitment to continuing engagement with the NPO sector on these issues, and recognises the value that such interactive dialogue brings to the work of the FATF.

Corruption

In October 2015, representatives from the private sector participated in the joint G20 anti-corruption working group / FATF experts meeting on corruption. This annual meeting brings together anti-corruption experts, and anti-money laundering and counter terrorist financing experts to discuss areas of common interest. For the first time, private sector participated in these discussions.

Measures to combat money laundering and terrorist financing are powerful tools in the fight against corruption. This is echoed in G20 support for FATF's work on transparency and beneficial ownership and the call to the FATF to work together with other relevant organisations to improve implementation of beneficial ownership measures.

The key objective for this fifth joint experts' meeting was to get a better understanding of how financial institutions detect cases of corruption-related money laundering. Participants discussed examples of attempts to introduce proceeds of corruption into the financial system. They discussed how to identify these corruption-related assets once they are in the financial system, and the various tools that exist to overcome the challenges associated with identifying proceeds of corruption.

Participants committed to continue this dialogue, to further improve implementation of measures to combat corruption and improve beneficial ownership information and transparency.

Every country must make sure that it has taken the necessary steps to safeguard the financial system from abuse as criminals and terrorists will abuse weaknesses or loopholes.

Strengthening the Global AML/CFT Network

To effectively protect the global financial system, the FATF cannot work in isolation. It relies on the partnerships with the FATF-Style Regional Bodies to extend the effective implementation of the FATF Recommendations beyond its own membership. This is important for in today's international financial system, funds can move around the world in an increasingly efficient way. Every country must make sure that it has taken the necessary steps to safeguard the financial system from abuse as criminals and terrorists will abuse weaknesses or loopholes to introduce illicit assets into the financial system. Today, through membership of the FATF or one of the nine FATF-Style Regional Bodies, 198 countries have committed to implementing the international standards to combat money laundering and terrorist financing.

In addition to this global network of jurisdictions, the FATF also works closely with its observers, including the United Nations and assessing bodies IMF and World Bank

In April 2016, in the margins of the joint UN/FATF open briefing on depriving terrorists of their funding, FATF President Je-Yoon Shin met with UN Secretary General Ban-Ki Moon, IMF Managing Director Christine Lagarde and World Bank Managing Director and Chief Operating Officer Sri Mulyani Indrawati. The meetings underscored the importance of a continued collaboration in the effective implementation of standards to protect the global financial system from money laundering and in particular terrorist financing.

FATF Membership

The FATF members are each strategically important countries in terms of the size of their banking sector and their impact on the global financial system. At the same time, the FATF membership aims to strike a geographic balance. In June 2014, the FATF agreed to a limited expansion of its membership and started working with the candidate countries to determine their readiness.

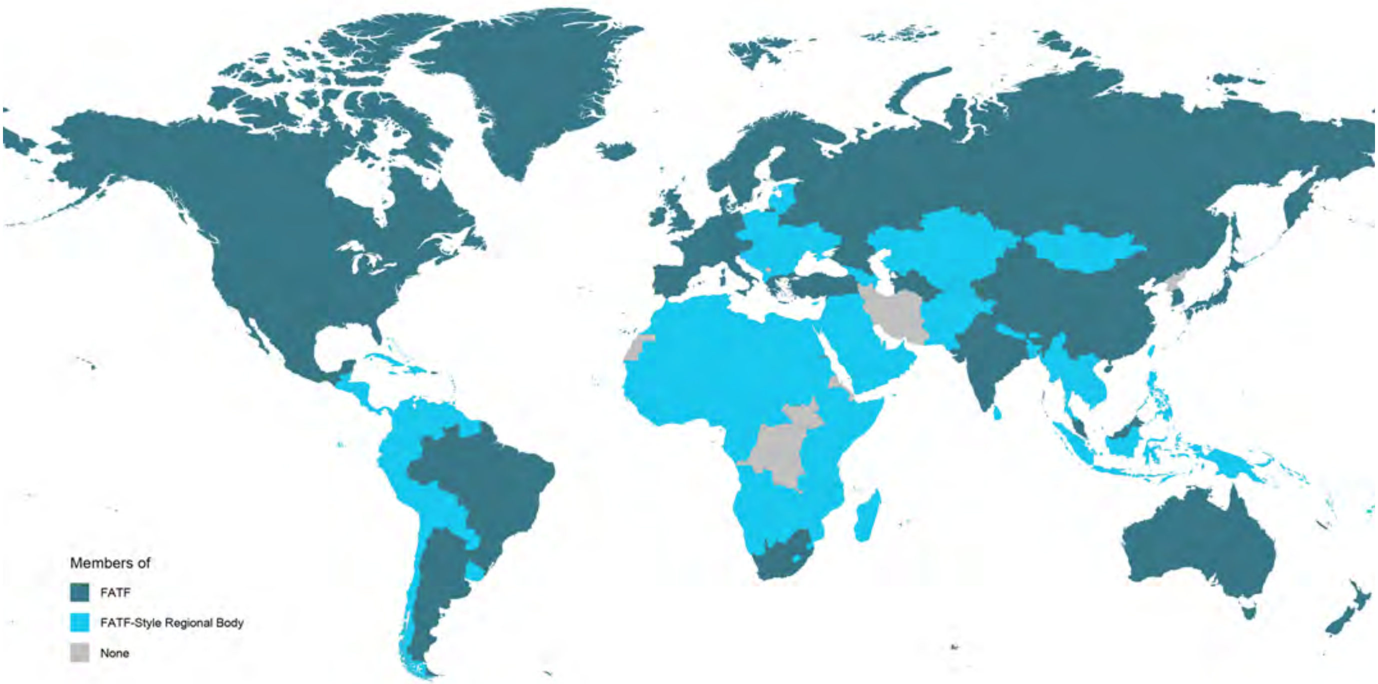
Malaysia was the first country to join as an observer as part of this process in October 2014. The membership process requires that a mutual evaluation successfully demonstrates that the country has an effective AML/CFT system and has reached a satisfactory level of compliance with the FATF Recommendations. The FATF discussed Malaysia's mutual evaluation at its June 2015 Plenary. Malaysia was required to take a number of actions to meet FATF's AML/CFT requirements, such as further risk assessments of terrorist financing and foreign sources' threats, a greater focus on obtaining convictions and confiscation, and better use of financial intelligence by law enforcement agencies. Since the June 2015 Plenary, Malaysia has made progress in addressing the deficiencies identified in its mutual evaluation report. Given the progress that Malaysia had made in strengthening its AML/CFT measures, the FATF Plenary decided in February 2016 that it had met the criteria for membership of the FATF and welcomed Malaysia as a full member of the FATF. Malaysia has developed an action plan to address the remaining shortcomings in its AML/CFT measures, and will report to the FATF Plenary on the progress it has made.

After Malaysia and Saudi Arabia, which is currently working on its process towards full membership, since it became an observer of the FATF in June 2015, the FATF identified Israel as a candidate country for FATF Membership in February 2016.

Israel is currently a member of MONEYVAL and has also actively participated in the work of the Egmont Group of Financial Intelligence Units. As part of the membership process, Israel must now undergo a mutual assessment to determine how well it has implemented the FATF Recommendations. If it successfully completes the membership process, it would expand the FATF membership into the Middle East region, which, given current terrorist financing threats, is particularly relevant.

The FATF now counts 37 members, including two regional bodies.

FATF Global Network



FATF-Style Regional Bodies

FATF-Style Regional Bodies (FSRBs), or Associate Members, play a crucial role in promoting global effective implementation of sound measures to protect the financial systems from abuse. While the FSRBs operate as autonomous bodies, the FATF and FSRBs share a common objective of combating money laundering and the financing of terrorism and proliferation.

FATF and FSRBs and their respective members form the FATF Global Network of countries that have committed to implementing the FATF Standards. Each country within this network must be held to the same high standards during the mutual evaluation and follow-up processes.

FSRBs also work toward a common goal in identifying and addressing threats to the financial system.

While the FATF is the only AML/CFT standard-setting body, the FATF and FSRBs are part of a larger whole: the FATF Global Network. To govern the relationship between the FATF and FSRBs, the FATF has developed a set of high-level rights and obligations that apply to both the FATF and the FSRBs. The aim is to ensure a standard of operating and reciprocity across the FATF Global Network, which is in the interest of both FATF and FSRB. If one of the organisations is functioning poorly and not delivering rigorous assessments for example, then this can have an impact on all organisations in the FATF Global Network and the credibility of their work and the FATF brand. In February 2016, the FATF updated the high-level principles and objectives to ensure they remain relevant and allow each organisation sufficient flexibility to develop within its own governance structure.

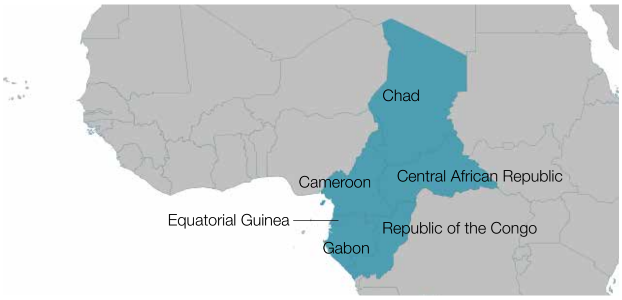
New FATF-Style Regional Body

In October 2015, the FATF recognised the Task Force on Money-Laundering in Central Africa (*Groupe d'Action contre le blanchiment d'Argent en Afrique Centrale* (GABAC)) as an FATF-Style Regional Body and admitted it as an Associate Member. GABAC is a body of the Economic and Monetary Community of Central Africa and includes six countries. Cameroon, Central African Republic, Chad, Republic of the Congo, Equatorial Guinea and Gabon. It was established in 2000 with the mandate to combat money laundering and terrorist financing, assess the compliance of its members against the FATF Standards, provide technical assistance to its member States and facilitate international co-operation. GABAC became an observer organisation of the FATF in February 2012.

The FATF granted GABAC associate membership status on the condition that it show continued progress in the few areas where it needs to strengthen its capacity and procedures. The FATF will continue to work with GABAC to ensure that it implements the obligations of associate membership.

GABAC became the ninth FATF-Style Regional Body, extending the reach of the FATF Global into Central Africa. Through this Global Network, 198 countries have to date committed to implementing the FATF Standards to combating money laundering and the financing of terrorism and proliferation.

GABAC Membership



Developments in FSRBs

In July 2015, France and Italy agreed to serve as FATF expert members of MONEYVAL. Every two years, the FATF President appoints two delegations from the FATF membership to serve as expert members of MONEYVAL for a period of two years.

Each FSRB is composed of countries from the same geographic region that frequently share similar challenges in tackling money laundering and terrorist financing and often also have a working language in common. Occasionally, a country may find that there are practical obstacles that prevent it from fully benefiting from the FSRB membership. It may decide that it would be better associated with a different regional body. This was the case for Comoros, which withdrew from membership of the ESAAMLG in August 2015. Language difficulties prevented the Comoros from effectively participating in ESAAMLG activities. It is currently an observer to GIABA and is working with this regional body to become a full member.

On 21 September 2015, GIABA officially opened its AML/CFT Information Centre in Abidjan, Côte d'Ivoire for French and Portuguese speaking GIABA member States. This centre will enable GIABA to further promote implementation of AML/CFT measures by providing training, raising awareness of threats and risks to the financial system and increasing GIABA's visibility in the region.

In November 2015, the EAG welcomed the Republic of Korea as an observer country. Korea is already a member of the FATF as well as the APG.

Training and Research

Since the June 2015 Plenary meeting, when the Republic of Korea announced its proposal to establish an AML/CFT Training and Research Institute (TREIN) in Korea, the FATF has worked to develop the operational framework to make this a reality. The centre, which is expected to be operational in the last quarter of 2016, will make an important contribution to the work of the FATF global network to protect the global financial system from abuse (see also page 21).

www.fatf-gafi.org/about/membersandobservers/

Egmont Group of Financial Intelligence Units

The terrorist attacks that took place during the past couple of years have highlighted the value of financial intelligence in terrorist financing investigations. The transactions made by terrorists - purchases, cash withdrawals and transfers - leave a trail that can lead to the terrorist, terrorist cells or their support network.

Not only can financial intelligence provide valuable information in the law enforcement investigations following an attack, it can also help identify and prevent future attacks. The financial activity of individuals or groups known to have had links to terrorism, could point to the mobilisation of a terrorist cell in the preparation of future atrocities or the organisation of training for future attacks.

National financial intelligence units (FIUs) play an important role in tackling money laundering and the financing of terrorism and proliferation.

The FATF Recommendations require banks, financial institutions and other reporting agencies to identify suspicious transactions that point to illicit funds or activities to their national FIU. The FIUs must be able to analyse the large amounts of data from the suspicious transactions' reports that are submitted to them on a daily basis, as well as any other information relevant to money laundering, of the financing of terrorism and proliferation. The FIUs analyse all this information to look for evidence of illicit assets or transfer of funds towards terrorists or in support of terrorism-related activities. They should be able to obtain further information from reporting agencies and share the results of their analysis with the relevant authorities.

FATF recognises the value of financial intelligence, international co-operation and information sharing. The FATF Recommendations therefore make it a requirement for each country to establish an independent financial intelligence unit. Each FIU should also apply for membership of the Egmont Group of Financial Intelligence Units (Egmont Group). The FATF and Egmont Group have built up a mutually reinforcing relationship, participating in each other's activities as observers. To date, 151 countries have joined the Egmont Group and are actively participating in its events.

At the December 2015 Special Plenary on Terrorist Financing, the FATF and the Egmont Group further strengthened their collaboration. Both organisations are working together to overcome information-sharing obstacles and consider updating the international standards on effective information sharing.

Particularly in the context of its work to tackle terrorist financing, the FATF is working to build closer links with operational experts and the Egmont Group. In February 2016, the Egmont Group was an active participant in the joint FATF-CIFG meeting which focused on efforts to choke off ISIL financing. FIUs, through the Egmont Group, have an important role to play in disrupting ISIL's ability to move and use the funds needed for its terrorist atrocities.

Example of number of STRs submitted to National FIUs:

- UK – between October 2014 and September 2015, the National Crime Agency received a total of 381882 suspicious activity reports.[6]
- France – in 2015 the French FIU *Tracfin* received 45 266 reports and dealt with a 119% increase of possible terrorist financing cases.[7]

6. National Crime Agency (2015), SARs Annual Report 2015, www.nationalcrimeagency.gov.uk/publications/677-sars-annual-report-2015/file
7. Ministère des finances et des comptes publics (2016), En 2015, une nouvelle progression d'acdivité pour Tracfin en matière de lutte contre le blanchiment, la fraude aux finances publiques et le financement du terrorisme, Communiqué de presse, www.economie.gouv.fr/files/cp.pdf

Financial Statement

There are currently 30 staff members at the FATF Secretariat: an Executive secretary, a deputy Executive secretary, four senior policy analysts, sixteen 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
- co-ordinating 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 calculation method. The two member organisations (Gulf Co-operation Council and the European Commission) also make voluntary contributions to the FATF.

Table 1. Budget of the FATF for fiscal years 2015 and 2016 (in EUR)

Budget items	Budget FY 2015	Budget FY 2016
Staff costs (salaries and indemnities)	2 892 485	2 818 200
Travel	289 872	346 093
Operating costs (incl. office rental)	216 710	217 400
OECD overhead charges	364 600	368 200
Meeting costs, translation, interpretation	179 344	220 644
IT: investments and maintenance costs	101 680	123 163
Total	**4 044 092**	**4 093 700**

Annex 1. Global Network: Member Jurisdictions & Assessing Bodies

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
Korea
Luxembourg
Malaysia
Mexico
Netherlands, Kingdom of
New Zealand
Norway
Portugal
Russian Federation
Singapore
South Africa
Spain
Sweden
Switzerland
Turkey
United Kingdom
United States

FATF Observers

Israel
Saudi Arabia

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)
Inter-Governmental Action Group against Money Laundering in West Africa (GIABA)
Middle East and North Africa Financial Action Task Force (MENAFATF)
Task Force on Money Laundering in Central Africa (GABAC)

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)
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)
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) concerning Al-Qaida and associated individuals and entities
- 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)

The Al-Qaida and Taliban Sanctions Committee (1267 Committee)
World Bank
World Customs Organization (WCO)

Annex 2. FATF Members, Associate Members and Observers

Afghanistan	APG
Albania	MONEYVAL
Algeria	MENAFATF
Andorra	MONEYVAL
Angola	ESAAMLG
Anguilla	CFATF
Antigua and Barbuda	CFATF
Argentina	FATF-GAFILAT
Armenia	MONEYVAL
Aruba	CFATF
Australia	FATF-APG
Austria	FATF
Azerbaijan	MONEYVAL
Bahamas	CFATF
Bahrain	MENAFATF
Bangladesh	APG
Barbados	CFATF
Belarus	EAG
Belgium	FATF
Belize	CFATF
Benin	GIABA
Bermuda	CFATF
Bhutan	APG
Bolivia	GAFILAT
Bosnia and Herzegovina	MONEYVAL
Botswana	ESAAMLG
Brazil	FATF-GAFILAT
British Virgin Islands	CFATF
Brunei Darussalam	APG
Bulgaria	MONEYVAL
Burkina Faso	GIABA
Cabo Verde	GIABA

Cambodia	APG
Cameroon	GABAC
Canada	FATF-APG
Cayman Islands	CFATF
Central African Republic	GABAC
Chad	GABAC
Chile	GAFILAT
China	FATF-APG-EAG
Chinese Taipei	APG
Colombia	GAFILAT
Comoros	ESAAMLG
Congo	GABAC
Cook Islands	APG
Costa Rica	GAFILAT
Côte d'Ivoire	GIABA
Croatia	MONEYVAL
Cuba	GAFILAT
Curaçao	CFATF
Cyprus	MONEYVAL
Czech Republic	MONEYVAL
Denmark	FATF
Dominica	CFATF
Dominican Republic	CFATF
Ecuador	GAFILAT
Egypt	MENAFATF
El Salvador	CFATF
Equatorial Guinea	GABAC
Estonia	MONEYVAL
Ethiopia	ESAAMLG
Fiji	APG
Finland	FATF
Former Yugoslav Republic of Macedonia (FYROM)	MONEYVAL

France	FATF
Gabon	GABAC
Gambia	GIABA
Georgia	MONEYVAL
Germany	FATF
Ghana	GIABA
Gibraltar [1]	MONEYVAL
Greece	FATF
Grenada	CFATF
Guatemala	CFATF-GAFILAT
Guernsey [2]	MONEYVAL
Guinea	GIABA
Guinea-Bissau	GIABA
Guyana	CFATF
Haiti	CFATF
Holy See	MONEYVAL
Honduras	GAFILAT
Hong Kong, China	FATF-APG
Hungary	MONEYVAL
Iceland	FATF
India	FATF-APG-EAG
Indonesia	APG
Iraq	MENAFATF
Ireland	FATF
Isle of Man [2]	MONEYVAL
Israel	MONEYVAL
Italy	FATF
Jamaica	CFATF
Japan	FATF-APG
Jersey [2]	MONEYVAL
Jordan	MENAFATF
Kazakhstan	EAG
Kenya	ESAAMLG
Korea	FATF-APG
Kyrgyzstan	EAG
Kuwait	MENAFATF

Lao People's Democratic Republic	APG
Latvia	MONEYVAL
Lebanon	MENAFATF
Lesotho	ESAAMLG
Liberia	GIABA
Libya	MENAFATF
Liechtenstein	MONEYVAL
Lithuania	MONEYVAL
Luxembourg	FATF
Macau, China	APG
Malawi	ESAAMLG
Malaysia	FATF-APG
Maldives	APG
Mali	GIABA
Malta	MONEYVAL
Marshall Islands	APG
Mauritania	MENAFATF
Mauritius	ESAAMLG
Mexico	FATF-GAFILAT
Moldova	MONEYVAL
Monaco	MONEYVAL
Mongolia	APG
Montenegro	MONEYVAL
Montserrat	CFATF
Morocco	MENAFATF
Mozambique	ESAAMLG
Myanmar	APG
Namibia	ESAAMLG
Nauru	APG
Nepal	APG
Netherlands	FATF
New Zealand	FATF-APG
Nicaragua	GAFILAT
Niger	GIABA
Nigeria	GIABA
Niue	APG

Norway	FATF
Oman	MENAFATF
Pakistan	APG
Palau	APG
Palestine Authority	MENAFATF
Panama	GAFILAT
Papua New Guinea	APG
Paraguay	GAFILAT
Peru	GAFILAT
Philippines	APG
Poland	MONEYVAL
Portugal	FATF
Qatar	MENAFATF
Romania	MONEYVAL
Russian Federation	FATF-EAG-MONEYVAL
Rwanda	ESAAMLG
Saint Kitts and Nevis	CFATF
Saint Lucia	CFATF
Saint Maarten	CFATF
Samoa	APG
San Marino	MONEYVAL
São Tomé and Príncipe	GIABA
Saudi Arabia	MENAFATF
Senegal	GIABA
Serbia	MONEYVAL
Seychelles	ESAAMLG
Sierra Leone	GIABA
Singapore	FATF-APG
Slovak Republic	MONEYVAL
Slovenia	MONEYVAL
Solomon Islands	APG
South Africa	FATF-ESAAMLG
Spain	FATF
Sri Lanka	APG
St. Vincent and the Grenadines	CFATF
Sudan	MENAFATF
Suriname	CFATF
Swaziland	ESAAMLG
Sweden	FATF
Switzerland	FATF
Syria	MENAFATF
Tajikistan	EAG
Tanzania	ESAAMLG
Thailand	APG
Timor-Leste	APG
Togo	GIABA
Tonga	APG
Trinidad and Tobago	CFATF
Tunisia	MENAFATF
Turkey	FATF
Turkmenistan	EAG
Turks and Caicos Islands	CFATF
Uganda	ESAAMLG
Ukraine	MONEYVAL
United Arab Emirates	MENAFATF
United Kingdom	FATF
United States	FATF-APG
Uruguay	GAFILAT
Uzbekistan	EAG
Vanuatu	APG
Venezuela, Bolivarian Republic of	CFATF
Viet Nam	APG
Yemen	MENAFATF
Zambia	ESAAMLG
Zimbabwe	ESAAMLG

1. MONEYVAL assesses the British Overseas Territory of Gibraltar, following a request by the United Kingdom.

2. MONEYVAL assesses Guernsey, Jersey and Isle of Man, following a request by the United Kingdom, responsible for the international relations of these Crown Dependencies.

Annex 3: FATF Publications and Speeches 2015-2016

Reports

Money laundering and terrorist financing risks and vulnerabilities associated with gold, 20 July 2015, www.fatf-gafi.org/publications/methodsandtrends/documents/ml-tf-risks-and-vulnerabilities-gold.html

Malaysia's measures to combat money laundering and terrorist financing, 18 September 2015, www.fatf-gafi.org/publications/mutualevaluations/documents/mer-malaysia-2015.html

Samoa's measures to combat money laundering and terrorist financing [APG], 5 October 2015, www.fatf-gafi.org/publications/mutualevaluations/documents/mer-samoa-2015.html

Sri Lanka's measures to combat money laundering and terrorist financing [APG], 5 October 2015, www.fatf-gafi.org/publications/mutualevaluations/documents/mer-sri-lanka-2015.html

Vanuatu's measures to combat money laundering and terrorist financing [APG], 5 October 2015, www.fatf-gafi.org/publications/mutualevaluations/documents/mer-vanuatu-2015.html

Emerging Terrorist Financing Risks, 21 October 2015, www.fatf-gafi.org/publications/methodsandtrends/documents/emerging-terrorist-financing-risks.html

Guidance for a risk-based approach: effective supervision and enforcement by AML/CFT supervisors of the financial sector and law enforcement, 23 October 2015, www.fatf-gafi.org/publications/fatfrecommendations/documents/rba-effective-supervision-and-enforcement.html

Terrorist Financing: FATF Report to G20 Leaders - actions being taken by the FATF, 16 November 2015, www.fatf-gafi.org/publications/fatfrecommendations/documents/terrorist-financing-fatf-report-to-g20.html

Guidance on AML/CFT-related data and statistics, 27 November 2015, www.fatf-gafi.org/publications/fatfrecommendations/documents/aml-cft-related-data-statistics.html

Money Laundering Through the Physical Transportation of Cash, 30 November 2015, www.fatf-gafi.org/publications/methodsandtrends/documents/ml-through-physical-transportation-of-cash.html

Mutual Evaluation of Cuba [GAFILAT], 17 December 2015, www.fatf-gafi.org/publications/mutualevaluations/documents/mer-cuba-2015.html

Costa Rica's measures to combat money laundering and terrorist financing [GAFISUD], 17 December 2015, www.fatf-gafi.org/publications/mutualevaluations/documents/mer-costa-rica-2015.html

Armenia's measures to combat money laundering and terrorist financing [MONEYVAL], 28 January 2016, www.fatf-gafi.org/publications/mutualevaluations/documents/mer-armenia-2015.html

Italy's measures to combat money laundering and terrorist financing, 10 February 2016, www.fatf-gafi.org/publications/mutualevaluations/documents/mer-italy-2016.html

Guidance for a Risk-Based Approach for Money or Value Transfer Services, 23 February 2016, www.fatf-gafi.org/publications/fatfrecommendations/documents/rba-money-or-value-transfer.html

Annual Report 2014-2015, 11 March 2016, www.fatf-gafi.org/publications/fatfgeneral/documents/annual-report-2014-2015.html

Statements concerning high-risk and non-cooperative jurisdictions

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