



Financial Action Task Force

OBJECTIVES FOR FATF – XXX (2018-2019)

PAPER BY THE INCOMING PRESIDENT

United States Presidency Priorities for the Financial Action Task Force (FATF)

UNITED STATES PRESIDENCY PRIORITIES FOR THE FINANCIAL ACTION TASK FORCE (FATF)

As the Financial Action Task Force (FATF) approaches its 30th anniversary, it is recognised as the world's leading international body addressing illicit finance and protecting the integrity of the global financial system. The United States is honoured to serve as the President of the FATF from July 2018 through June 2019. Under US leadership, the FATF will enhance its work on preventing the financing of the proliferation of weapons of mass destruction (WMD) and maintain emphasis on combating terrorist financing. The FATF will also take further action regarding virtual currencies given their expansion and attractiveness as a payment method for illicit actors. Under the US Presidency, the FATF will also continue to focus on financial and regulatory technologies, private sector outreach, and capacity-building at FATF-style regional bodies.

COMBATTING WMD PROLIFERATION FINANCING

One of the top priorities of the US Presidency will be to enhance the work of the FATF in combating WMD proliferation financing. The United Nations Security Council has long recognized the threat posed to international security by the proliferation of WMD and specifically noted in 2016 the need for more attention to counter-proliferation financing measures. While the FATF has worked to incorporate counter-proliferation finance measures into its standards, these measures lag significantly behind those directed at countering money laundering and terrorist financing. As President, the United States will prioritise work to close this gap. The public and private sectors need to ensure that they are appropriately focused on the risks associated with WMD proliferation financing and have appropriate policies and controls in place to address those risks. Further work is also needed to enhance the reporting and receiving of financial intelligence related to WMD proliferation financing. Additionally, the FATF should explore applying the same criminalisation standard to proliferation financing as it does with money laundering and terrorist financing and should also consider new ways to address the full range of illicit proliferation-related activity that is only partially addressed by the current targeted financial sanctions regime.

COMBATTING THE FINANCING OF TERRORISM

Countering the Financing of Terrorism (CFT) will continue to be a top priority for the FATF. As terrorists and their financial facilitators will continue to seek and exploit loopholes in the international financial system to raise, move, and use funds, the FATF and its members must improve their ability to disrupt and dismantle these networks. The FATF has committed to provide regular updates on ISIS and Al-Qaeda financing; develop guidance on conducting terrorist financing risk assessments; and develop a training course on CFT. Under the US Presidency, we will ask FATF to take measures to foster more effective information sharing and coordination among competent authorities and explore how practical tools, such as operational task forces, can be implemented more broadly. The FATF will continue to prioritise adequate criminalisation of terrorist financing and will work with countries to improve their capacity to prosecute terrorist financing cases. Under the US Presidency, the FATF will also consider holding a global workshop on improving effectiveness to specifically address the common challenges and best practices in prosecuting terrorist financing cases identified under the previous FATF President.

VIRTUAL CURRENCY

The US Presidency will prioritise clarifying how the FATF standards apply to virtual currency providers and related businesses. Virtual currencies are increasingly being used to launder the proceeds of crime, but are not explicitly acknowledged in the FATF Recommendations. Most countries, including the majority of the FATF members, still do not regulate and supervise virtual currency providers for anti-money laundering/counter-financing of terrorism (AML/CFT). In light of emerging risks, there is an urgent need to explain how the FATF standards apply to virtual currency providers and related businesses, including for customer due diligence, funds transfers, supervision, and enforcement. During the US Presidency, the FATF will also embark on a new project that focuses on investigative best practices on virtual currency to support law enforcement. The project will identify relevant tools to support criminal investigations involving virtual currency payment products and services, as well as identify technological or other limitations that hinder effective investigations.

OTHER INITIATIVES UNDER THE US PRESIDENCY

During the US Presidency, the FATF will also continue its work on financial and regulatory technologies (FinTech and RegTech) and how they can help combat illicit finance, increase financial inclusion, and potentially reduce compliance and supervisory costs. As part of this work, the FATF has agreed to draft guidance clarifying how the FATF standards apply in the context of digital identity, an initiative that the US Presidency will strongly support.

Under the US Presidency, the FATF will also explore how to enhance the body's engagement with the private sector, support work to strengthen the capacity of the FATF-style regional bodies, and explore the role of the FATF in technical assistance.

SPRING 2019 MINISTERIAL

The US has proposed hosting a Ministerial meeting on the margins of the Spring 2019 International Monetary Fund/World Bank meetings in Washington, DC. In addition to approving the new FATF Mandate, this Ministerial meeting will be an opportunity to encourage greater focus among Ministers on AML/CFT and countering proliferation finance issues. Ministers could discuss the following: efforts to address gaps in national AML/CFT regimes; updates on sanctions and other counter-illicit finance actions countries have taken; emerging threats and steps countries are taking to address them; and actions taken to hold countries accountable for the failure to address strategic AML/CFT deficiencies. Finally, this Ministerial will mark an opportunity to celebrate the 30th anniversary of the FATF and the integral role that it plays in protecting the international financial system.

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