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A note from the President

In June last year I presented to the FATF my vision for the year ahead. I spoke of acknowledging the important role played by various institutions and organisations and of finding ways for their voices to contribute more in devising options to improve the way we do things or extend the reach of our message to new areas. I spoke of embracing the truly global nature of the FATF network and working more closely with non-FATF jurisdictions which are committed to the fight against money laundering and terrorist financing. In that respect I have had the pleasure to attend meetings of most of the FATF-style regional bodies (FSRBs). This has really brought home to me the strength and truly global nature of this effort. I am particularly inspired by the commitment and efforts made by countries suffering very real resource constraints.



We also suggested the FATF should look at its mutual evaluation process and begin work to prepare for the 4th round of evaluations. This work has begun, and among the issues under consideration are: how to increase the focus on effectiveness, how to better recognise the particular threats and vulnerabilities within each jurisdiction, and what actions may be needed to strengthen the system.

And, importantly, I emphasised that we cannot ignore serious weaknesses in the global effort to combat money laundering and the financing of terrorism. The FATF must continue identifying jurisdictions with weak AML/CFT regimes that pose risks to the integrity of the international financial system. The FATF must address them through appropriate measures, with the support of the FSRBs, our partners and the international community as a whole.

Of course, this time last year few among us predicted that we would be facing a global financial and economic crisis. Work is currently being conducted by a number of international bodies, including standard-setting bodies, on issues within their specific competence which are a high priority as a consequence of the global financial and economic crisis. This includes the FATF, which is examining the impact of the crisis on AML/CFT efforts. The current crisis was triggered by various factors and is having significant impacts on economies and societies throughout the world. The crisis may be making the financial system more vulnerable to various risks, and, in that context, it could undermine the effectiveness of AML/CFT measures. Likewise, we know that AML/CFT measures contribute to financial stability and soundness. So I expect this FATF project will produce some useful insight and guidance for us all as we contribute to the work to bring the current crisis to an end.

This will be my last FATF e-News, as my term as FATF President concludes on 30 June this year. But I will not leave the FATF family. I look forward to continuing to work you.

I have had the opportunity this year to work closely with Paul Vlaanderen, who will take on the FATF presidency from July on behalf of the Kingdom of the Netherlands. I am confident that many important FATF initiatives will see results during his Presidency.

Gustavo Rodrigues

FATF President

Money laundering and terrorist financing using the casinos and gaming sector

The Asia/Pacific Group on Money Laundering (APG) and the FATF finalised a comprehensive joint report: *Money Laundering/Terrorist Financing Vulnerabilities of Gaming and Casinos Sector*. The report focuses on legitimate gaming operations that have a physical presence, but also considers high seas gaming and junket tours.

Statistics from 2007 show that over 150 countries permit in some kind of legal gambling. Casinos generate enormous revenue streams for operators and for governments. In addition there is a proliferation of Internet gambling sites, as well as a significant amount of illegal gambling occurring around the world.

The nature and expanding scope of the casino sector presents a number of challenges for AML/CFT implementation. The primary features of the sector which makes it vulnerable to money laundering and the financing of terrorism are:

- Casinos provide a range of financial activities as 24/7 'entertainment'.
- They are cash intensive businesses.
- There is often criminal interest in or around casinos.
- In some jurisdictions there is weak regulation of this sector.
- Law enforcement and FIUs may not understand casino business.

In order to assist countries and gaming operators in dealing with these issues, the report provides sector-specific money laundering and terrorist financing indicators and highlights possible policy implications for effective implementation of the FATF Standards that cover casinos and gaming.

This report can be found on the websites of both the FATF (www.fatf-gafi.org) and the APG (www.apgml.org).

Trained AML/CFT evaluators are highly sought after

In March, 57 people from 29 countries graduated from an intensive workshop on the FATF mutual evaluation process and the detailed evaluation methodology.



The mutual evaluation programme is the primary instrument by which the FATF and the FATF-style regional bodies (FSRBs) monitor progress made by member governments in implementing the FATF Recommendations. Trained experts capable of conducting these evaluations are highly sought after.

Recently, the content of this workshop was updated jointly by the FATF, APG, IMF, World Bank. The materials for this new version of the workshop will now be used by all who run this type of training - FATF, APG, CFATF, EAG, ESAAMLG, GAFISUD, GIABA, MENAFATF, MONEYVAL, the IMF and the World Bank.

In the first week of April GIABA also provided training for evaluators. In this case, to 41 people from 7 countries. Later this month ESAAMLG will run this workshop for experts in Mombasa. The EAG will provide the evaluator training course to experts in Kiev during May and the CFATF will provide this course to its members in June. In July, both GIABA and MONEYVAL plan to provide evaluator training for their members and GAFISUD will run the training in August. Together, all of these workshops will ensure that there is a strong pool of mutual evaluation experts available across the globe.

Key events at a glance (May – July 2009)

19 April–1 May	Onsite visit for the mutual evaluation of New Zealand Wellington, New Zealand
20–24 April	ESAAMLG evaluator training workshop Mombasa, Kenya
22 April	EAG AML/CFT train the trainers program Moscow, Russia
27–30 April	WCO–Interpol conference and training on countering bulk cash smuggling Brussels, Belgium
4–6 May	GIABA plenary and ministerial committee meetings Bamako, Mali
4–8 May	CFATF plenary meeting Trinidad and Tobago
4–15 May	Onsite visit for the mutual evaluation of Luxembourg Luxembourg
18–21 May	MENAFATF 9 th plenary and working groups' meetings Bahrain
18–22 May	EAG evaluator training workshop Kiev, Ukraine
24–28 May	Egmont plenary meeting Doha, Qatar
25–29 May	Annual Wolfsberg forum Zurich, Switzerland
1–5 June	CFATF evaluator training workshop Trinidad and Tobago
8–10 June	EAG plenary meeting Saint Petersburg, Russia
22–26 June	FATF plenary and working groups' meetings Mexico City, Mexico
July	GIABA evaluator training workshop (location and exact dates to be confirmed)
6–10 July	APG annual meeting and technical assistance and training forum Brisbane, Australia
6–10 July	MONEYVAL evaluator training workshop San Marino

Note: Some dates and locations are subject to change

FATF statement on certain AML/CFT deficiencies

On 25 February 2009, the FATF released the following statement regarding the money laundering and terrorist financing risks posed by certain jurisdictions:

IRAN

The FATF welcomes Iran's initial engagement with the international community on money laundering. However, the FATF remains concerned by Iran's failure to meaningfully address the ongoing and substantial deficiencies in its anti-money laundering and combating the financing of terrorism (AML/CFT) regime. The FATF remains particularly concerned about Iran's failure to address the risk of terrorist financing and the serious threat this poses to the integrity of the international financial system. The FATF urges Iran to immediately and meaningfully address its AML/CFT deficiencies, in particular by criminalising terrorist financing and effectively implementing suspicious transaction reporting (STR) requirements.

The FATF reaffirms its call on members and urges all jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with Iran, including Iranian companies and financial institutions. In addition to enhanced scrutiny, the FATF further calls on its members and urges all jurisdictions to apply effective counter-measures to protect their financial sectors from money laundering and financing of terrorism (ML/FT) risks emanating from Iran. Jurisdictions should also protect against correspondent relationships being used to bypass or evade counter-measures and risk mitigation practices, and take into account ML/FT risks when considering requests by Iranian financial institutions to open branches and subsidiaries in their jurisdiction.

The FATF remains prepared to engage directly in assisting Iran to address its AML/CFT deficiencies, including through the FATF Secretariat.

UZBEKISTAN

The FATF welcomes the process undertaken by Uzbekistan to adopt comprehensive AML/CFT measures within a specific timeframe. Nevertheless, given that concrete measures to address the identified deficiencies have not yet been implemented, the FATF reiterates its statement of 16 October 2008, calling on its members and urging all jurisdictions to strengthen preventive measures to protect their financial sectors from the ML/FT risk emanating from Uzbekistan.

TURKMENISTAN

Despite a prolonged dialogue with the FATF and other international institutions, Turkmenistan has not yet made progress in adopting AML legislation. Financial institutions should remain aware that the lack of an AML/CFT regime in Turkmenistan constitutes an ML/FT vulnerability in the international financial system and should take appropriate measures to address this risk. Turkmenistan is urged to adopt without further delay a comprehensive AML/CFT regime that meets international AML/CFT standards. Turkmenistan is encouraged to continue to work closely with the Eurasian Group and the International Monetary Fund to achieve this.

PAKISTAN

The FATF reaffirms its public statement of 28 February 2008 regarding the ML/FT risks posed by Pakistan. The FATF welcomes the process underway in Pakistan to improve its AML/CFT regime. The FATF encourages Pakistan to continue to fully co-operate with the World Bank and the Asia Pacific Group on Money Laundering (APG) on its mutual evaluation process.

SÃO TOMÉ AND PRÍNCIPE

The FATF welcomes São Tomé and Príncipe's recent steps toward addressing identified AML deficiencies, in particular, through the adoption of an AML law in November 2008. The FATF urges São Tomé and Príncipe to address the remaining AML/CFT deficiencies, particularly relating to terrorist financing.

South Africa's AML/CFT system



The FATF has finalised its evaluation of South Africa's compliance with the FATF standards. This evaluation was conducted jointly by the FATF and the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG). Key findings of the report include:

- The Republic of South Africa has a first-world banking sector characterised by well established infrastructure and technology but limited participation (over 60% of the adult population was excluded from any formal financial services in 1994) and a growing demand for financial services.
- Major profit-generating crimes include fraud, theft, corruption, racketeering, precious metals smuggling, abalone poaching, "419" Nigerian-type economic/ investment frauds and pyramid schemes. Agencies indicated that the international and domestic terrorist threat is low and will remain low for the foreseeable future.
- South Africa has demonstrated a strong commitment to AML/CFT, and there is close cooperation between a variety of government departments and agencies.



- Money laundering is criminalised in the *Prevention of Organised Crime Act 1998*, and this offence is largely consistent with the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances and the 2000 United Nations Convention against Transnational Organised Crime.
- Terrorist financing is criminalised in the *Protection of Constitutional Democracy against Terrorist and Related Activities Act*, which is comprehensive. However, the effectiveness of these measures cannot be assessed, as there have not yet been any prosecutions.
- The Financial Intelligence Centre is South Africa's financial intelligence unit. It is functioning effectively. The South African Police Service is the main agency responsible for the investigation of money laundering and terrorist financing. While South Africa has most of the necessary legal tools and funding to combat money laundering, the number of investigations and prosecutions is low. In the five years from April 2003 to March 2008, there were 64 money laundering cases pending before the courts, and 16 resulted in convictions.
- South Africa has implemented AML/CFT preventative measures through the *Financial Intelligence Centre Act 2001*, the *Money Laundering and Terrorist Financing Control Regulations* and Exemptions in Terms of the *Financial Intelligence Centre Act*. "Accountable institutions" – those financial institutions which have AML/CFT obligations – are required to identify and verify customers, conduct CDD and maintain records. Accountable institutions are required to appoint compliance officers. Requirements do not exist with respect to identification of beneficial owners or enhanced due diligence for higher risk customers such as PEPs.
- South Africa has a broad reporting regime in which all financial institutions and businesses (not just accountable institutions) are required to report suspicious transactions. Overall, the STR reporting regime is being implemented effectively.
- Amendments to the *Financial Intelligence Centre Act* which come into force in 2009 will give the three primary supervisory authorities – the South African Reserve Bank, the Financial Services Board and the Johannesburg Stock Exchange – specific AML/CFT supervision responsibilities and significantly enhance the supervision regime.
- South Africa's agencies can and do provide a wide range of assistance to international counterparts.

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All reports mentioned in this newsletter may be found on the FATF website.