



Financial Action Task Force

## PRIORITIES FOR THE FINANCIAL ACTION TASK FORCE (FATF) UNDER THE GERMAN PRESIDENCY

### OBJECTIVES FOR 2020-2022

It is with a profound sense of honour and responsibility that Germany takes on the first two-year Presidency of the Financial Action Task Force (FATF).

Working closely with Members and the FATF Secretariat over the next two years, the German Presidency will continue to strengthen the FATF's governance, enhance its strategic focus, increase its public visibility and reinforce its fight against money laundering, terrorist financing and the financing of weapons of mass destruction (proliferation financing).

The FATF will also prioritise work to tackle some of the great challenges facing societies around the world including the opportunities that new technology offers to strengthen AML/CFT systems through digital transformation; ethnically or racially motivated terrorism; migrant smuggling; environmental crime and illicit arms trafficking.

This will be in addition to the FATF's core work of continuing to identify and analyse money laundering and terrorist financing methods and trends, developing and refining the FATF Standards and evaluating and supporting the evaluations of countries globally.

### DIGITAL TRANSFORMATION OF AML/CFT

For many years, the FATF has monitored technological developments in the financial services arena and taken action to address emerging risks, most recently by introducing new standards on virtual assets. The German Presidency intends to build on this work, focusing on the opportunities that technology can offer, by launching an initiative to monitor risks and explore opportunities that the digital transformation of our economies and societies brings to anti-money laundering (AML) and counter-terrorist financing (CFT) efforts. This initiative includes the following projects:

- *A study of opportunities and challenges of new technology* to make the implementation of AML/CFT measures by private sector and supervisors more efficient.
- *A study of opportunities and challenges for operational agencies*, aimed at making systems to detect and investigate money laundering (ML) and terrorist financing (TF) and understanding ML/TF risks, more efficient.
- *A stocktake on data pooling and analysis*, aimed at helping private sector making better use of artificial intelligence and big data analytics for

AML/CFT, and increasing the efficiency of regulatory compliance, while ensuring a high level of data protection.

To accompany and guide this work on digital transformation, the FATF will create a high-level roundtable at which it aims to enter into an open-minded and informed dialogue with key groups such as data protection authorities and technology developers.

## **FINANCING OF ETHNICALLY OR RACIALLY MOTIVATED TERRORISM**

Ethnically or racially motivated terrorist attacks (sometimes also referred to as “right wing terrorist” or “far right terrorist” attacks) have increased worldwide in recent years. These attacks (including in Christchurch, Pittsburgh, Halle, Hanau) tragically highlight the importance of raising awareness and further analysing the phenomenon, including the underlying financing schemes. The German Presidency plans to improve understanding in the international community of financial flows and (cross-border) linkages between these terror groups and individuals, their means and donor structures as well as typical *modi operandi*.

## **MONEY LAUNDERING AND MIGRANT SMUGGLING**

Migrant smuggling is a transnational organised crime that continues to generate significant revenue for criminal networks and their supporters. The illicit proceeds gained from this activity often come at a terrible human cost as thousands die on perilous journeys or find themselves in the hands of criminal smugglers. Separately, there is concern that foreign terrorist fighters and terrorist organisations exploit irregular migration.

The German Presidency proposes a new FATF initiative to focus on financial flows and ML/TF linked to migrant smuggling networks and their transnational routes. The initiative would build on existing work by UNODC, Interpol and others, and capitalise on regional insights from FATF-style Regional Bodies (FSRB’s).

## **ENVIRONMENTAL CRIME**

Environmental crime spans a wide range of unlawful activities including illegal logging, illegal wildlife trade and waste management. Left unchecked, these activities can have far-reaching implications for the environment, economy, and public health and safety. It is estimated that the total monetary value of illegal extraction of and trade with natural resources and waste alone is worth between USD 91–259 billion annually<sup>1</sup>. The German Presidency wants to expand on the work to prevent illegal wildlife trade, conducted under the Chinese Presidency, by focussing on the wider issue of environmental crime and its connections with ML/TF. The work will draw on analysis of the financial flows linked to relevant forms of environmental crime in order to raise awareness of relevant ML/TF risks, and to inform possible further work on potential policy implications.

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<sup>1</sup> UNEP and Interpol.

## ILLICIT ARMS TRAFFICKING

Illicit arms trafficking is a dangerous crime that fuels conflicts all over the world. It is not only a predicate offense for money laundering, but also a source of terrorism financing: Trafficked arms often become instruments that enable terrorist's attacks, and terrorist themselves may also be involved in illicit arms trafficking to fund their operations.

Building on a number of previous initiatives within the FATF Global Network, the German Presidency will undertake work to strengthen FATF's understanding of the links between arms trafficking and TF in order to build awareness and enhance operational responses.

## ONGOING WORK

Under the German Presidency, the FATF will continue to deliver its core work of identifying risks, setting standards, evaluating and holding countries to account for effective action. In 2020–2022, this will include completing ongoing key initiatives, such as work on confiscation and asset recovery, on beneficial ownership, on proliferation financing, and on guidance for the real estate sector, as well as continuing its fourth cycle of mutual evaluations.

The unprecedented challenges of the Covid-19 pandemic is currently testing FATF's response capacity. However, the German presidency will ensure that FATF continues supporting the international community to achieve consistent and coordinated AML/CFT action. The FATF can further contribute by exploring patterns of criminal activity and developing good practices and potential policy responses, including guidance on how to make full use of the flexibility built into the FATF standards' risk-based approach.

It is a key objective of the German Presidency to successfully conclude the Strategic Review of the Global Network assessment processes and make them more timely, risk-based and effective.

Under the German Presidency, the FATF will enhance cooperation with the FATF-style regional bodies (FSRBs) with a view to supporting and strengthening the Global Network in the common endeavour to effectively fight money laundering, terrorist financing and proliferation financing.

Likewise, the FATF will expand outreach to partner organisations and key international fora, particularly the United Nations and the G20, to ensure that the FATF's work is aligned with global policy priorities, including ongoing initiatives to improving conditions for remittances and financial inclusion more generally.