



## OBJECTIVES FOR FATF XXVII (2015-2016)

### PAPER BY THE INCOMING PRESIDENT

#### *List of priorities*

1. Enhancing FATF and FSRB's efforts in countering terrorist financing
2. Addressing the challenges faced by the fourth round of mutual evaluations
3. Addressing capacity constraints
4. Work prioritisation and strategic allocation of resources
5. Mid-term review of FATF Mandate
6. Reinforcing the global AML/CFT network
7. Closer engagement with the private sector and civil society

#### *Introduction*

1. As the incoming FATF President, I present in this document my priorities for 2015-2016.
2. In the past years, the FATF has taken important steps to implement global AML/CFT policies across its member jurisdictions and to cooperate with FSRBs, international organisations and the private sector with a view to enhance the effectiveness of AMF/CFT policies.
3. However, many FATF and FSRB members are facing challenges in adopting the revised FATF international standard and the new round of mutual evaluations attests to the demanding nature of these requirements. The FATF is also faced with challenges in maintaining high quality and consistency of the mutual evaluation process. Moreover, as demonstrated in a recent chain of events, global society is exposed to greater terrorist threats and an expeditious and up-to-date counter-terrorist financing strategy is called for.
4. The Korean Presidency will build on the work of previous presidencies and devote to fulfilling FATF's responsibilities according to its Mandate and respond to the concerns presented by the international community. Cooperation and collaboration with FSRBs, Egmont Group, G20, United Nations, IMF and World Bank, as well as with the private sector, will continue to be an important element of the FATF's work in living up to its core mandate.

## **1. *Enhancing FATF and FSRBs' efforts in countering terrorist financing***

5. In February 2015, the G20 Finance Ministers and Central Bank Governors called on the FATF and FSRBs to put a specific focus on financing of terrorism, further coordinate in upcoming work and develop guidelines to enhance transparency of payment systems, in order to mitigate the risk of being abused for financing for terrorism and money laundering purposes.

6. Responding to this call, the first priority of the next FATF presidency is to make sure that FATF and FSRB members focus their efforts to countering terrorist financing in accordance with the FATF Recommendations. All members are required to:

- Criminalise the financing of individual terrorists and terrorist organisations;
- Freeze terrorist assets without delay and implement on-going prohibitions; and
- Establish the capacity to develop robust designation proposals on individuals that meet the UN designation criteria.

7. The members agreed to conduct a fact-finding survey on the current state of FATF and FSRB members' implementation in the above areas. The FATF will put pressure on and encourage FATF and FSRB members to effectively implement these measures in order to cut off terrorism-related financial flows.

8. In addition, all member countries should work effectively and cooperate with each other to combat key terrorist financing risks, including by: identifying emerging challenges and threats; exploring new ways to address these risks; implementing targeted financial sanctions regimes; and empowering FIUs and other competent authorities to improve the exchange of financial and other relevant information domestically and internationally in a timely manner. Discussion at the Joint Experts Meeting in September should inform the FATF members on recent development on countering terrorist financing. The FATF and FSRBs should work together with international organisations to develop proposals to strengthen all counter-terrorism financing tools.

9. The result of the fact-finding survey and proposals to strengthen counter-terrorism will be reported to the G20 process in October 2015 as requested by the G20 Finance Ministers and Central Bank Governors.

## **2. *Addressing the challenges faced by the fourth round of mutual evaluations***

10. The initial stage of the fourth round mutual evaluation has proved its strength and merits in monitoring the effectiveness of members' implementation of FATF standards. Nonetheless, there are remaining challenges that need to be addressed to make the mutual evaluation process more efficient and effective. For instance, there are questions about some of the assessment criteria as well as about how to improve consistency of application of the methodology from assessment to assessment. The challenge will become even more evident as we work to ensure quality and consistency of evaluations more broadly throughout the global network, comprising FATF, FSRB and international financial institution (IFI) assessments. We are learning through the experience of

the first evaluations that some countries are having difficulties adjusting to the new elements of this round, including the national risk assessment (NRA) and assessing effectiveness.

11. The Korean presidency aims to address the challenges posed by the fourth round of mutual evaluations based on three basic principles. Firstly, consensus among FATF members will be pursued throughout the mutual evaluation process. Secondly, efforts will be made to ensure that all FATF and FSRB mutual evaluations are consistent with the FATF Recommendations and FATF Methodology. And thirdly, a balanced approach will be applied to drafting mutual evaluation reports (MERs), which fairly represents a country's strengths and weaknesses in implementing the FATF standards.

12. In order to enhance consistency of mutual evaluations, in particular, the Evaluations and Compliance Group (ECG) will finalise its review of the initial 4th round assessment reports; and as a standing item table horizontal and cross-cutting issues based on FATF and FSRB fourth round mutual evaluations, plenary discussions and input from FATF and FSRB members. The group should discuss how these issues should be addressed and propose the outcome of its discussion to the plenary. These ECG discussions should additionally assist in improving quality and consistency between FATF and FSRB MERs, enhance the readability of these MERs and improve the consistency of tone.

13. Another critical component of the fourth round of mutual evaluations is the NRA because it affects the assessment in its entirety. In order to alleviate concerns around NRA, we should continue to gather as much information and experience from countries assessed under the fourth round mutual evaluation process and make this information available to the members in a useful and efficient manner. To this end, the Korean presidency proposes holding an experience-sharing workshop where RTMG and ECG experts, FATF, FSRB and IFI evaluators and assessed countries will be able to share their views and experiences on NRA. This workshop could build on the experience that RTMG has gained in this area through the standing NRA item on its agenda.

### **3. Addressing capacity constraints**

14. The FATF has concentrated its resources on putting in place AML/CFT international standards and monitoring national implementation, which is paramount to FATF work. Some FATF and FSRB member countries may find implementation of FATF standards and preparation for a mutual evaluation more challenging than others due to the limited resources at hand and lack of experience.

15. Therefore, the FATF should play a role in assisting FATF and FSRBs members through a capacity-building program, in light of the higher bar we have set through requiring effective implementation over and above technical compliance of the 40 Recommendations. A capacity building program provided at FATF level will be particularly useful to developing and under resourced countries.

16. For this purpose, the Korean presidency proposes to establish an AML/CFT training and research institute, namely FATF TREIN (Training and REsearch INstitute), to support this capacity building function. A global AML/CFT training and research institute will assist the mutual evaluations process and function as a knowledge hub where countries' experiences will be

systematically collected alongside further research. In doing so, the institute will coordinate and cooperate with regional training and research centres spread around the FATF network.

17. In order to maintain a high level and consistency of work, the institute will report annual outcomes and future work plans to the FATF Plenary. Trainers of the program will be invited based on expertise and availability taking account of resource constraints of FATF and FSRB members, Secretariats and IFIs. The institute will seek members' input for research topics and collect exemplary practices of effective implementation of FATF standards and best practices in mutual evaluation processes.

#### ***4. Work prioritisation and strategic allocation of resources***

18. The FATF has been taking on many responsibilities responding to the demands of international society and its member countries. In order to better serve the core mandates of the FATF and reflect the international community's demands on this task force, the members need to undertake a strategic review of FATF's work priorities in light of the resource implications and make efforts to realign and match the limited resources with the priorities.

#### ***Enhancing the effectiveness and efficiency of the mutual evaluation process***

19. The mutual evaluation is a resource-intensive process for all parties involved. Initial cases of the new round have provided us with better understanding of the workload and process. The FATF has made substantive improvements to the mutual evaluation process but more remains to be done. The ECG will review the mutual evaluation process and propose to the plenary on how the FATF could make better use of its limited resources without having to compromise the quality and effectiveness of the assessment process.

20. It will be useful to clearly set out the responsibilities of the Secretariat, evaluators, reviewers and assessed country. ECG should make sure that substantive discussions on important issues take place in the ECG before plenary makes a final decision.

#### ***Developing new ICRG procedures for the fourth round***

21. Another priority of the Korean presidency is to ensure adoption of the new procedures of the International Cooperation Review Group (ICRG). The aim is to develop on-going discussions on the new ICRG process and ensure its compatibility with FATF and FSRB follow-up processes, in due course and in close cooperation with the membership and FSRBs.

#### ***Developing guidance for effective implementation of international standards***

22. The FATF will further support the Policy Development Group with the aim to complete current on-going projects including finalising the Guidance on the Risk Based Approach for MVTs. There will be continuing efforts to promote and facilitate effective implementation of the revised international standards through publication of guidance documents. These documents will provide supervisors and law enforcement agents with clear directions as to how to conduct AML/CFT work,

clarify how the FATF standards apply to financial institutions and designated non-financial businesses and professions, and will assist evaluators with effectiveness assessments.

### *Assessment of new threats / typologies work*

23. The FATF will revise the 2008 Typologies Report on Terrorist Financing, continue its work on assessment of emerging threats, such as the use of legal persons and legal arrangements for terrorist financing and money laundering, and identify new trends of ML/TF risks, including additional work on terrorist financing and money laundering risks through social media and crowd funding.

## **5. *Mid-term review of FATF Mandate***

24. Going forward, the FATF needs to examine and assess the progress achieved in line with the objectives mandated by its Ministers in 2012 and with the FATF Strategy approved by the Plenary in 2014. The President will report on behalf of the FATF members to the Ministers on the progress made so far and will seek to have the mandate, if necessary, adjusted and approved to reflect the changes that have taken place since its approval.

## **6. *Reinforcing the global AML/CFT network***

### *Enhancing cooperation with the FSRBs*

25. The capacity and effectiveness of FSRBs are essential to the development of the global network in its pursuit to combat money laundering and terrorist financing. The Global Network Coordination Group will continue to cooperate with FSRBs in building capacity in the AML/CFT area. FATF will also cooperate with FSRBs to enhance consistency across FATF and FSRB countries in the mutual evaluation process, through agreed Universal Procedures, and address any possible gaps in interpretation of FATF standards and methodologies.

26. The FATF will explore ways to deepen the relationship between the FATF and FSRBs and perhaps include a joint event. The steps that GABAC is taking to be designated as an FSRB for the central part of Africa are a welcomed progress.

### *Closer interaction with Egmont Group, the G20 and international bodies*

27. Cooperation with the Egmont Group of Financial Intelligence Units not only reinforces the global network but also fosters an effective foothold for implementation of FATF standards. Therefore, the FATF will look further into ways to reinforce the FATF-Egmont relationship.

28. The FATF should continue working with the G20 and UN on the subject of anti-corruption with a view of promoting international cooperation, in particular, identifying, tracing, freezing proceeds of crime and information-sharing among members for the purpose of eventual recovery of asset in accordance with the United Nations Convention against Corruption, as well as enhancing communication and cooperation with international bodies such as the IMF, WB, BCBS, IAIS, IOSCO and OECD to promote thorough implementation of FATF international standards.

### *Continuous outreach to non-FATF members*

29. The FATF has been active in welcoming new members to the group. We should continue our work in process in welcoming new members to the group and promoting our policies through wider global coverage and better regional representation in the membership.

## *7. Closer engagement with the private sector and civil society*

30. As in the preceding years, the Korean presidency will continue to emphasise communication and engagement with the private sector. Private institutions such as banks, security firms and insurance companies are in the frontline of AML/CFT compliance and it is important that there is constant dialogue and feedback between the FATF and the private sector.

31. This close interaction should serve to raise the private sector's understanding of the importance and purpose of FATF standards. For the same reason, the FATF should build on the mutually beneficial relationship and enhance its outreach to the private sector, including emerging economies and low income countries. The Korean presidency proposes to hold, during its presidency, a consultative forum meeting in the Asia region.

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