



Chairman's Summary London Plenary, 18-20 June 2008

20 June 2008

The FATF Plenary has taken important new steps to protect the international financial system from abuse, agreeing to:

- Reaffirm its public statement of 28 February 2008 regarding the anti-money laundering and countering the financing of terrorism risks posed by **Uzbekistan, Iran, Pakistan, Turkmenistan** and **São Tomé and Príncipe**, and **the northern part of Cyprus**.
- Issue a set of best practices to combat **trade-based money laundering**.
- Publish a new comprehensive study on **Proliferation Financing** and a new study identifying the money laundering and terrorist financing risks arising from **Commercial Websites and Internet Payment Systems**.
- Launch studies on the money laundering and terrorist financing risks in the **securities sector**; and money laundering through **sporting clubs**.
- Publish information on **money laundering and terrorist financing risk assessment strategies**.
- Publish new guidance on the risk-based approach, for **accountants; dealers in precious metals and precious stones; real estate brokers; and trust and company service providers**.
- Adopt evaluations of the anti-money laundering and counter terrorist-financing systems in **Hong Kong, China; the Russian Federation; Qatar; and the United Arab Emirates**.

International co-operation issues

The FATF reaffirmed its public statement of 28 February 2008 regarding the anti-money laundering and countering the financing of terrorism risks posed by Uzbekistan, Iran, Pakistan, Turkmenistan and São Tomé and Príncipe, and the northern part of Cyprus.

The FATF welcomed the actions taken by its members to advise their financial institutions of these risks.

The FATF was encouraged by steps taken by some jurisdictions but was concerned about the lack of progress by, in particular, Uzbekistan and Iran.

The FATF will continue to assess the situation and take further actions in October, as necessary, to protect the international financial system.

Best practices for combating trade-based money laundering

Misuse of the trade system is one of the main methods by which criminal organisations and terrorist financiers move money for the purpose of disguising its origins and integrating it into the formal economy. The FATF has published a new best practices paper to raise awareness and improve the ability of government authorities to collect and effectively utilise trade data,

both domestically and internationally, for the purpose of detecting and investigating money laundering and terrorist financing through international trade¹.

The FATF will continue to explore vulnerabilities in the trade system, including those related to trade finance, with a view to identifying other measures that could be considered in combating illegal use of international trade systems.

Two new typologies studies

The FATF finalised two new comprehensive typology reports².

The report on *Proliferation Financing*³ identifies and analyses the existing threat of proliferation financing and the methodologies used by the proliferators and facilitators. It examines existing measures used to counter this threat along with potential vulnerabilities in counter proliferation regimes. The report outlines a series of options that could be considered by the FATF, and by countries, to strengthen safeguards against proliferation financing within the framework of existing United Nations Security Council Resolution 1540 of 2004. Consultation with the private sector has been highly valuable in preparing the *Proliferation Financing* report. The FATF will continue its productive dialogue with the private sector on the issue of proliferation finance and invites further private sector views for consideration in the context of the FATF's future work on this issue.

The report on *Money Laundering and Terrorist Financing Vulnerabilities of Commercial Websites and Internet Payment Systems* focuses on the type of electronic commerce identified as the most vulnerable to money laundering and terrorist financing (ML/TF): mediated customer-to-customer⁴. The report also provides a number of case studies illustrating how mediated customer-to-customer systems can be exploited for ML/TF purposes.

The FATF has also agreed to launch studies on the money laundering and terrorist financing risks in the securities sector; and money laundering through sporting clubs.

Money laundering and terrorist financing risk assessment strategies

The FATF has published a report to assist countries to develop their own money laundering risk assessments. Drawing upon current examples of national threat assessments, the report sets out key factors to be considered, including sources of data and type of assessment (risk, threat or vulnerability), measurement of law enforcement or regulatory effectiveness, and examples of national assessments of money laundering and terrorist financing.

The report aims to increase the number of countries undertaking national assessments to enhance knowledge at both international and national levels. This will contribute to a greater synergy between national approaches in order to facilitate the development of a global analysis of emerging threats. The FATF has committed to the publication of a global threat assessment.

¹ The best practices paper will soon be published on the FATF website, www.fatf-gafi.org.

² The reports will soon be published on the FATF website, www.fatf-gafi.org.

³ The following broad working definition of 'proliferation financing' is used for this report: "Proliferation financing is providing financial services for the transfer and export of nuclear, chemical or biological weapons; their means of delivery and related materials."

⁴ Mediated customer-to-customer websites are those which allow private individuals to sell to one another via an online marketplace.

Guidance for businesses and professions on the risk-based approach to combating money laundering and terrorist financing

The FATF and representatives of non-financial businesses and professions have been working closely together to develop guidance on implementing a risk-based approach to combating money laundering and terrorist financing. The FATF has finalised four guidance papers, for (i) accountants; (ii) dealers in precious metals and precious stones; (iii) real estate brokers; and (iv) trust and company service providers⁵. These guidance papers:

- Support the development of a common understanding of what the risk-based approach involves;
- Outline the high-level principles involved in applying the risk-based approach; and
- Indicate good practice in the design and implementation of an effective risk-based approach.

The guidance will assist both public authorities and these four sectors to apply a risk-based approach to combating money laundering and terrorist financing.

Evaluations of anti-money laundering and counter-terrorist financing systems in Hong Kong, China; the Russian Federation; Qatar; and the United Arab Emirates

The FATF discussed and adopted four mutual evaluation reports, assessing compliance with the international standards for combating money laundering and terrorist financing - the *40+9 Recommendations*. These reports relate to the mutual evaluations of two FATF members - Hong Kong, China⁶ and the Russian Federation⁷, and two members of the Gulf Co-operation Council⁸ – Qatar and the United Arab Emirates. Summaries of these assessments will soon be on the FATF website and the full reports will be released in the coming weeks.

The FATF Plenary took advantage of the UAE delegation's presence at the meeting to discuss issues around the appropriate regulation of the hawala value transfer system.

Three Presidencies initiative

For the first time, three successive FATF Presidencies (UK, Brazil and the Netherlands) have presented a joint paper to the FATF Plenary. A further paper, discussing how to improve even more the global anti-money laundering and countering the financing of terrorism framework, will be tabled at the October Plenary, and all members and observers have been invited to contribute ideas to it.

Sir James Sassoon
President, Financial Action Task Force

⁵ These guidance papers will soon be published on the FATF website, www.fatf-gafi.org.

⁶ As Hong Kong, China is also a member of the APG, this is a joint FATF/APG evaluation. The report will also be discussed in the near future at the APG Annual Meeting.

⁷ As the Russian Federation is also a member of Moneyval and the EAG, this is a joint evaluation with both of those regional bodies. The report will also be discussed in the near future at Moneyval and EAG Plenary meetings.

⁸ The Gulf Co-operation Council (GCC) is in the unique position of being a member of the FATF but with non-FATF countries as its members. All of the members of the GCC have committed to implement the FATF standards and to undergo evaluations of their AML/CFT systems. As all of its members are also members of the regional style body in the Middle East and North Africa (MENAFATF), evaluations of GCC members are considered by both the MENAFATF and the FATF.

Notes:

1. For further information, journalists are invited to contact Helen Fisher, OECD Media Relations, (Tel: +33 1 45 24 80 97 or helen.fisher@oecd.org) or the FATF Secretariat, 2, rue André-Pascal, 75775 Paris Cedex 16 (tel: +33 1 45 24 79 45, fax: +33 1 44 30 61 37, email: contact@fatf-gafi.org).
2. The FATF is an inter-governmental body whose purpose is the development and promotion of policies, both at national and international levels, to combat money laundering and terrorist financing. The FATF Secretariat is housed at the OECD.
3. The thirty-four members of the FATF are: Argentina; Australia; Austria; Belgium; Brazil; Canada; China; Denmark; the European Commission; Finland; France; Germany; Greece; the Gulf Co-operation Council; 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; the United Kingdom; and the United States.
4. India and the Republic of Korea are observer countries. The Asia Pacific Group on Money Laundering (APG)⁹, the Caribbean Financial Action Task Force (CFATF)¹⁰, the Grupo de Acción Financiera de Sudamérica (GAFISUD)¹¹, the Middle East and North Africa Financial Action Task Force (MENAFATF)¹² and the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (Moneyval)¹³ are Associate Members.
5. The global network that is committed to combating money laundering and terrorist financing also includes three other regional bodies: the Eastern and South African Anti Money Laundering Group (ESAAMLG)¹⁴, the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG)¹⁵ and the Groupe Inter-gouvernemental d'Action Contre le Blanchiment en Afrique (GIABA)¹⁶. The Offshore Group of Banking Supervisors (OGBS)¹⁷ is a part of this network as well.

⁹ www.apgml.org

¹⁰ www.cfatf.org

¹¹ www.gafisud.org

¹² www.menafatf.org

¹³ www.coe.int/moneyval

¹⁴ www.esaamlg.org

¹⁵ www.eurasiangroup.org

¹⁶ www.giaba-westafrica.org

¹⁷ www.ogbs.net