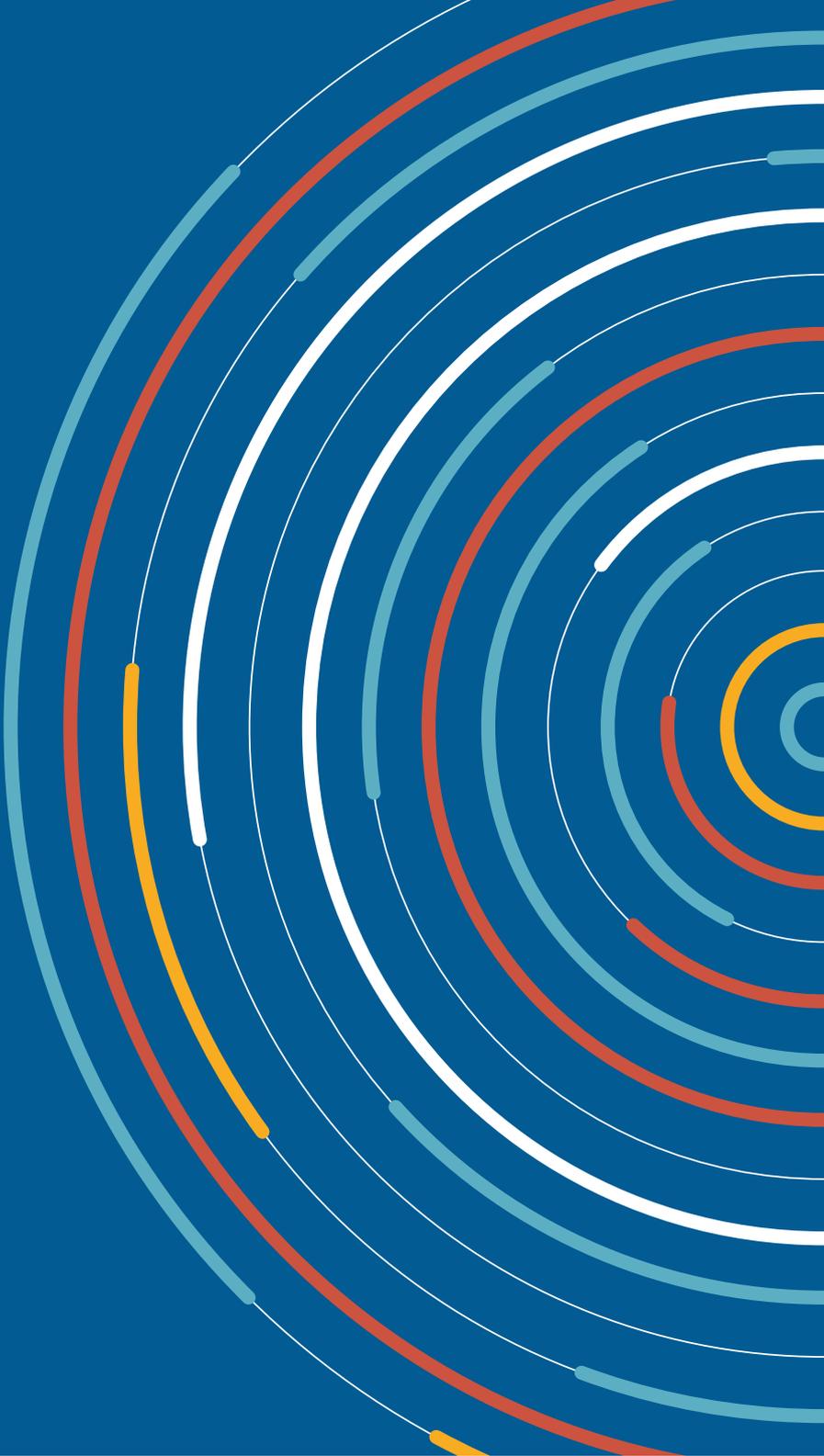


FATF



ANNUAL
REPORT

2019
2020



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 www.fatf-gafi.org

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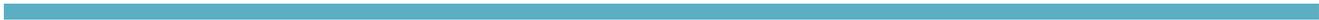
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Abbreviations and acronyms

AML	Anti-money laundering
APG	Asia-Pacific Group on Money Laundering
CFATF	Caribbean Financial Action Task Force
CFT	Countering the financing of terrorism
COVID-19	Corona Virus Disease 2019
Digital ID	Digital Identification
DNFBP	Designated Non-Financial Businesses and Professions
DPRK	Democratic Republic of Korea
EAG	Eurasian Group
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
FATF	Financial Action Task Force
FSRB	FATF-Style Regional Body
FT	Financing of Terrorism
FUA	Follow-Up Assessment
FUR	Follow-Up Report
GABAC	Task Force on Money Laundering in Central Africa
GAFILAT	Financial Action Task Force of Latin America
GIABA	Inter Governmental Action Group against Money Laundering in West Africa
GPII	Global Partnership for Financial Inclusion
ICRG	International Co-operation Review Group
IMF	International Monetary Fund
ISIL	Islamic State of Iraq and the Levant
MENAFATF	Middle East and North Africa Financial Action Task Force
MONEYVAL	Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
OECD	Organisation for Economic Cooperation and Development
PF	Proliferation Financing
SSB	Standard-Setting Bodies
UFW	United Wildlife Fund
UN	United Nations
UNSCR	United Nations Security Council Resolutions
VA	Virtual Asset
VASP	Virtual Asset Service Provider
WMD	Weapons of mass destruction



MESSAGE FROM THE FATF PRESIDENT

I am pleased to introduce the annual report of the Financial Action Task Force for 2019-2020, which sets out the FATF's achievements, under its Chinese Presidency. This Plenary year, we had to face the unprecedented challenge of the global COVID-19 pandemic. As I write this, millions of people continue to struggle with its devastating impact. Around the globe, this virus has already claimed hundreds of thousands of lives, while key workers and medical professionals continue to put their own lives at risk to help others at this exceptionally difficult time. I am extremely proud that the FATF has continued to deliver its crucial work, including highlighting new threats and vulnerabilities emerging during the crisis in a paper published by the FATF Secretariat in April this year.

Despite the difficult circumstances resulting in a pause in the FATF's

mutual evaluation and follow-up processes, the FATF was able to deliver on all of the priority issues for the Chinese Presidency. These priorities included the fight against money laundering by improving the supervision of financial institutions. A series of events with regulators from more than 50 countries helped the FATF identify the challenges of supervision and how to take a more sophisticated risk-based approach. The outcomes from these events will inform a new FATF guidance paper on risk-based supervision, and I look forward to its completion next year.

The FATF also continued its work on the risks and opportunities of new technologies. The FATF issued guidance to help virtual asset service providers implement the FATF's new requirements for this sector, and finalised a 12-month review on the implementation of these revised

standards. The FATF also finalised a report to the G20 on money laundering and terrorist financing issues associated with so-called stablecoins.

New technologies in the form of digital ID, can also help improve accuracy and efficiency of customer due diligence in an increasing digitized world. The FATF has issued guidance to help governments and the private sector promote effective and responsible use of digital IDs in customer due diligence as well as supervision.

I am pleased that the FATF has also completed a much-anticipated report on money laundering and the illegal wildlife trade, with significant input from the Duke of Cambridge's United for Wildlife organisation and other non-profit and private sector partners. I am confident that this report will make a valuable contribution to help identify criminal networks behind this illegal trade.

The FATF launched a new e-learning platform for the Global Network membership. This important initiative will help strengthen global understanding of the FATF Standards and improve their implementation in national frameworks.

By the end of the Chinese Presidency, the FATF reached a milestone in its Strategic Review, which aims to strengthen the efficiency and

effectiveness of the FATF. Delegates agreed on the future direction and framework for FATF mutual evaluations and follow-up processes, to make them more timely, targeted and risk-based. This work will continue under the Presidency of my successor, Dr Marcus Pleyer of Germany.

Dr. Pleyer's Presidency, the first two-year Presidency of the FATF, starts at a time when the world is still in the grip of a global pandemic, when criminals are actively seeking to exploit and make a profit of the situation, and when many round-table negotiations take place virtually. Nevertheless, I am confident that the professionalism, expertise and good will of the FATF membership, under Dr. Pleyer's leadership, will ensure that the FATF continues to make important advances in the fight against illicit finance.



Xiangmin Liu
FATF President 2019-2020

FATF



FINANCIAL ACTION TASK FORCE

FATF WEEK

Paris, 16-21 February 2020



PRIORITIES DURING THE CHINESE PRESIDENCY

THE IMPACT OF COVID-19 ON ANTI-MONEY LAUNDERING AND COUNTER-TERRORIST FINANCING MEASURES

The COVID-19 pandemic has claimed lives throughout the world and led to unprecedented global challenges, human suffering and economic disruption. As governments around the world introduced confinement and travel restrictions, it drastically changed day-to-day life. This has had a direct impact on individuals, businesses, governments, and international organisations. The FATF and its global network saw a significant impact on its key work streams. Notably, there were delays in the schedules for mutual evaluations, follow-up reports and reviews of high-risk jurisdictions, as well as the cancellation or postponement of many meetings and events (see ME section). Yet, despite these challenging

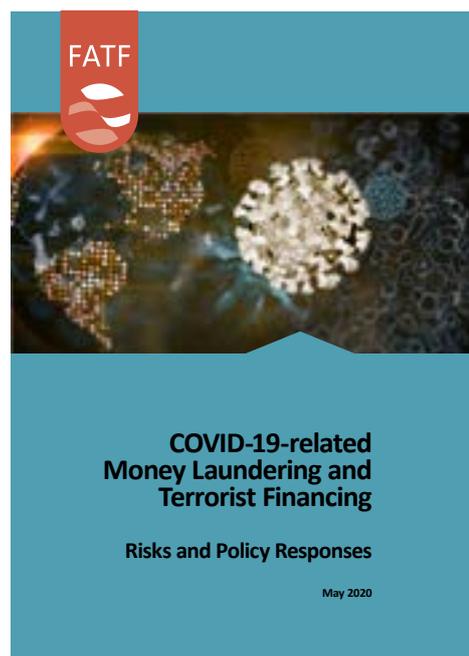
circumstances, the FATF found new ways to continue advancing its important work and to overcome the physical distances of its members.

Criminals have been quick to seek ways to exploit this crisis, from misuse of government aid to the sale of counterfeit medical supplies. With the assistance of its

members and observers, the FATF demonstrated its adaptability and resilience by quickly responding to the crisis. A statement by the FATF President emphasised the need for collaboration between governments and financial institutions. A subsequent paper outlined COVID-19 related threats and vulnerabilities, its impact on global AML/CFT implementation, and various national policy responses. Following the publication of the paper, the FATF Secretariat held a webinar to highlight the findings of this paper and respond to questions.

The President's Statement calls upon governments to work with financial institutions and to use the flexibility built into the FATF's risk-based approach to address the challenges posed by COVID-19 while also remaining alert to new and emerging risks. In light of widespread social distancing measures in place at that time, the Statement also encouraged the use of digital customer onboarding tools and delivery of digital financial services, in line with the FATF Standards.

The FATF paper on **COVID-19-related Money Laundering and Terrorist Financing Risks and Policy Responses** includes an extensive summary of the proceeds-generating crimes stemming from the COVID-19 crisis. The most prevalent of these crimes relate to fraud and cybercrime. For example,



Available on www.fatf-gafi.org/publications/fatfgeneral/documents/covid-19-ml-tf.html

since the start of the pandemic, there has been a significant increase in fraudulent activity related to the impersonation of officials and counterfeiting of medical supplies and personal protective equipment. There are also increased risks related to the disbursement of domestic economic stimulus measures and emergency financial aid as criminals and corrupt officials seek to misappropriate the money during this time of crisis.

The identification of money laundering and terrorist financing trends and typologies was in the early stages at the time of publication of the FATF paper. However, the cases reported, although limited, demonstrated that criminals are laundering their illicit proceeds through the misuse of the formal banking system and virtual assets.

Policy responses can help support the swift and effective implementation of measures to respond to COVID-19,

while managing new risks and vulnerabilities. Domestic coordination at this time is particularly important to respond to the evolving money laundering and terrorist financing risks. Governments also need to engage with the private sector on the application of AML/CFT measures and work constructively to minimise the potential impact COVID-19 may have on their operations..

As a result of COVID-19, the world is facing a challenging and unprecedented crisis. These extraordinary times also present opportunities to accelerate the use of responsible innovation. Under the next Presidency, the FATF will continue the work it started under the Chinese presidency to harness new technologies and to raise awareness with public and private sectors of anti-money laundering issues related to the COVID-19 crisis.

STRATEGIC REVIEW

Following the 2019 Ministerial agreement on an open-ended mandate, the FATF launched a strategic review of its AML/CFT assessment architecture, which will shape the next round of mutual evaluations and related processes. The strategic review's objective is to improve the jurisdiction-based review mechanism, including the methodology and processes that underpin it, to ensure that assessments are more timely, have greater emphasis on effectiveness and will strengthen the risk-based elements of the assessment process.

A more robust assessment process will help promote better, more effective and more efficient AML/CFT measures on the ground.

The strategic review has been a major presidential priority in 2019-2020. As a first step, members identified the areas of focus using the experiences from the current round of assessments. This will ensure that changes to the assessment architecture will result in jurisdictions taking effective measures to mitigate, prevent, and prosecute money laundering and terrorist financing.

“The FATF reached a milestone in its work on conducting a Strategic Review. We have agreed on the future direction and framework for FATF mutual evaluations and follow-up processes. This will make them more timely, targeted and risk-based. The review will conclude next year – and I am confident it will result in a stronger, more efficient and more effective FATF

Xiangmin Liu (FATF President 2019-2020)

PROGRESS

The FATF launched the Ad Hoc Group on the Strategic Review (AGSR) in October 2019. Since, the AGSR has focused on three core areas of work:

- the components, scope and timing of the mutual evaluation process, including how to select jurisdictions, scope evaluations, and how ML/TF risks should feed into the assessment process;
- the FATF International Co-operation Review Group process and follow-ups; and
- the FATF Methodology.

The strategic review also includes a secretariat-led stocktake component. The stocktake is an over-arching review of FATF’s work on assessments, its achievements and common challenges during the past several years. The results of this stocktake will inform the strategic review process.

In June 2020, delegations reached in-principle decisions on the key elements of the framework for the fifth cycle of mutual evaluations, which will allow jurisdictions to save time and resources, while better prioritising issues of most importance and keeping the comprehensive nature of the assessment.

In the coming year, the FATF will build off the momentum from this year’s achievements to tackle important and challenging issues as it shapes the next round of mutual evaluations.

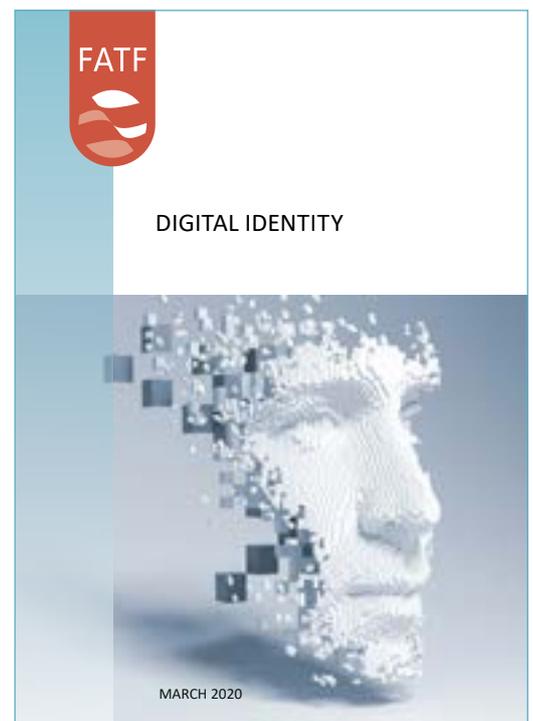
MITIGATING THE RISKS AND EXPLOITING OPPORTUNITIES OF NEW TECHNOLOGIES

DIGITAL IDENTITY

Every year, the number of digital transactions around the world is growing rapidly, as are the available digital identification (digital ID) systems. Reliable digital ID can make it easier, cheaper and more secure to identify individuals in the financial sector. It can also help with transaction monitoring requirements and minimise weaknesses in human control measures.

In March 2020, the FATF published **Guidance on Digital Identity**. This guidance aims to support supervisors and help the private sector improve the effectiveness and efficiency of customer due diligence measures by helping them determine whether a digital ID is suitable to establish a customer's identity. The guidance reflects input from the private sector, including financial institutions and digital identity service providers, as well as civil society during a public consultation in October 2019. In publishing this Guidance, the FATF became the first international body to produce comprehensive guidance on the use of digital identification.

This guidance has become an important reference point that has helped to promote the maintenance of essential and secure financial services in the context of COVID-19, as the private sector comes to rely increasingly on digital identification and non-face to face technology.



Available at
[www.fatf-gafi.org/publications/fatfrecommendations/
documents/digital-identity-guidance.html](http://www.fatf-gafi.org/publications/fatfrecommendations/documents/digital-identity-guidance.html)

VIRTUAL ASSETS AND SO-CALLED STABLECOINS

In June 2019, the FATF finalised binding international standards for virtual assets and virtual asset service providers (VASPs), which apply to the fast expanding cryptocurrency industry. An effective, global implementation of the FATF's revised standards will ensure that virtual asset technologies and businesses can continue to grow and innovate in a responsible way, and it will create a level playing field. The FATF has maintained its focus on this area under the Chinese Presidency, beginning its assessments of jurisdictions' compliance with the FATF's revised standards, publishing a **12-Month Review of the Revised FATF Standards on Virtual Assets and Virtual Asset Service Implementation. and ensuring ongoing engagement** with the VASP sector through its Virtual Assets Contact Group.

The FATF's 12-month review found that the public and private sectors have made progress in implementing the revised FATF Standards on virtual assets. While some jurisdictions have implemented the revised standards in their national frameworks, with some now regulating VASPs, not all jurisdictions have taken the necessary steps. The review also identified the need for further guidance on virtual assets and VASPs to clarify the implementation of the FATFs revised requirements. It is essential that all jurisdictions have robust and effective measures to prevent misuse of virtual assets for money laundering and terrorist financing. This will prevent criminals or terrorists seeking out and exploiting jurisdictions with weak or no supervision.

The 12-month review also highlights that the private sector has made progress in implementing their AML/CFT obligations. In particular, the reports finds that there seems to be progress in the development of technological solutions to enable VASPs to obtain, hold and exchange information about the originators and beneficiaries of virtual asset transfers. This FATF requirement, also referred to as the 'travel rule', is a key AML/CFT measure. The FATF called on the VASP sector to redouble its efforts towards the swift development of holistic technological solutions encompassing all aspects of the 'travel rule'.



Available at
www.fatf-gafi.org/publications/fatfrecommendations/documents/12-month-review-virtual-assets-vasps.html

The FATF also concluded related work on the risks of so-called “stablecoins”, which will be presented to the G20 Finance Ministers and Central Bank Governors later this year.

In October 2019, the G20 asked that the FATF report on the AML/CFT implications of so-called stablecoins, particularly those with potential for mass-adoption. So-called stablecoins are virtual assets marketed as being backed by a reserved asset and thus offering price stability, a feature which could make them more attractive than regular ‘virtual assets’. As their name implies, the key distinguishing feature of so-called stablecoins is that their value is meant to be stable relative to that of an underlying asset or benchmark. This purported stability may mean that so-called stablecoins could be better placed to achieve mass-adoption than many virtual assets, particularly if they are also easier to use and are under sponsorship of large firms that seek to integrate them into mass telecommunication platforms.

The FATF recognised that so-called stablecoins have the potential to spur financial innovation and efficiency and improve financial inclusion. However, like other large-scale value transfer system, they have potential to be abused for money laundering or terrorist financing. The FATF found that its Standards apply to so-called stablecoins and a range of businesses in a so-called stablecoin arrangement will have AML/CFT obligations. The FATF report highlights that it is important that ML/TF risks are analysed in an ongoing and forward-looking manner and are mitigated before so-called stablecoins are launched.



Available at
www.fatf-gafi.org/publications/virtualassets/documents/report-g20-so-called-stablecoins-june-2020.html

These two reports commit FATF to maintain its enhanced monitoring of the virtual assets sector for the next year, including through a second 12-month review, enhanced engagement with the VASP sector and updated FATF Guidance on virtual assets and VASPs.

PROMOTING AND ENABLING MORE EFFECTIVE SUPERVISION BY NATIONAL AUTHORITIES

SUPERVISORS FORUMS

A key focus of the Chinese FATF Presidency has been promoting and enabling more effective supervision by national authorities. Recent high-profile money laundering cases demonstrate that some major international banks and their supervisors still have substantial deficiencies in their approach to tackling money laundering.

Under its Chinese Presidency, the FATF took further steps to improve supervision and to ensure that national supervisors and regulated entities focus on outcomes rather than processes.

To this end, the FATF hosted three dedicated forums during the Chinese FATF Presidency, which focused on the challenges and examples of

good practice related to effective supervision.

- 1st meeting in Sanya, China on 11-12 November 2019;
- 2nd meeting focused on supervision of the VASP sector in Paris, France on 9 January 2020;
- 3rd meeting held virtually on 27 May 2020.

Supervisors from around the world participated in these events and discussed a range of issues, including the risk-based approach to supervision of the financial sector and non-financial businesses and professions.

The risk-based approach is the cornerstone of the FATF Recommendations. It means that supervisors understand the ML/TF

Participants at the FATF Supervisors' Forum in Sanya, China, 12 November 2019.





“One of the ways to strengthen the fight against large scale money laundering is to improve the supervision of financial institutions and ensure that national supervisors and regulated entities focus on outcomes rather than processes.”

Xiangmin Liu (FATF President 2019-2020)

risks, and take the appropriate action to mitigate them. This flexibility allows for a more efficient use of resources, and a dynamic approach to changing threats. The Forum identified the most significant challenges countries face in applying a risk-based approach to supervision and discussed how to overcome these.

The supervisory forum discussion addressed the opportunities and challenges of the increasing use of new technologies. Advanced analytic tools and other new technologies have the potential to make the private sector more efficient in detecting and preventing the abuse of their services for money laundering and terrorist financing. However, the use of new technologies also brings new challenges for supervisors. They need to have effective oversight over how these new technologies are used.

There are also new technologies available for supervision, in particular transforming supervisory data to

sharpen risk assessment, as well as improving the supervision process. The Forum discussed how supervisors can best leverage the opportunities that new technologies offer.

Crime doesn't stop at borders, good cooperation between national supervisors therefore plays a key role in mitigating cross-border ML/TF risks. The Forum considered how to enhance and improve the effectiveness of cross-border supervision.

VASP SUPERVISION

The supervision of VASPs represents one of the newest areas of supervision for many countries. During the FATF's 12-month review of the implementations of the FATF standards for virtual assets and virtual asset service providers, 25 jurisdictions reported that they were now undertaking a risk-based approach to supervision of VASPs. The January 2020 Forum was a first step in developing this global understanding. Participants in the Forum shared their knowledge and experience on common challenges with VASP supervision, as well as good practices and initiatives to address them.

The Forum identified that international cooperation is particularly challenging, especially where countries do not yet have identified VASP supervisors. The rapidly changing virtual asset ecosystem also presents challenges and requires supervisors to have access to data, capabilities and technology they may not have experience in using.

As a result of the discussion at the Supervisors' Forums the FATF started a project aimed at enhancing cooperation amongst VASP supervisors. A follow-up virtual meeting of VASP supervisors was also held in April 2020 and they are expected to meet again in November 2020.





The methods used to launder proceeds of criminal activities and finance illicit activities are in constant evolution: as the international financial sector implements the FATF standards, criminals must find alternative channels.

FATF research will assist countries in identifying, assessing and understanding the money laundering and terrorist financing risks that they are exposed to. Once these risks are properly understood, countries will be able to implement anti-money laundering and counter terrorist financing measures that mitigate these risks.

RISKS, TRENDS & METHODS

TERRORIST FINANCING

Countering terrorist financing remains one of the FATF's main objectives. A fundamental pillar of this work is ensuring that jurisdictions understand and are able to assess their terrorist financing risks. To assist jurisdictions on this track, the FATF continues to provide to the members of its Global Network regular internal assessments of terrorist financing risks posed by ISIL, Al-Qaeda and their affiliates. These updates allow competent authorities to enhance their understanding of emerging threats, and enrich their knowledge of the global context. This will ultimately contribute to the tailored and effective implementation of measures to combat terrorist financing.

The FATF also continues to support other global initiatives on the countering of terrorist financing. In November 2019, the FATF President

addressed the second “**No Money for Terror**” conference in Melbourne, Australia.

The President gave a keynote speech on the topic of emerging technologies and terrorist financing risks, and heard the discussions on enhancing the role of public-private partnerships in combating terrorist financing, preventing the abuse of non-profit organisations for terrorism purposes and providing global response to kidnapping for ransom and terrorist financing.

Overall, the conference served as an important step in improving collective efforts to combat terrorist financing and the FATF will stay engaged with further initiatives in this area.

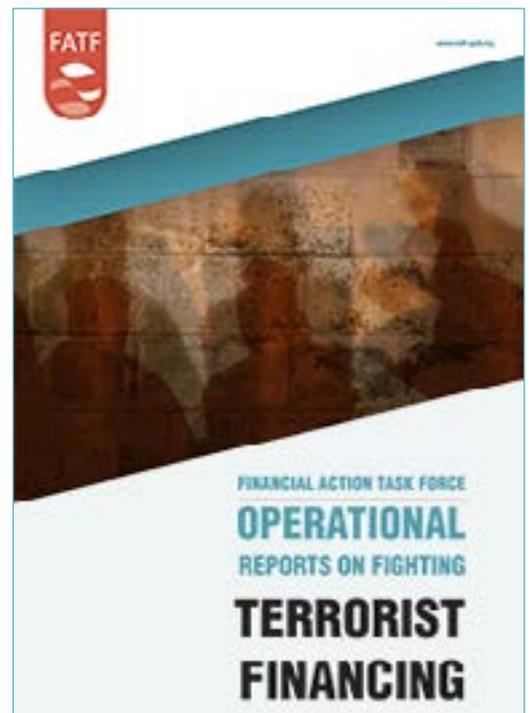
FATF President Xiangmin Liu during the “No Money for Terror” conference in Melbourne, Australia, November 2019.



Robust measures to prevent terrorists from abusing non-profit organisations are important. However, the FATF Standards recognise that not all non-profit organisations carry terrorist financing risk. The global COVID-19 crisis highlights how important it is to ensure that legitimate charitable activities are not unnecessarily delayed, disrupted or discouraged. FATF Executive Secretary David Lewis, stressed this to the participants in the High-Level Virtual Convening on United Nations Counter-Terrorism and Human Rights on 11 June. Participants heard that while it is important for countries to commit to and properly resource the implementation of the FATF standards, they need to do so using the risk-based approach. This will result in a proportionate and measured response to the actual terrorist financing risks on the ground.

The FATF continues to provide policy and operational focused guidance to assist jurisdictions in mitigating their terrorist financing risks and improving the effectiveness of other measures to detect and disrupt terrorist financing.

The most recent FATF reports on guidance papers for operational authorities on this topic are summarised in the **Terrorist Financing Operational Reports brochure**.



Available at www.fatf-gafi.org/publications/fatf-general/documents/terroristfinancing.html

MONEY LAUNDERING AND THE ILLEGAL WILDLIFE TRADE

The illegal wildlife trade is a major transnational organised crime, which generates billions of criminal proceeds each year. The Financial Action Task Force, under the Chinese presidency, has made it a priority to help countries go after the money involved in the illegal wildlife trade, and identify and disrupt large criminal networks that profit from this crime.

UNITED FOR WILDLIFE FINANCIAL TASKFORCE

In September 2019, the FATF President Xiangmin Liu, Vice-President Marcus Pleyer and Executive Secretary David Lewis met with The Duke of Cambridge and Lord William Hague at Kensington Palace to discuss the United for Wildlife (UfW) Financial Taskforce, spearheaded by The Duke of Cambridge and The Royal Foundation. They discussed the need to build on the UfW Financial Taskforce initiative

by focusing the governments of the 205 FATF and FATF-Style Regional Bodies' member jurisdictions on tackling illegal wildlife trafficking by following the money.

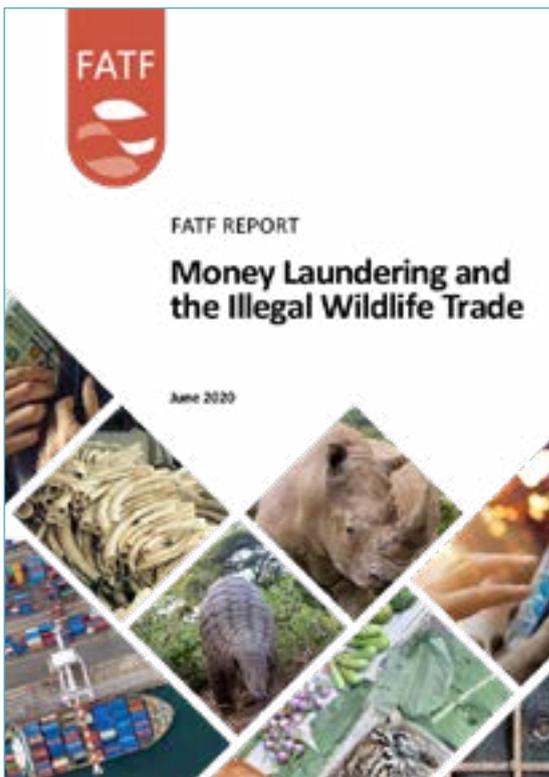
In November 2019, FATF President Xiangmin Liu hosted one of the first regional meetings on tackling the illegal wildlife trade as a financial crime, in Beijing, China. This was the first time that public and private sector representatives, including anti-money laundering experts and wildlife experts, have come together to share experiences about detecting and combatting the financial flows linked to the illegal wildlife trade.

FATF President Xiangmin Liu, Vice-President Marcus Pleyer and Executive Secretary David Lewis met with The Duke of Cambridge (centre) and Lord William Hague (second from right) at Kensington Palace to discuss the United for Wildlife Financial Taskforce, spearheaded by The Duke of Cambridge and The Royal Foundation in September 2019.



“The Financial Action Task Force’s report marks a pivotal moment in the fight against the illegal wildlife trade. The work that has been done will help authorities to trace the finances of the transnational organised crime gangs that facilitate this abhorrent activity.”

HRH Prince William, Duke of Cambridge.

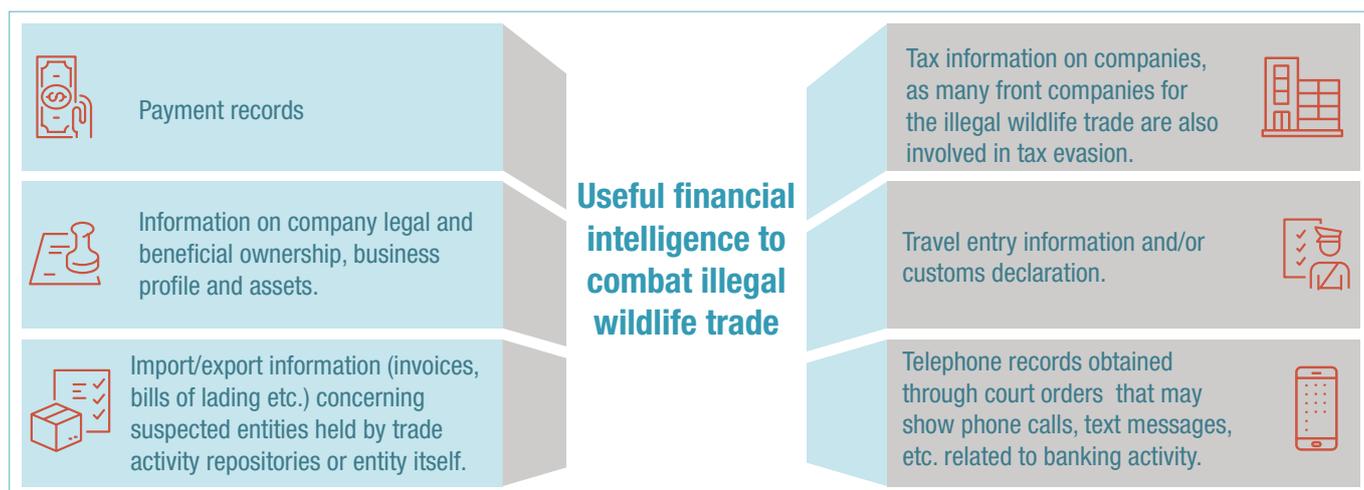


Available at www.fatf-gafi.org/publications/methodsandtrends/documents/money-laundering-wildlife-trade.html

FATF REPORT ON TACKLING THE FINANCIAL FLOWS FROM THE ILLEGAL WILDLIFE TRADE

In June 2020, the FATF finalised its first global report on money laundering and the illegal wildlife trade. Drawing on inputs from across the FATF’s Global Network, civil society and the United for Wildlife Financial Taskforce, this study identifies the common methods wildlife traffickers use to launder their money, and highlights proposed actions that countries and the private sector can take to combat this trade.

The FATF report shows that the illegal wildlife trade is a global threat, rather than a problem only for those jurisdictions where wildlife is illegally harvested, transited, or sold. Criminals involved in the illegal wildlife trade are misusing the legal wildlife trade, as well as other import-export type businesses, as fronts to move and hide illegal proceeds from this crime. They are also increasingly using online marketplaces and mobile and



Source: Money Laundering and the Illegal Wildlife Trade, *Following the money of the illegal wildlife trade to stop the trade in endangered species and the laundering of profits*, 'In brief' handout for Law enforcement agencies and financial intelligence units and the illegal wildlife trade.

Available at www.fatf-gafi.org/publications/methodsandtrends/documents/money-laundering-wildlife-trade.html

social media-based payment systems located in third countries to facilitate movement of proceeds from wildlife crimes.

Despite the significant criminal gains involved, the FATF report concludes that countries and private sector are not prioritising efforts to trace and combat financial flows from this trade in line with risk. To combat the financial flows from the illegal wildlife trade, countries should as a priority:

- **Identify and assess their money laundering risks relating to the illegal wildlife trade.**
- **Ensure that national laws and powers for law enforcement allow authorities to go after the finances of wildlife traffickers, and to pursue financial investigations.**



The FATF continuously refines and strengthens its Recommendations to respond to the evolving money threats to the financial system.

This work ensures that these international standards remain powerful and effective tools to take the profit out of crime and disrupt the financial flows that drive terrorism and the proliferation of weapons of mass destruction.

SETTING THE INTERNATIONAL STANDARDS

SUPERVISION OF RELEVANT NON-FINANCIAL BUSINESSES AND PROFESSIONS

Almost all countries in the FATF global network face significant challenges with the supervision of non-financial businesses and professions (DNFBP) which covers a wide range of sectors including accountants, lawyers, estate agents, and dealers in precious metals.

The May 2020 Supervisors' forum looked into the key challenges that DNFBP supervisors face, including understanding the risks these sectors face, different supervisory approaches and the varied landscape of the many DNFBP sectors. The discussions covered the characteristics of the various sectors and accordingly, how they should be supervised. The forum also discussed strategies for establishing risk-based supervision, including among others, sharing a

step-by-step approach to establishing supervision in a new sector.

The Supervisors' Forum has facilitated constructive dialogue among experts and provided valuable insights for the FATF's own strategic review and ongoing policy work related to supervision. It has also highlighted and clarified the challenges of effective supervision and lead to further projects to help address these challenges, including a guidance paper on risk-based supervision which is expected to be finalised in 2021, a project on international cooperation among VASP supervisors, and study of the AML/CFT opportunities and challenges from new technologies.

BENEFICIAL OWNERSHIP

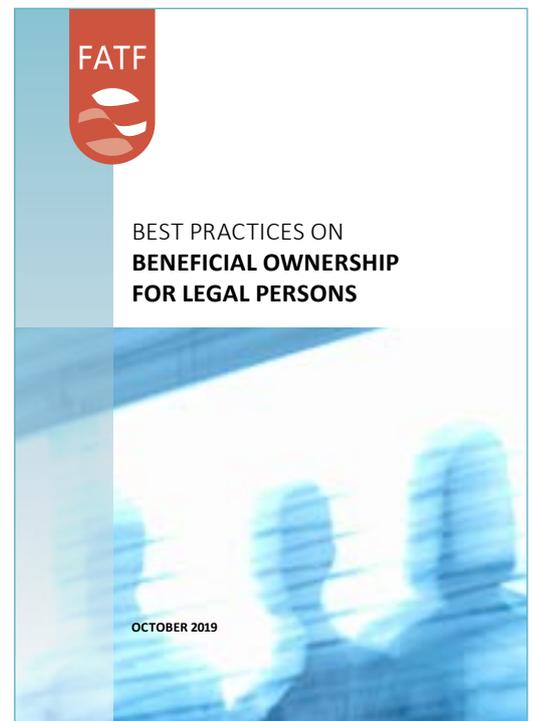
Anonymous shell companies are one of the most widely used methods for laundering the proceeds of crime and corruption. The FATF was the first international body to set global standards on beneficial ownership in 2003. It required countries to ensure that their authorities could obtain up-to-date and accurate information about the person(s) behind companies and foundations and other legal persons. The FATF further strengthened and clarified its beneficial ownership requirements in

2012. Nevertheless, the assessments of countries actions' in this area since then show that many countries still find it challenging to ensure transparency of ownership of legal persons. Many are not able to effectively prevent criminals and terrorists from hiding their identity and illegal activities behind the façade of seemingly legitimate activity.

In October 2019, the FATF published **Best Practices on Beneficial Ownership for Legal Persons** to help countries get rid of the cloak of secrecy concerning the ultimate owner of a company, foundation, association or any other legal person, and prevent their misuse for crime and terrorism.

The FATF has finalised these best practices with examples from across the global network of FATF and FATF-Style Regional Bodies' members, which will help countries implement the FATF's requirements. The report highlights that jurisdictions using a multi-pronged approach with several sources of information are often more effective in preventing the misuse of legal persons for criminal purposes. The report identifies the most common challenges that countries face in ensuring that the beneficial owner(s) of legal persons is identified, and suggests key features of an effective system.

The paper also suggests options for jurisdictions to obtain beneficial ownership information of overseas entities.



Available at www.fatf-gafi.org/publications/methodsandtrends/documents/best-practices-beneficial-ownership-legal-persons.html

PROLIFERATION FINANCING

The proliferation of weapons of mass destruction by countries such as Iran and North Korea remains a significant threat to international peace and security. This has long been recognised in various resolutions of the United Nations. Financing is an essential element of the proliferation activity, as it requires extensive financial networks to procure the required technologies and materials. Financial measures are one of the most effective tools to counter the proliferation of weapons of mass destruction by identifying and disrupting proliferation networks.

In June 2020, the FATF launched a public consultation on draft proposals to revise the FATF standards to further strengthen the global response to the financing of the proliferation of weapons of mass destruction. These proposed revisions in Recommendation 1 and its Interpretive Note seek to require countries and the private sector entities to identify and assess the risks of potential breach, non-implementation or evasion of the targeted financial sanctions related to proliferation financing, and to take commensurate measures to mitigate such risks. The FATF will consider the feedback received during the public consultation process and further engage with various stakeholders before finalising the proposed amendments to the FATF standards for adoption.

These proposed obligations aim to ensure that financial institutions and designated non-financial businesses and professions are aware of proliferation financing risks

involved in their businesses and professions and take commensurate measures. Proliferation financing risk in this context could include, for example, the risk of entities sanctioned under UN Security Council resolutions establishing or using front companies, networks or other means to conceal their identify or mask the true purpose of a transaction. By identifying and assessing such risks, countries and the private sector will be better equipped to guard against the abuse of the financial system for such illicit activities. These measures should prevent the private sector from unwittingly supporting or becoming part of the proliferation financing networks or schemes, in contravention of their obligations. This will also ensure appropriate allocation of resources by countries and the private sector entities to their counter proliferation financing efforts, commensurate with the level of risks faced by them.

The FATF is also working on enhanced requirements for domestic co-operation and co-ordination, including on counter proliferation financing. This would involve a new Interpretive Note to Recommendation 2 to set out measures to promote national co-operation, co-ordination and information exchange among authorities involved in the national AML/CFT and counter proliferation efforts. The FATF aims to finalise this along with the proposed revisions to Recommendation 1 in its October 2020 Plenary.



All member countries of the FATF Global Network, over 200 countries and jurisdictions, have committed to implement the FATF Recommendations.

To ensure that countries are implementing the Recommendations effectively, they undergo a two-pronged mutual evaluation process.

The first focuses on countries' technical compliance by ensuring that necessary laws and regulations are adopted to prevent criminals and terrorist from misusing the financial system and detect and punish those that do.

The second focuses on the framework's effective implementation by ensuring that the anti-money laundering and counter-terrorist financing (AML/CFT) regime delivers the expected results.

MUTUAL EVALUATIONS

Evaluations are extensive peer reviews. An evaluation team consists of experts from related areas such as legal, financial and law enforcement experts.

Their first step is to understand the risks of money laundering and terrorist financing that the country faces and the context, taking into account a range of factors from geographic location to size of their financial sector, the diversity of its financial sector, its criminal activity and its exposure to international flows of illicit money. This is a crucial step because each country is unique and so is its risk and context.

The second step is the review of the country's laws and regulations to assess its technical compliance

with the FATF Recommendations. This is followed by an on-site visit to assess the effectiveness of the system and to determine the quality of implementation of laws and regulations. It is not useful to have a law if the authorities do not have the tools or resources to implement it and reach the desired goals.

Each assessment gives a detailed appraisal of what the respective countries are doing right and where they need to improve, at the time of the on-site visit. Each mutual evaluation identifies the country's strengths and areas for improvement as well as priority actions for the country to enhance its AML/CFT measures. Mutual evaluation reports rate countries on technical compliance with each of the 40 Recommendations and effectiveness in key areas categorised under 11 Immediate Outcomes (the expected results). This Plenary year, the FATF published six mutual evaluation reports.

September 2019

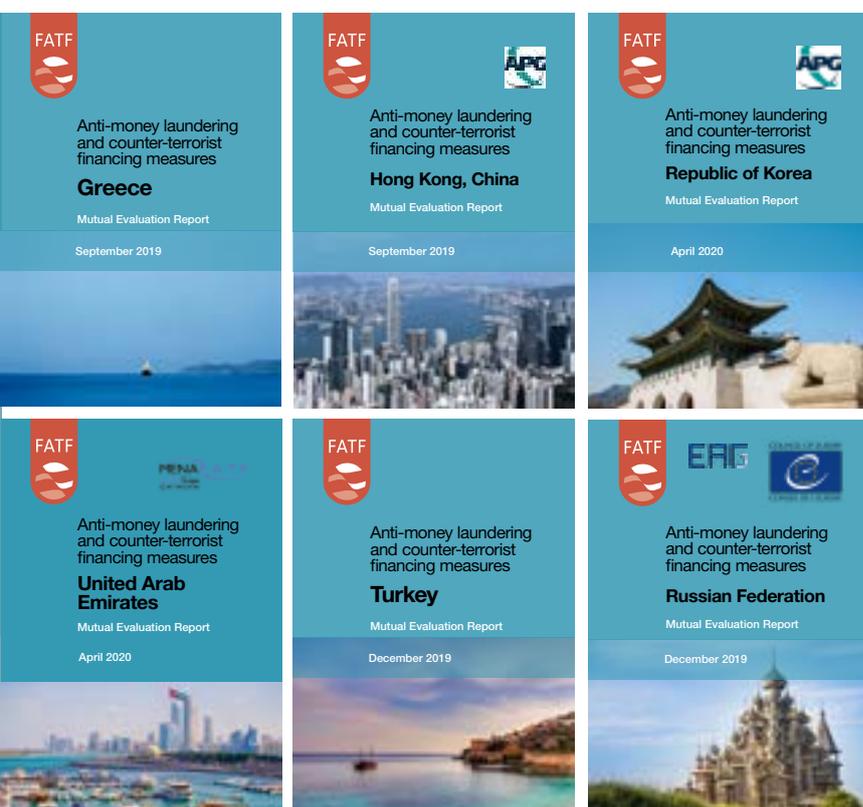
- United Arab Emirates (jointly with MENAFATF)
- Korea (jointly with APG)

December 2019

- Russia (jointly with EAG and Moneyval)
- Turkey

April 2020

- Hong Kong, China (jointly with APG)
- Greece



Reports available at:

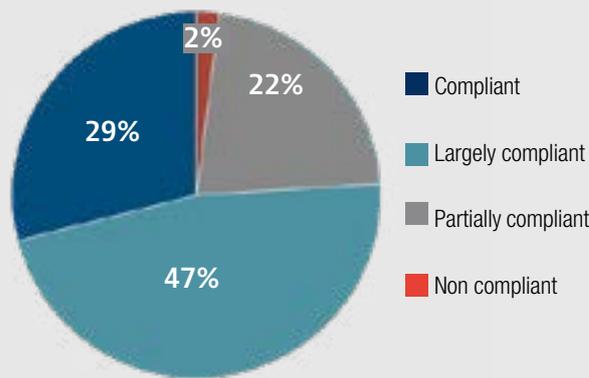
www.fatf-gafi.org/publications/mutualevaluations.html

EFFECTIVENESS AND TECHNICAL COMPLIANCE OF FATF MEMBERS

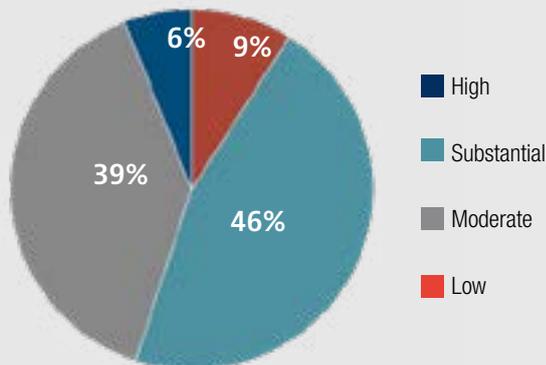
By the end of the 2019-2020 Plenary year, the FATF published the mutual evaluation reports of 27 of its 37 member countries. After evaluating more than 70% of member countries, reports demonstrate that the technical compliance commitment to the FATF standards is high, as more than 75% of assessed countries have most Recommendations rated compliant or largely compliant.

However, countries still require strengthening their legal framework in relation to wire transfers and designated non-financial businesses and professions. On effectiveness, mutual evaluation reports revealed that there are still some challenges in this area, as only 45% of countries achieved a high or substantial level of effectiveness.

Technical Compliance of FATF Members' AML/CFT Regimes



Effectiveness of FATF Members' AML/CFT Regimes



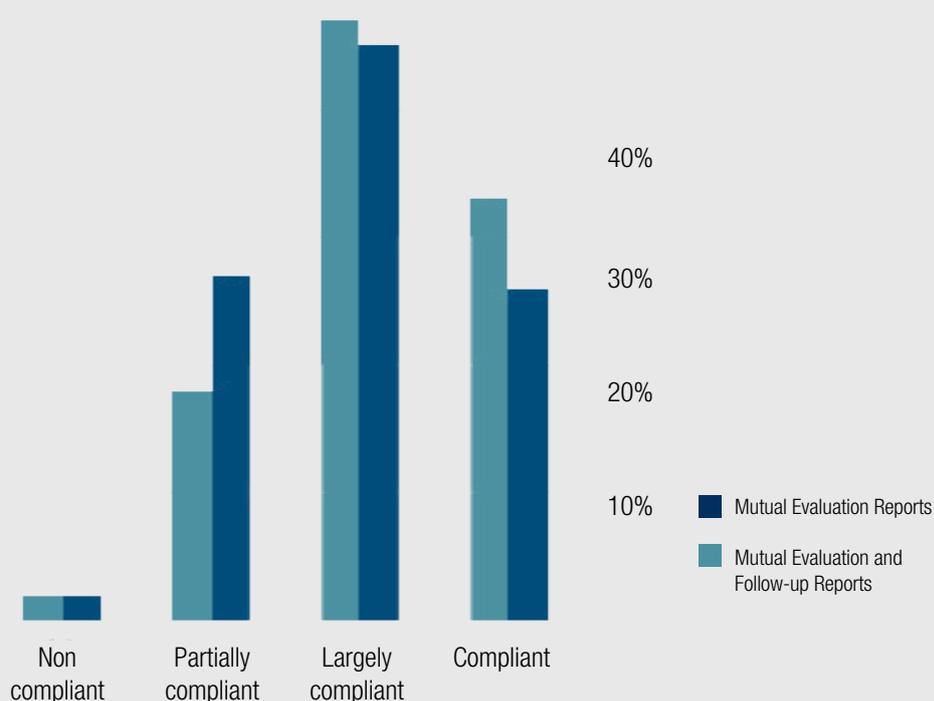
FOLLOW-UP PROCESS

FATF closely monitors countries' progress in their compliance with the Recommendations using the Follow-up process. Each assessed country reports back to the FATF on the actions it has taken to address weaknesses identified. FATF considers these new actions and whether the country has made sufficient progress. Countries can request a re-rating for technical compliance with any of the 40 Recommendations rated non-compliant or partially compliant in their mutual evaluation. This Plenary year, seven FATF's members received between 1 to 14 upgrades for technical compliance with the FATF Recommendations and had their follow up reports published: the United States, Switzerland, Saudi Arabia, Singapore, Denmark, Ireland and Iceland.

This exercise proved its efficiency as the technical compliance of these countries has increased by 10%.

Follow-up reports also look at whether countries' measures meet the requirements of FATF Recommendations that have changed since the adoption of their mutual evaluation reports. Countries should demonstrate that they have implemented these new requirements. Switzerland and the United States were the first countries assessed for technical compliance with the new requirements on virtual assets and virtual asset service providers (Recommendation 15), where both maintained their largely compliant rating.

Countries Re-assessed on Technical Compliance - ratings (2019-2020)



5TH YEAR FOLLOW-UP ASSESSMENTS

While the follow-up reports only look at a country’s technical compliance with the 40 Recommendations, the follow-up assessments focus on effectiveness and are conducted five years after a country’s mutual evaluation.

A follow-up assessment will look primarily at the areas where a country achieved a low or moderate level of

effectiveness, in areas of high risk or materiality.

This Plenary year, FATF approved its first two follow-up assessments, Spain and Norway.

Norway was re-rated on 3 of the 11 Immediate Outcomes :

- risk, policy and coordination,
- use of financial intelligence and
- proliferation financing financial sanctions

Norway achieved high or substantial levels of effectiveness on 5 of the 11 key areas.



FATF re-rated **Spain** on two Immediate Outcomes:

- preventive measures, and
- proliferation financial sanctions

The country achieved high or substantial levels of effectiveness on 10 of the 11 key areas identified by the FATF as Immediate outcomes of an effective AML/CFT framework.



Reports available at:
www.fatf-gafi.org/publications/mutualevaluations.html

FATF EXTENDS ITS ASSESSMENT AND FOLLOW-UP DEADLINES IN RESPONSE TO COVID-19

The mutual evaluation and related follow-up processes require jurisdictions and assessors to conduct on-site visits and in-person meetings. The COVID-19 pandemic, in particular confinement and travel restrictions, had a negative impact on stakeholders' ability to actively participate in these processes.

In April 2020, the FATF temporarily postponed all remaining FATF mutual evaluations and follow-up deadlines. As a result of this decision, the FATF Plenary did not discuss mutual evaluation or follow-up reports at its virtual June 2020 Plenary meeting.

REVISIONS TO METHODOLOGY AND PROCEDURES

The FATF periodically reviews the procedures and methodology that form the basis for the assessments conducted in the Global Network.

This Plenary year, the FATF amended the assessment methodology to provide guidance on assessing new requirements relating to virtual assets, virtual asset service providers and related AML/CFT obligations as set out in the Interpretive Note to Recommendation 15, updated in June 2019.

The FATF also reviewed the Consolidated Processes and Procedures for Mutual Evaluations

and Follow-Up (Universal Procedures) and the FATF Procedures to address on-going challenges.

This 2019-2020 Plenary Year, the FATF revised the Universal Procedures to improve efficiency of mutual evaluation discussions, set fixed deadlines regarding technical compliance re-ratings and streamline the technical compliance re-rating process. The FATF also updated the FATF Procedures for consistency with changes to the Universal Procedures adopted in June 2019.

Ratings following the mutual evaluation and follow-up reports published during 2019-2020

 mutual evaluation report
  follow-up report or assessment
 (shaded cell) not reassessed during follow-up

	Denmark	Greece	Hong Kong, China	Iceland	Ireland	Korea	Norway	Russian Federation	Saudi Arabia	Singapore	Spain	Switzerland	Turkey	United Arab Emirates	United States
															

Effectiveness

● High
 ● Substantial
 ● Moderate
 ● Low

	Denmark	Greece	Hong Kong, China	Iceland	Ireland	Korea	Norway	Russian Federation	Saudi Arabia	Singapore	Spain	Switzerland	Turkey	United Arab Emirates	United States
Risk, policy and coordination (IO.1)	●	●	●	●	●	●	●								
International co-operation (IO.2)	●	●	●	●	●	●	●	●							
Supervision (IO.3)	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Preventive measures (IO.4)	●	●	●	●	●	●	●	●	●	●					
Legal persons & arrangements (IO.5)	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Financial intelligence (IO.6)	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
ML investigation & prosecution (IO.7)	●	●	●	●	●	●	●	●							
Confiscation (IO.8)	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
TF investigation & prosecution (IO.9)	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
TF preventive measures & financial sanctions (IO.10)	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
PF financial sanctions (IO.11)	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●

Technical Compliance

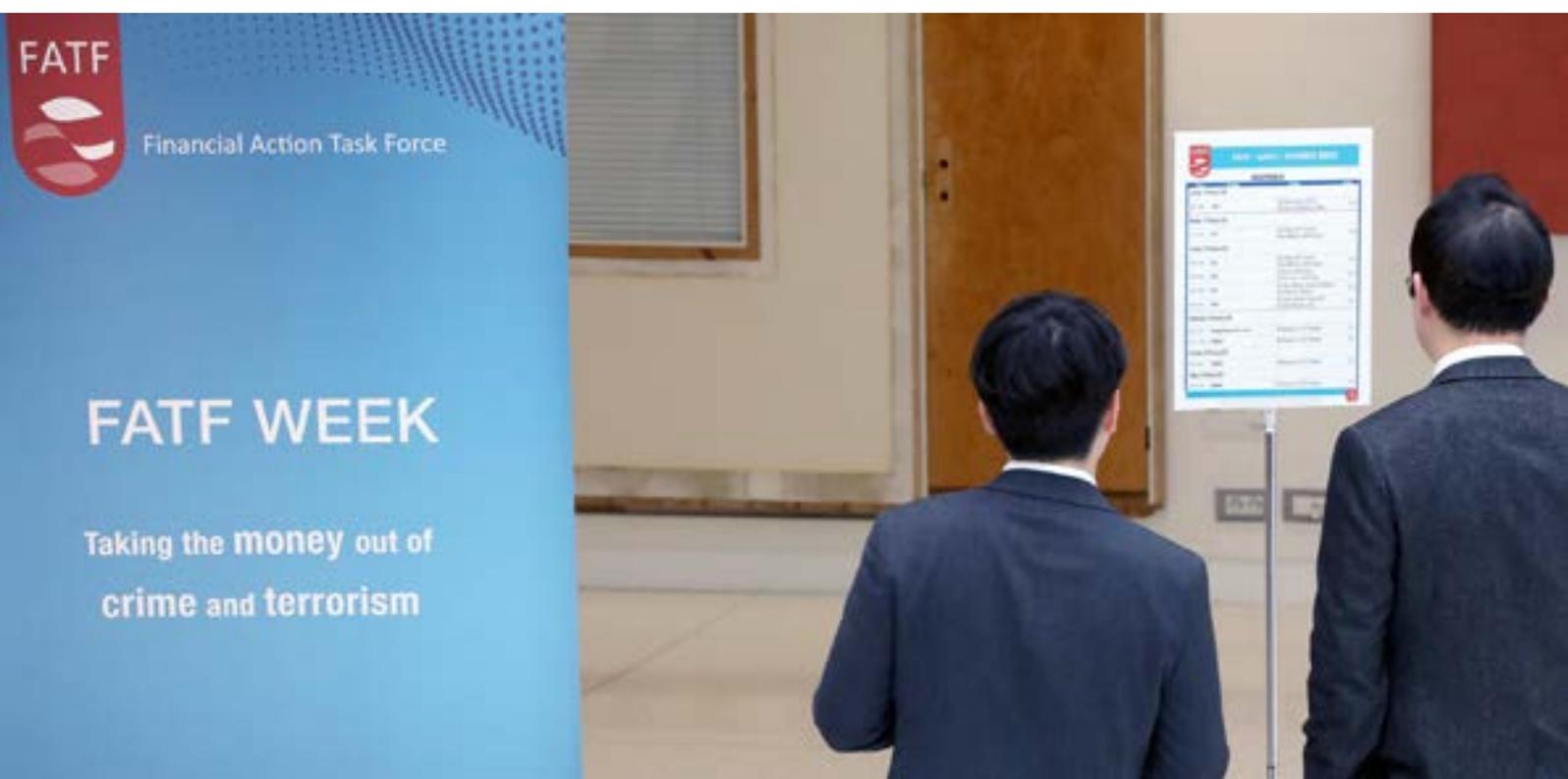
● Compliant
 ● Largely compliant
 ● Partially compliant
 ● Non compliant

	Denmark	Greece	Hong Kong, China	Iceland	Ireland	Korea	Norway	Russian Federation	Saudi Arabia	Singapore	Spain	Switzerland	Turkey	United Arab Emirates	United States
Assessing risk & applying risk-based approach (R.1)	●	●	●	●	●	●	●	●	●	●					
National cooperation & coordination (R.2)	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Money laundering offence (R.3)	●	●	●	●	●	●	●	●	●	●	●				
Confiscation & provisional measures (R.4)	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Terrorist financing offence (R.5)	●	●	●	●	●	●	●	●	●	●	●				
Targeted financial sanctions - terrorism & TF (R.6)	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Targeted financial sanctions - proliferation (R.7)	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Non-profit organisations (R.8)	●	●	●	●	●	●	●	●	●	●	●				
Financial institutions secrecy laws (R.9)	●	●	●	●	●	●	●								
Customer due diligence (R.10)	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Record keeping (R.11)	●	●	●	●	●	●	●	●	●	●	●				
Politically exposed persons (R.12)	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Correspondent banking (R.13)	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Money or value transfer services (R.14)	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
New technologies (R.15)	●	●	●	●	●	●	●	●	●	●	●				
Wire transfers (R.16)	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Reliance on third parties (R.17)	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Internal controls & foreign branches /subsidiaries (R.18)	●	●	●	●	●	●	●	●	●	●					
Higher risk countries (R.19)	●	●	●	●	●	●	●	●	●	●					
Reporting of suspicious transactions (R.20)	●	●	●	●	●	●	●	●	●	●	●				
Tipping-of and confidentiality (R.21)	●	●	●	●	●	●	●	●	●						
DNFBPs - customer due diligence (R.22)	●	●	●	●	●	●	●	●	●	●	●				
DNFBPs - other measures (R.23)	●	●	●	●	●	●	●	●	●	●	●				
Transparency & BO of legal persons (R.24)	●	●	●	●	●	●	●	●	●	●	●				
Transparency & BO of legal arrangements (R.25)	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Regulation & supervision of financial institutions (R.26)	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Powers of supervision (R. 27)	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Regulation & supervision of DNFBPs (R.28)	●	●	●	●	●	●	●	●	●	●	●				
Financial intelligence units (R.29)	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Responsibilities law enforcement / investigative authorities (R.30)	●	●	●	●											
Powers law enforcement / investigative authorities (R.31)	●	●	●	●	●	●	●	●	●	●	●	●	●	●	

FOLLOW-UP FROM THE THIRD ROUND MUTUAL EVALUATION OF BRAZIL

In February 2016, the FATF released a statement about Brazil's continued failure to remedy the serious deficiencies identified in its 2010 mutual evaluation report. The FATF reiterated its concern on a number of occasions and in June 2019, raised this as a membership concern. Following the issue of a new framework for identifying and freezing terrorist assets, the FATF was overall satisfied that Brazil has made substantial progress and addressed most of its targeted financial sanctions deficiencies. The FATF no longer considers this a membership issue.

However, the FATF expressed its serious concerns regarding Brazil's ability to comply with international standards resulted from the limitation placed by a judge of the Brazilian Supreme Court on the use of financial intelligence in criminal investigations. The FATF is also concerned that the court decision is impacting Brazil's FIU to share information with law enforcement authorities. The FATF is following this situation closely.





A key objective of the FATF is to continuously identify jurisdictions whose weak anti-money laundering and counter-terrorist financing framework poses a risk to the integrity of the international financial system.

Countries that fail to implement sound and effective safeguards against money laundering and terrorist financing pose a real risk to the financial system and the security of citizens around the world.

HIGH-RISK AND OTHER MONITORED JURISDICTIONS

The public identification of high-risk jurisdictions serves as a warning to other countries and their financial sectors about the risks emanating from these jurisdictions. Through the International Co-operation Review Group (ICRG), the FATF works with these countries to address the identified weaknesses in both technical compliance and effectiveness. It closely monitors the progress made by identified jurisdictions and reflects this in FATF's public statements at the end of each Plenary meeting.

The public identification, or sometimes even the prospect of publication identification, is a powerful and effective tool to generate the necessary political commitment to drive through the required reforms.

The FATF publishes two statements at the end of each plenary meeting, in February, June, and October. These statements are:

- [High-Risk Jurisdictions subject to a Call for Action](#)

This is often externally referred to as the “black list”

- [Jurisdictions under Increased Monitoring](#)

This list is often externally referred to as the ‘grey list’

This process has proven very successful. Since the start of ICRG's process in June 2007, the FATF reviewed over 100 countries and publicly identified 80 of them. Of these 80, 60 have since taken the necessary steps to address their deficiencies.

This Plenary year, the FATF added Albania, Barbados, Jamaica, Iceland, Mauritius, Mongolia, Myanmar, Nicaragua, Uganda, Zimbabwe to its list of jurisdictions under increased monitoring. Each country has committed to an action plan which it is implementing and reports to the FATF on the progress it has made.

During this plenary year the FATF has removed Ethiopia, Sri Lanka, Trinidad and Tobago, and Tunisia from its list to recognise the significant progress that these countries made in addressing their action plan commitments with the FATF.

60 jurisdictions

have addressed serious anti-money laundering & counter-terrorist financing weaknesses since 2007

DEMOCRATIC REPUBLIC OF KOREA

On 28 April 2020, as a result of the COVID-19 pandemic, the FATF announced a general pause in the review process for the list of high-risk jurisdictions subject to a call for action and jurisdictions subject to increased monitoring, by granting jurisdictions an additional four months for deadlines. Thus, the FATF did not review them for June 2020. Mongolia and Iceland however requested not to extend their deadlines, and the FATF continued reviewing them and updated the relevant statements in June.

In February 2020, the FATF reaffirmed its 25 February 2011 call on its members and urged all jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with the Democratic Republic of Korea (DPRK), including DPRK companies, financial institutions, and those acting on their behalf.

In addition to enhanced scrutiny, the FATF further calls on its members and urges all jurisdictions to apply effective countermeasures, and targeted financial sanctions in accordance with applicable United Nations Security Council Resolutions, to protect their financial sectors from money laundering, financing of terrorism and WMD proliferation financing (ML/FT/PF) risks emanating from the DPRK. Jurisdictions should take necessary measures to close existing branches, subsidiaries and representative offices of DPRK banks within their territories and terminate correspondent relationships with DPRK banks, where required by relevant UNSC resolutions.

For the full FATF statement on DPRK, see www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/call-for-action-february-2020.html This statement remained unchanged in June 2020.

IRAN

In June 2016, Iran committed to address its strategic deficiencies. Iran's action plan expired in January 2018. In February 2020, the FATF noted Iran has not completed the action plan.

In October 2019, the FATF called upon its members and urged all jurisdictions to: require increased supervisory examination for branches and subsidiaries of financial institutions based in Iran; introduce enhanced relevant reporting mechanisms or systematic reporting of financial transactions; and require increased external audit requirements for financial groups with respect to any of their branches and subsidiaries located in Iran.

In February 2020, given Iran's failure to enact the Palermo and Terrorist Financing Conventions in line with the FATF Standards, the FATF fully lifted the suspension of counter-measures and calls on its members and urges all jurisdictions to apply effective counter-measures, in line with Recommendation 19.

Iran will remain on the FATF statement on [High Risk Jurisdictions Subject to a Call for Action] until the full Action Plan has been completed. If Iran ratifies the Palermo and Terrorist Financing Conventions, in line with the FATF standards, the FATF will decide on next steps, including whether to suspend countermeasures. Until Iran implements the measures required to address the deficiencies identified with respect to countering terrorism-financing in the Action Plan, the FATF will remain concerned with the terrorist financing risk emanating

from Iran and the threat this poses to the international financial system.

For the full FATF statement on Iran, see www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/call-for-action-february-2020.html. This statement remained unchanged in June 2020.

For a more detailed description of the review and listing process, see the [FATF website](http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions) at: www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions



The FATF Global Network currently extends to 205 countries and jurisdictions, who have committed to the implementation of the FATF Recommendations and agreed to be evaluated on their level of implementation. Countries and jurisdictions that are not members of the FATF are evaluated by one of the nine FATF-style regional bodies, or FSRBs. The FSRBs are autonomous bodies that share a common goal with the FATF of preventing criminals from profiting from their crimes and terrorists from moving, raising or using funds to support terrorism.

Whilst the FSRBs evaluate their members, the FATF is the only standard-setting body and has the overarching responsibility of ensuring that all jurisdictions and countries take effective measures to fight money laundering and terrorist financing.

STRENGTHENING THE GLOBAL NETWORK

The FATF Global Network is a cornerstone in the international fight against money laundering and terrorist financing. Effective national, regional and global responses are essential to fight global threats and ensure there are no loopholes for criminals and terrorists to exploit.

The FATF's success in this endeavour relies on the active engagement and cooperation with the FSRBs. Strengthening the FATF Global Network has been a key priority under the Chinese Presidency of the FATF. The FATF has adopted a comprehensive approach, focused on heightened high-level engagement with FSRBs, strengthened cooperation at the Secretariat level and increased involvement of FATF members in support activities for FSRBs.

In the margins of the October 2019 and February 2020 FATF Plenaries, the FATF Presidency convened two high-level meetings with FSRB Chairs and Executive Secretaries.

Discussions focused on the challenges that FSRBs faced in conducting their peer reviews and supporting their members to implement the FATF Standards. The discussions also highlighted the good practices developed across the Global Network to address those challenges, and the ways in which the FATF can increase its support. Through this enhanced dialogue, the FATF was able to reiterate the importance of political support to strengthen national AML/CFT frameworks.

Representatives from the Secretariats of FATF-Style Regional Bodies Secretariats joined the FATF Secretariat in Paris for a week-long workshop in February 2020.



In 2019, the FATF Vice-President attended five FSRB Plenaries (APG, ESAAMLG, MENAFATF, CFATF, and MONEYVAL). Furthermore, the President addressed the first virtual Plenary in the Global Network, organised by the EAG in June 2020.

In the unprecedented times of the Covid-19 pandemic, the FATF has been engaging closely with the FSRBs, to discuss the impact of the pandemic on their members and activities – including on the conduct of mutual evaluations. The FATF provided guidance to the FSRBs on how to handle this situation, including on how to ensure equality of treatment of jurisdictions across the Global Network. At the Secretariat level, the FATF and FSRBs engaged regularly on the impact of Covid-19 on ongoing

mutual evaluation and follow-up processes, FSRBs Plenaries, and other activities, and the response measures being taken by the FSRBs.

Recent amendments to the FATF Internal Governance Principles reflects the increased engagement of the FATF with the Global Network. FATF members now have an explicit obligation to provide expertise to support FSRBs' mutual evaluation and follow-up processes.

Finally, FSRBs have also been involved in the ongoing discussions on the strategic review. This will ensure that the framework for the next round of evaluations takes FSRBs' perspectives into account.

FATF Vice-President Dr. Marcus Pleyer at the MENAFATF Plenary meeting in November 2019.



MUTUAL EVALUATIONS AND FOLLOW-UP REPORTS

Each FSRB is responsible for evaluating its own members in accordance with a set of common procedures, known as the Universal Procedures. These procedures ensure that every assessment is of a high quality and that the conclusions and ratings are consistent across evaluations. As such, the evaluations conducted by the FATF and the FSRBs are equivalent.

A mutual evaluation is an important milestone. It is a factual and unbiased assessment on whether the assessed jurisdiction is effective in tackling money laundering and terrorist financing. The outcomes from a mutual evaluation have a direct impact on its citizens' and businesses' abilities to carry out cross-border financial transactions. A poor outcome can have a negative impact on its position in the global economy.

An expert team of assessors is crucial to the success of a mutual evaluation.

This year, the FATF organised five assessor training events jointly with FSRBs. During these training events, future assessors developed

their understanding of the FATF Recommendations, and how to measure the effectiveness of a jurisdiction's actions to tackle money laundering and terrorist financing.

Another key component of the mutual evaluation process is the coordination and management role conducted by the FATF Secretariat. Following the inclusion of a specific training function in the revised FATF mandate in 2019, the FATF moved forward during the Chinese Presidency to significantly increase its training offer to FSRB Secretariats.

During the course of the year, the FATF conducted multiple training events in-person and through virtual channels, in both English and French, for the benefit of FSRB Secretariats. These events reached 150 participants representing all nine FSRBs, and covered topics ranging from assessing jurisdictions against the revised FATF Standards on virtual assets and virtual asset service providers, to overcoming challenges in the mutual evaluation process.

This year, the FSRBs completed the mutual evaluations of 17 of their members, including 2 that were jointly assessed with the FATF. In addition, the FSRBs completed 26 follow-up reports to measure the progress their members had made following the adoption of the mutual evaluations¹.

reports across the Global Network are of a high quality and are consistent with the FATF Recommendations and Universal Procedures.

Before publication, each report underwent a rigorous quality and consistency review – drafts are reviewed by the FATF Secretariat and all 205 members of the FATF Global Network have the opportunity to raise any issues before publication. This review is crucial to ensure that all

¹ These figures include MERs and FURs adopted after 30 June 2019. The table below includes some reports adopted before 30 June 2019 but published at a later date, after completion of the quality and consistency review.

Participants at the September 2019 workshop with FSRB Secretariats on mutual evaluations.



MUTUAL EVALUATION AND FOLLOW-UP REPORTS PUBLISHED ON THE FATF WEBSITE DURING THE CHINESE PRESIDENCY (JULY 2019- END OF JUNE 2020)

	Assessing Body	Date
Mutual Evaluations		
Malta	Moneyval	July 2019
Moldova	Moneyval	July 2019
Solomon Islands	APG	Aug 2019
Chinese Taipei	APG	Aug 2019
The Philippines	APG	Aug 2019
Pakistan	APG	Aug 2019
Malawi	ESAAMLG	Sept 2019
Mali	GIABA	Nov 2019
Jordan	MENAFATF	Nov 2019
Bermuda	CFATF	Nov 2019
Turks and Caicos Islands	CFATF	Nov 2019
Belarus	EAG	Nov 2019
Cyprus	MONEYVAL	Dec 2019
Gibraltar	MONEYVAL	Dec 2019
Uruguay	GAFILAT	Dec 2019
Russia	FATF/EAG/MONEYVAL	Dec 2019
United Arab Emirates	FATF/MENAFATF	Feb 2020
Republic of Haiti	CFATF	May 2019
Cabo Verde	GIABA	Mar 2019
Senegal	GIABA	May 2019
Burkina Faso	GIABA	May 2019
Morocco	MENAFATF	Apr 2019
Zambia	ESAAMLG	Apr 2019

	Assessing Body	Date
Follow-up Reports		
Isle of Man	MONEYVAL	Jul 2019
Ukraine	MONEYVAL	Jul 2019
Domenican Republic	GAFILAT	Jul 2019
Nicaragua	GAFILAT	Jul 2019
Panama	GAFILAT	Jul 2019
Macao, China	APG	Aug 2019
Mongolia	APG	Aug 2019
Sri Lanka	APG	Aug 2019
Bangladesh	APG	Aug 2019
Cambodia	APG	Aug 2019
Myanmar	APG	Aug 2019
Fiji	APG	Aug 2019
Mauritius	ESAAMLG	Sep 2019
Zimbabwe	ESAAMLG	Sep 2019
Ethiopia	ESAAMLG	Sep 2019
Tunisia	MENAFATF	Nov 2019
Kyrgyzstan	EAG	Nov 2019
Serbia	MONEYVAL	Dec 2019
Hungary	MONEYVAL	Dec 2019
Slovenia	MONEYVAL	Dec 2019
Andorra	MONEYVAL	Dec 2019
Latvia	MONEYVAL	Dec 2019
Albania	MONEYVAL	Dec 2019
Honduras	GAFILAT	Dec 2019
Nicaragua	GAFILAT	Dec 2019
Peru	GAFILAT	Dec 2019
Botswana	ESAAMLG	Apr 2020
Trinidad and Tobago	CFATF	May 2020
Mauritius	ESAAMLG	Apr 2020
Mauritania	MENAFATF	Apr 2020
Zimbabwe	ESAAMLG	Apr 2020



The FATF conducts training and support activities to strengthen countries' understanding of the FATF Standards and how they help combat money laundering, terrorist financing and proliferation financing (funding for weapons of mass destruction).

The FATF delivers these activities worldwide, including at the FATF Training Institute in Busan, Korea, and often in partnership with FATF members, FATF-Style Regional Bodies and other international organisations such as the International Monetary Fund, the World Bank and the United Nations.

TRAINING

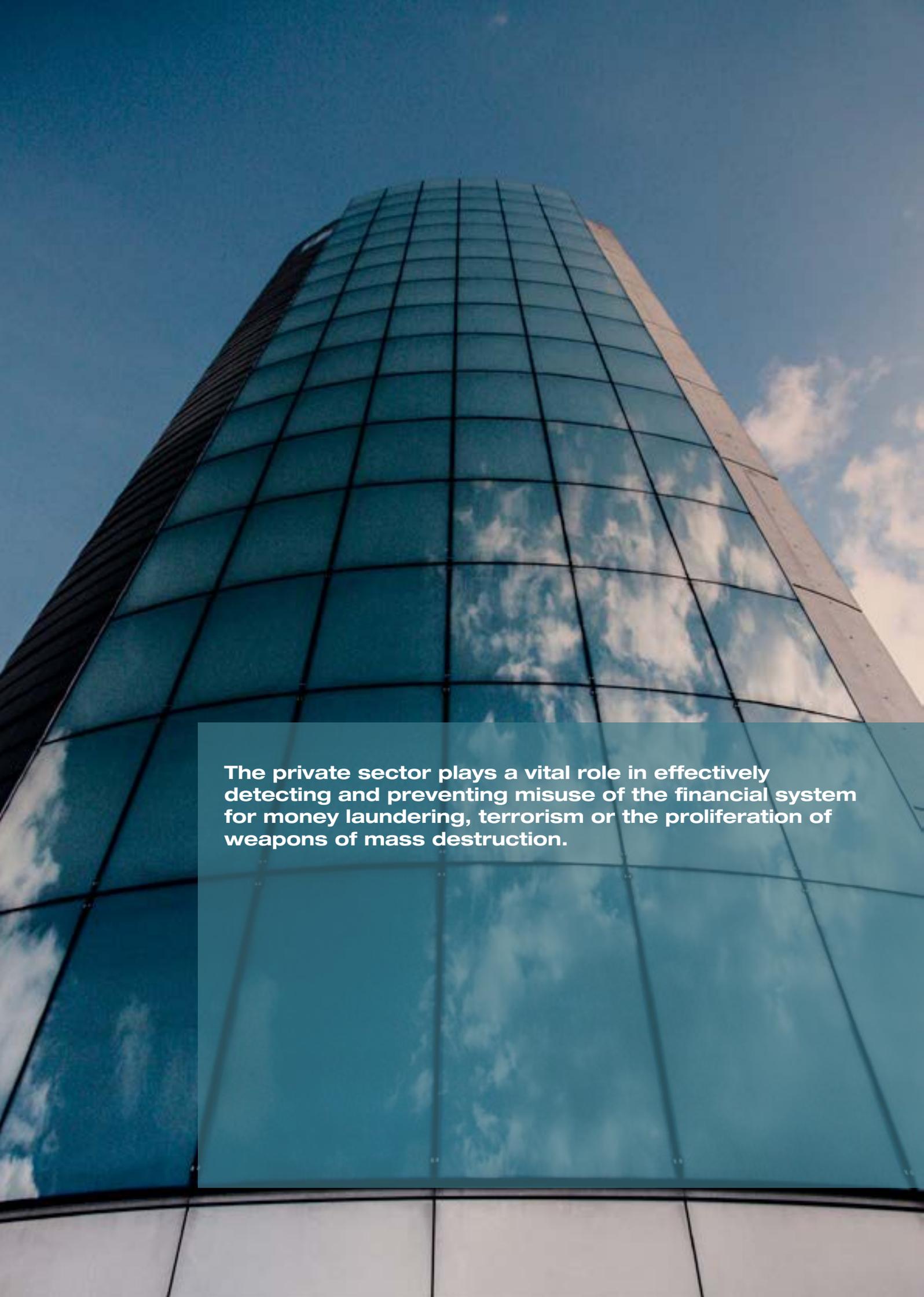
Under the Chinese Presidency, the FATF recognised that many countries in the FATF Global Network face substantial challenges in effectively understanding and implementing the FATF standards. The Chinese Presidency therefore directed the FATF to take action to strengthen coordination and capacity for training on the FATF standards throughout the FATF Global Network.

This year, the FATF completed a major initiative to improve the FATF's training capacity with the development and launch of an online FATF training delivery platform and its first e-learning course. The FATF's new platform will expand the reach of FATF's training, while the first training course fills a gap in the FATF's training offerings – training at the introductory level for newcomers to the international AML/CFT environment. The course, aimed at government official from the FATF Global Network, ensures that learners have a basic overview of the FATF's mandate, FATF processes such as the mutual evaluation process. It also provides high-level, plain language explanations of each Immediate Outcome and Recommendation, breaking down barriers to entry into the complex world of the FATF Global Network. The course was designed with accessibility as a primary goal to maximise potential audience reach. The FATF's new platform will dramatically increase the capability of the FATF to train on the FATF standards, while its first e-learning course, will allow more

officials from across the FATF Global Network to understand and effectively implement the FATF standards in their jurisdiction.

While the first standards training course is a very important deliverable, particularly in the time of COVID-19, the possibilities of enabling further e-training for the FATF Global Network will pay dividends for years into the future.

The new e-learning platform will allow the FATF to gradually roll out more basic, intermediate and advanced level trainings for the FATF Global Network. The e-learning initiative of the Chinese Presidency will ensure that the FATF Global Network receives more and better training on the FATF standards going into the future, wherever learners are located.



The private sector plays a vital role in effectively detecting and preventing misuse of the financial system for money laundering, terrorism or the proliferation of weapons of mass destruction.

PRIVATE SECTOR

Although the annual FATF Private Sector Consultative Forum was postponed due to COVID-19, private sector engagement continued throughout the Chinese Presidency.

The FATF is considering proposals for amendments to Recommendation 1 and its Interpretive Note to require countries and the private sector to identify, and assess the risks of potential breaches, non-implementation or evasion of the targeted financial sanctions related to proliferation financing, as contained in FATF Recommendation 7, and to take action to mitigate these risks. Private sector were engaged during the drafting stage and public consultation is introduced as part of the process.

Moreover, in view of the impact of the COVID-19, the FATF encouraged members to coordinate domestically to assess the impact of COVID-19 on AML/CFT risks and systems, and strengthen communication with the private sector by proactively engaging on the application of their AML/CFT measures and working constructively with them to minimise potential impact. The FATF also encouraged countries to work with relevant non-profit organisations to ensure that much needed aid is getting to its intended recipients in a transparent manner.

The final report on money laundering and the illegal wildlife trade is another example of strong collaboration and coordination with the private sector, the FATF Global Network and the civic society. The report also highlighted the increasing importance of a coordinated response from public authorities, the private sector and

civil society to identify and disrupt financial flows from illegal wildlife trade.

Transparency and beneficial ownership is one of the key elements of the FATF Standards. The FATF is currently reviewing the relevant requirements with an aim to ensuring that legal persons will not be misused for ML/TF. The FATF will engage the private sector and civil society organisations in the context of this review. The FATF will also continue its engagement with the private sector and promote understanding of the ML/TF risks of virtual assets and VASPs, including with the publication of red flag indicators and case studies by October 2021.

The FATF has continued issuing its successful FATF Business Bulletin newsletter, originally launched in March 2018. The Business Bulletin helps the FATF raise awareness about important FATF outcomes that are of particular interest to the private sector. The Bulletin is issued periodically and published on the FATF website. In 2019, the FATF introduced thematic editions of Business Bulletin to help convey FATF's work to private sector, for example, the works of the FATF on Virtual Assets and Easy Guide on Digital Identity.

In addition to the Business Bulletin, the FATF continued to maintain a dedicated page on its website to provide a one-stop-shop for private sector interested in information for a particular sector or product. The FATF will periodically update and expand the page to provide additional functionality.

FINANCIAL STATEMENT

At the close of this Plenary year, there are 51 staff members at the FATF Secretariat: an Executive Secretary, a Deputy Executive Secretary, six Senior Policy Analysts, thirty policy analysts, one communications manager, one media relations manager, one resource management advisor, one resource management officer, one programme and events coordinator and eight assistants. In addition, the FATF occasionally also hosts short-term interns and consultants. The FATF Secretariat provides support to the FATF, including

- co-ordinating of and participating in mutual evaluation missions and drafting the related assessment reports,
- preparing and producing policy papers to be discussed in working groups and/or the Plenary,
- organising Plenary and working groups meetings,

- providing support to the FATF President, the Steering Group and FATF delegations.

The FATF Secretariat 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.

The budget of the FATF is funded by annual membership fees paid by FATF Members and the two member organisations (Gulf Co-operation Council and European Commission) as well as additional cash voluntary contributions provided by some Members for specific projects.

The scale used to calculate the membership fees is based on the OECD's calculation method, which is a formula related to the size of the country's economy.

Budget of the FATF for fiscal years 2018 and 2019 (in EUR)*

BUDGET ITEMS	FY 2019	FY 2020
Staff costs (salaries and indemnities)	6 152 201	8 217 852
Travel	910 022	1 641 873
Operating costs (incl. office rental)	651 000	782 034
OECD overhead charges	515 400	525 214
Meeting costs, translation, interpretation	255 000	230 000
IT: investments and maintenance costs	723 800	417 287
Total	9 207 423	11 814 260

MEMBERS AND OBSERVER COUNTRIES

MEMBERS

Argentina	Mexico
Australia	Netherlands, Kingdom of
Austria	New Zealand
Belgium	Norway
Brazil	Portugal
Canada	Russian Federation
China	Saudi Arabia
Denmark	Singapore
European Commission	South Africa
Finland	Spain
France	Sweden
Germany	Switzerland
Greece	Turkey
Gulf Co-operation Council	United Kingdom
Hong Kong, China	United States
Iceland	
India	
Ireland	
Israel	
Italy	
Japan	
Korea	
Luxembourg	
Malaysia	

FATF OBSERVER

Indonesia

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)

OBSERVER ORGANISATIONS

African Development Bank
Anti-Money Laundering Liaison Committee of the Franc Zone (CLAB) [French]
Asian Development Bank
Basel Committee on Banking Supervision (BCBS)
Camden Asset Recovery Inter-agency Network (CARIN)
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) [formerly the
Offshore Group of Banking Supervisors - OGBS]
Inter-American Development Bank (IDB)
International Association of Insurance Supervisors (IAIS)
International Monetary Fund (IMF)
International Organisation of Securities Commissions (IOSCO)
Interpol
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 pursuant to
 resolutions 1526(2004) and 2253(2015) concerning ISIL (Da'esh), Al-
 Qaida and the Taliban 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)
 Security Council Subsidiary Organs Branch
World Bank
World Customs Organization (WCO)

THE GLOBAL NETWORK

COUNTRY	FSRB
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
Bahrain	MENAFATF
Bangladesh	APG
Barbados	CFATF
Belarus	EAG
Belgium	FATF
Belize	CFATF
Benin	GIABA
Bermuda	CFATF
Bhutan, Kingdom of	APG
Bolivia	GAFILAT
Bosnia and Herzegovina	MONEYVAL
Botswana	ESAAMLG
Brazil	FATF/GAFILAT
Brunei Darussalam	APG
Bulgaria	MONEYVAL
Burkina Faso	GIABA
Cambodia	APG
Cameroon	GABAC
Canada	FATF-APG
Cape Verde	GIABA
Cayman Islands	CFATF
Central African Republic	GABAC
Chad	GABAC

COUNTRY	FSRB
Chile	GAFILAT
China, People's Republic of	FATF-APG-EAG
Chinese Taipei	APG
Colombia	GAFILAT
Comoros	GIABA
Cook Islands	APG
Costa Rica	GAFILAT
Côte d'Ivoire	GIABA
Croatia	MONEYVAL
Cuba	GAFILAT
Curacao	CFATF
Cyprus	MONEYVAL
Czech Republic	MONEYVAL
Democratic Republic of Congo	GABAC
Denmark	FATF
Djibouti	MENAFATF
Dominica	CFATF
Dominican Republic	GAFILAT
Ecuador	GAFILAT
Egypt	MENAFATF
El Salvador	CFATF
Equatorial Guinea	GABAC
Estonia	MONEYVAL
Ethiopia	ESAAMLG
Fiji	APG
Finland	FATF
France	FATF-MONEYVAL
Gabon	GABAC
Gambia	GIABA
Georgia	MONEYVAL
Germany	FATF
Ghana	GIABA
Gibraltar	MONEYVAL
Greece	FATF
Grenada	CFATF
Guatemala	GAFILAT
Guernsey	MONEYVAL

COUNTRY	FSRB
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	MONEYVAL
Israel	MONEYVAL
Italy	FATF-MONEYVAL
Jamaica	CFATF
Japan	FATF-APG
Jersey	MONEYVAL
Jordan	MENAFATF
Kazakhstan	EAG
Kenya	ESAAMLG-
Kingdom of Saudi Arabia	MENAFATF
Korea, Republic of (South Korea)	FATF-APG
Kuwait	MENAFATF
Kyrgyzstan	EAG
Lao People's Democratic Republic	APG
Latvia	MONEYVAL
Lebanon	MENAFATF
Lesotho	ESAAMLG
Liberia	GIABA
Libya	MENAFATF
Liechtenstein	MONEYVAL
Lithuania	MONEYVAL
Luxembourg	FATF

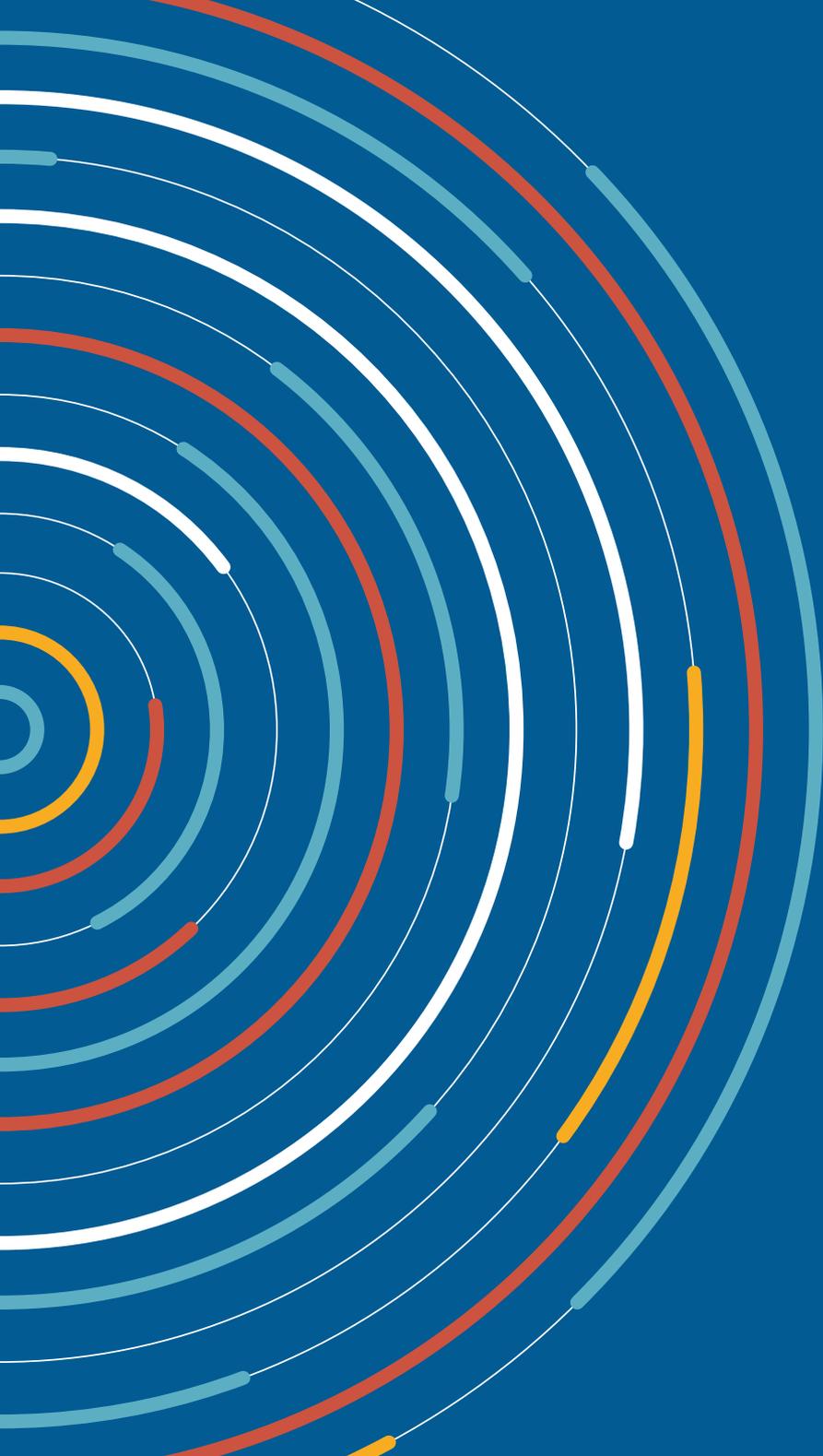
COUNTRY	FSRB
Macao, China	APG
Madagascar	ESAAMLG
Malawi	ESAAMLG
Malaysia	FATF-APG
Maldives	APG
Mali	GIABA
Malta	MONEYVAL
Marshall Islands, Republic of	APG
Mauritania	MENAFATF
Mauritius	ESAAMLG
Mexico	FATF/GAFILAT
Moldova	MONEYVAL
Monaco	MONEYVAL
Mongolia	APG
Montenegro	MONEYVAL
Montserrat	CFATF
Morocco	MENAFATF
Mozambique	ESAAMLG
Myanmar	APG
Namibia	ESAAMLG
Nauru	APG
Nepal	APG
Netherlands Kingdom of	FATF
New Zealand	FATF-APG
Nicaragua	GAFILAT
Niger	GIABA
Nigeria	GIABA
Niue	APG
Norway	FATF
Oman	MENAFATF
Pakistan	APG
Palau	APG
Palestine	MENAFATF
Panama	GAFILAT
Papua New Guinea	APG
Paraguay	GAFILAT
Peru	GAFILAT

COUNTRY	FSRB
Philippines	APG
Poland	MONEYVAL
Portugal	FATF
Qatar	MENAFATF
Republic of Congo	GABAC
Romania	MONEYVAL
Russian Federation	FATF-EAG-MONEYVAL
Rwanda	ESAAMLG
Saint Kitts and Nevis	CFATF
Saint Lucia	CFATF
Saint Vincent and the Grenadines	CFATF
Samoa	APG
San Marino	MONEYVAL
Sao Tome and Principe	GIABA
Senegal	GIABA
Serbia	MONEYVAL
Seychelles	ESAAMLG
Sierra Leone	GIABA
Singapore	CATF-APG
Sint Maarten	CFATF
Slovak Republic	MONEYVAL
Slovenia	MONEYVAL
Solomon Islands	APG
Somalia	MENAFATF
South Africa	FATF-ESAAMLG
Spain	FATF
Sri Lanka	APG
Sudan	MENAFATF
Suriname	CFATF
Swaziland	ESAAMLG
Sweden	FATF
Switzerland	FATF
Syrian Arab Republic	MENAFATF
Tajikistan	EAG

COUNTRY	FSRB
Tanzania	ESAAMLG
Thailand	APG
The Bahamas	CFATF
The Former Yugoslav Republic of Macedonia	MONEYVAL
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	CFATF
Vietnam	APG
Virgin Islands	CFATF
Yemen	MENAFATF
Zambia	ESAAMLG
Zimbabwe	ESAAMLG

The FATF logo is located in the top right corner. It consists of the letters 'FATF' in white, bold, sans-serif font, positioned above a stylized white graphic of three overlapping, curved shapes that resemble leaves or petals. The entire logo is set against a red, rounded rectangular background.

FATF

An abstract graphic on the left side of the page features a series of concentric, overlapping circles and arcs. The colors of these arcs include white, light blue, dark blue, red, and yellow. The circles are centered on the left and expand outwards towards the right, creating a sense of depth and movement.

Annual Report 2019-2020

This report summarises the work of the Financial Action Task Force (FATF) during its Chinese Presidency, from 1 July 2019 until 30 June 2020.

www.fatf-gafi.org