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## **FATF Tackles Terrorism Financing, Delists Guatemala**

The Financial Action Task Force (FATF), the international body in charge of safeguarding the global financial system against money laundering and terrorist financing, announced today that it has removed Guatemala from its list of Non-Cooperative Countries and Territories (NCCTs) and, separately, that it is exploring new ways to tackle terrorism financing.

"The NCCT process has been very successful in encouraging countries to take necessary action to clean up their financial systems. Guatemala has worked with FATF representatives to achieve a positive result, and the FATF will continue to monitor Guatemala's progress," said FATF President Claes Norgren at the Group's Plenary meeting in Paris. The NCCT list points out countries with serious flaws in their anti-money laundering systems, and can subject these countries to counter-measures such as heightened scrutiny by financial institutions.

Guatemala took significant steps, including passing laws requiring offshore banks to be licensed and supervised; requiring enhanced customer identification for financial institutions; and requiring reporting by banks to authorities of any suspicious transactions.

In addition, the FATF examined new regulatory approaches to stem the flow of funds to terrorists. FATF investigated ways to address the problem of cash couriers – individuals used by terrorist groups and by organized crime to smuggle hard currency across borders. As more financial institutions scrutinize transactions for links to crime or terrorism, these groups exploit cash couriers to move funds. The FATF began a detailed investigation of the problem, with an eye to coordinated action this year.

"As an international body with a wide membership but a focused mandate, the FATF is in a uniquely strong position to overcome the myriad differences in financial systems to make it harder for terrorists and criminals to smuggle their cash," said Mr. Norgren. "We can help stop this flow of illegal funds."

The FATF has also issued an Interpretative Note to Special Recommendation II which clarifies the obligations of countries to criminalise the offence of terrorist financing. This guidance outlines countries' obligations pursuant to the United Nations 1999 International Convention for the Suppression of the Financing of Terrorism.

The FATF continues to use the NCCT list to demand that financial institutions give greater scrutiny to transactions with persons, businesses, or banks in listed countries or territories with inadequate anti-money laundering and counter-terrorist financing infrastructure. The list of countries remaining as designated NCCTs is as follows: Cook Islands, Indonesia, Myanmar, Nauru, Nigeria and Philippines.

Although the FATF welcomed the recent initiative of Myanmar in passing detailed anti-money laundering rules and regulations, the group decided to maintain their current additional counter-

measures against the country, citing deficiencies in a recent Mutual Legal Assistance law that hinder international cooperation on legal matters. The additional counter-measures with respect to Nauru will also be maintained as insufficient progress has been made since the previous Plenary meeting.

As Nigeria recently enacted legal reforms, FATF invited it to submit a plan detailing how those reforms will be implemented. FATF will only consider de-listing an NCCT after it has adequately implemented the anti-money laundering reforms.

The FATF concluded mutual evaluations of the anti-money laundering (AML) and counter-terrorist financing (CFT) systems of Mexico, Argentina, Brazil and Saudi Arabia to evaluate how well they complied with the FATF's Recommendations.<sup>1</sup> Summaries of the mutual evaluations reports of the above countries are included in the Annual Report of the FATF for 2003-2004, including an overview of the progress recently made by Mexico.

In addition, the FATF welcomed a decision by the Executive Boards of the IMF and World Bank to endorse a common methodology that the three groups will together use when they assess anti-money laundering and counter-terrorist financing compliance.

"Since February, the FATF has worked closely with the IMF, World Bank and the FATF-style regional bodies and the OGBS to ensure a common and consistent approach to the evaluation of a country's AML/CFT regimes," Mr. Norgren said. Later this year, the FATF will launch a new round of evaluations using this new joint methodology with the IMF and World Bank to assess compliance with FATF's Revised Forty Recommendations.

Further information about the FATF, its efforts to combat money laundering and terrorist financing, the Forty Recommendations and the current list of non-cooperative countries and territories can be found at <http://www.fatf-gafi.org>.

The FATF is an independent international body whose Secretariat is housed at the OECD. The thirty-one member countries and governments of the FATF are: Argentina; Australia, Austria; Belgium; Brazil; Canada; Denmark; Finland; France; Germany; Greece; Hong Kong, China; Iceland; Ireland; Italy; Japan; Luxembourg; Mexico; the Kingdom of the Netherlands; New Zealand; Norway; Portugal; the Russian Federation; Singapore; South Africa; Spain; Sweden; Switzerland; Turkey; United Kingdom; and the United States. The European Commission and the Gulf Co-operation Council are also members of the FATF.

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<sup>1</sup> Mutual evaluations of Argentina and Brazil were carried out by FATF in conjunction with GAFISUD (the Financial Action Task Force for South America). The mutual evaluation of Saudi Arabia was carried out in conjunction with the GCC (Gulf Cooperation Council).