



Financial Action Task Force

Remarks of FATF President Vladimir Nechaev

at the Open Briefing by

the 1267 (Al Qaida), 1373 (Counter-terrorism), 1540 (Non-proliferation), 1718 (DPRK), 1737 (Iran) AND 1988 (Taliban) Security Council Sanctions Committees and the FATF

INTRODUCTION

Chairmen Oh, Loulichki, Lucas and Quinlan, distinguished Ambassadors and representatives from member states and international and regional organisations.

It is with great pleasure that I am taking part in this Open Briefing on behalf of the more than 190 countries that belong to the Global Network of the Financial Action Task Force and its FATF-style regional bodies.

This Open Briefing is important for the FATF and FATF-style regional bodies. We have been working with the United Nations since 2001 to fight terrorist financing and since 2012 also to fight proliferation financing.

Today it is my pleasure to provide you with a brief overview of the FATF, its mandate and membership, and the connection between United Nations Security Council resolutions and the FATF Recommendations.

The key message for today is that the FATF Recommendations and Guidance assist countries to effectively implement targeted financial sanction measures against terrorist financing and proliferation financing, as required by the Security Council resolutions. In addition, I want to highlight the FATF assessment work and the possibilities that exist for countries to obtain assistance and further guidance.

MANDATE AND MEMBERSHIP

The FATF is the global standard setter on combating money laundering and the financing of terrorism and proliferation. The FATF is an intergovernmental technical and policy making body with a ministerial mandate, which means in practical terms that we are what our members want us to be, and we do what our members want us to do. Our activities are governed by our members at plenary meetings that take decisions based on consensus. Our current mandate was set by Ministers in April 2012 and expires in December 2020.

The FATF's mandate as the standard setter to counter illicit financing is further cemented in important decisions of the United Nations Security Council. We are grateful for the support that the

United Nations has given to us and for your endorsement of our work. In this respect I should mention United Nations Security Council resolution 1617 (2005) on threats to international peace and security caused by terrorist acts, and the unanimously adopted United Nations General Assembly resolution 60/288 (2006). I should take the opportunity to especially recognize the Security Council's latest support for the FATF's work in Security Council resolutions 2083 (2012) on threats to international peace and security caused by terrorist acts and 2094 (2012) on non-proliferation / Democratic People's Republic of Korea.

A few words on the FATF membership. The FATF has grown out of a small group of like-minded countries in the 1990s to become a body where 34 member countries, two member organisations and eight FATF-style regional bodies cooperate. These regional bodies gained a stronger status in our new mandate and take part in all our activities as Associate Members. This is called the Global Network of FATF, representing currently 192 jurisdictions, with 6 more countries that are about to join the network. This leaves about a dozen jurisdictions outside the network. I can inform you that under the Russian presidency, the FATF has made it a priority to assist these remaining jurisdictions to become a member of an FATF-style regional body. This will enable these jurisdictions to take part in our meetings and to provide input to our discussions, and it will open up avenues for technical assistance for countries which request it.

FATF RECOMMENDATIONS AND UNITED NATIONS INSTRUMENTS

While the FATF is the internationally recognized standard setter on combating money laundering and the financing of terrorism and proliferation, I would like to stress that the FATF does not contradict international legal obligations, such as relevant United Nations conventions and Security Council resolutions. In this area, the FATF's role is limited to further elaborating on financial aspects contained in these instruments, and to assisting the United Nations and its members by providing guidance and best practices to effectively implement these obligations.

The FATF Recommendations are detailed technical standards that cover regulatory, supervisory, law enforcement, and legal issues. We have chosen a holistic approach by integrating measures to combat money laundering, terrorist financing and proliferation financing as much as possible into one set of Recommendations. I strongly believe that having an integrated set of Recommendations and requirements is less resource intensive and more effective for countries and for the private sector.

For the FATF it is important that the Recommendations assist countries in the implementation of United Nations instruments, and complement them. Because our Recommendations focus on technical issues, we may cover additional technical issues that are not covered by the United Nations instruments. However, we do not contradict them. Our members, who are all bound to implement their United Nations obligations, would not be able to agree to two competing sets of requirements. This means that during discussions on new FATF Recommendations, guidance and best practices in this area, aligning FATF output with United Nations obligations is a high priority for our members. In this, we rely both on the vigilance of the FATF delegations themselves, as well as on the advice of the United Nations itself, which is represented at our meetings and actively participates in and contributes to our work.

FATF RECOMMENDATIONS THAT SUPPORT SECURITY COUNCIL RESOLUTIONS

I would now like to highlight the relevant FATF Recommendations and guidance papers that assist countries in the implementation of Security Council resolutions.

Security Council resolution 1267 (1999) and its successor resolutions, as well as Security Council resolution 1373 (2001) have been part of the FATF Recommendations since 2001 and are included in the FATF standards as Recommendation 6 and its Interpretative Note. Recommendation 6 provides guidance on the financial provisions of these resolutions, and on designations, the funds and assets that need to be frozen or immobilised, delisting, access to frozen funds and due process measures. The guidance is practical, and includes references to the relevant Security Council resolutions. Further guidance is provided in the best practices paper to Recommendation 6. That paper is intended for governments, but can equally be of assistance to the private sector.

Since 2012, guidance on Security Council resolutions 1718 (2006) and 1737 (2006) and their respective successor resolutions has been provided by FATF Recommendation 7 and its Interpretative Note. Recommendation 7 differs from Recommendation 6 only where this is necessary because of differences between the Security Council resolutions. As with Recommendation 6, further guidance to Recommendation 7 is provided in a best practices paper.

The key policy message today is that countries can adopt one legal or regulatory system to implement both sets of targeted financial sanction requirements. Countries that already have a compliant system in place for one set do not need to set up an entirely different system to implement the other. Countries that still need to implement both sets of requirements can do this at the same time. This fits the holistic approach that the FATF pursues, to the benefit of countries and the private sector.

The FATF has also responded to the non-proliferation requirements embedded in Security Council resolution 1540 (2004) by setting a standard for countries to ensure domestic coordination to combat proliferation financing in Recommendation 2. The main added value that the FATF brings in this area is the issuing of the non-binding guidance for countries on sharing of information related to the financing of proliferation among domestic competent authorities. The guidance assists countries when implementing the financial provision of Security Council resolution 1540 (2004).

PREVIOUS ROUND OF ASSESSMENTS AND TECHNICAL ASSISTANCE

Terrorism, terrorist financing and other illicit finance are transnational crimes, therefore, it is important for all countries that all countries are assessed, and that all countries are bound to correct any of the deficiencies that may be identified in the course of an assessment.

Since 2004, FATF, FATF-style regional bodies, the International Monetary Fund and the World Bank have all used the same methodology for assessing compliance with the FATF Recommendations and most countries have indeed been assessed. These publicly available detailed assessment reports have given countries a real insight into implementation and compliance issues countries have faced concerning targeted financial sanctions related to terrorist financing requirements.

The aim of undertaking the assessments is to identify these very issues and to allow countries to effectively address them. The information that we gathered through our assessments is valuable for

technical assistance providers and coordinators, such as the FATF-style regional bodies and the International Monetary Fund and the World Bank. It allows them to act much faster to identify needs and to assist countries. This is in addition to guidance and assistance provided to countries by the United Nations itself.

NEXT ROUND OF ASSESSMENTS AND TECHNICAL ASSISTANCE

A few brief words on the next round of assessments which the FATF and FATF-style regional bodies are about to start, as this is one of the core tasks of the Global FATF network.

During this next round of assessments, the FATF will re-assess compliance with the existing targeted financial sanctions against terrorist financing. In addition, FATF will for the first time assess compliance with targeted financial sanction requirements against proliferation financing.

In addition to a focus on technical compliance, the next round will have a much stronger focus on effectiveness. Generally speaking, the FATF uses the terms “effectiveness” or “effective compliance” to describe if a system is achieving the results it should achieve. Our assessments have always taken into account effectiveness, but mainly as just one of the many factors. In general, however, assessments were mostly based on technical or legal compliance. This has provided a good understanding of the legal framework that countries have in place, but it also provided for an incomplete picture of which countries achieve the required results and effectively comply, and which not. In the next round of assessments, technical compliance and effectiveness will be two equally assessed and rated components of all assessments.

Despite the primary focus having been on technical compliance, our previous assessment round provides some insight into the effectiveness compliance levels with targeted financial sanctions at that time. For example, some countries had achieved some level of technical compliance by enacting rules to implement Security Council resolution 1373 (2001); however, had not taken any action to effectively implement these rules because of the mistaken view that implementation under this resolution required designations by the Security Council, as is the case for the Security Council’s Al Qaida Sanctions Regime.

As I indicated earlier, FATF-style regional bodies, International Monetary Fund, World Bank and United Nations bodies stand ready to assist countries to address the issues from the previous round of assessments and are also available to assist countries to prepare for the next round of assessments.

CONCLUSIONS

Chairmen Joon, Loulich, Lucas and Quinlan, let me conclude by summarizing the main points of today’s presentation.

The FATF is very grateful to the United Nations for the support it receives to enable countries to set up effective systems against money laundering, terrorist financing and proliferation financing, and we are happy to assist the United Nations in the effective implementation of its targeted financial sanctions regimes. It is important for us that our Recommendations and Guidance complement the obligations set by the Security Council. Our Recommendations and Guidance on targeted financial

sanctions against terrorist financing and proliferation financing were drafted to allow countries to implement both sets of measures with one legal or regulatory system – despite the differences that exist between both sets of requirements.

From the results obtained during the previous sets of assessments it appears that UN Member States are finding compliance with these obligations difficult. FATF Recommendations and Guidance are drafted and issued to assist countries to understand and comply with the relevant obligations and the assessment reports provide further guidance, both for the assessed country itself, as well as other countries with similar legal traditions to the assessed country. And, if this guidance is not sufficient, then countries can obtain assistance through the FATF-style regional bodies, the World Bank, the IMF or the UN.

Chairmen Joon, Loulich, Lucas and Quinlan, I sincerely hope that these comments will assist member states to better understand how the FATF is complementing the Security Council resolutions.

I thank you for the opportunity to speak today.