

# OUTCOMES OF THE OCTOBER-NOVEMBER 2017 MEETING OF THE FINANCIAL ACTION TASK FORCE

South Africa participated in the first meeting of the [Financial Action Task Force](#) (FATF) session under the Argentinian Presidency in Buenos Aires from 29 October to 3 November 2017. At this meeting the FATF continued work on a number of important initiatives relating to its mandate to promote effective implementation of measures against money laundering, terrorist financing and other related threats to the integrity of the international financial system. Key among these are the following:

[Combating terrorist financing](#)

[Supplementing FATF Guidance on AML/CFT Measures and Financial Inclusion](#)

[FATF's strong support for responsible financial innovation](#)

[Public statements identifying jurisdictions that may pose a risk to the international financial system](#)

[The mutual evaluation reports of Mexico and Portugal](#)

[Follow-up to previous mutual evaluations](#)

[Forum of the Heads of FATF Financial Intelligence Units](#)

[Outreach to Prosecutorial Services and Criminal Justice Systems](#)

## Efforts to combat terrorist financing

### [Information sharing within financial groups](#)

The FATF Strategy on Combatting Terrorist Financing highlights the importance of effective information sharing which is critical to counter terrorist financing effectively. The FATF revised its standards on sharing of information related to unusual or suspicious transactions within financial groups. This includes providing this information to branches and subsidiaries when necessary for AML/CFT risk management. In the same vein the FATF also revised its standards to clarify the interaction of these requirements with tipping-off provisions.

The FATF also published guidance on “[Private Sector Information Sharing](#)” which articulates how the FATF standards on information sharing apply and highlights examples of how authorities can facilitate the sharing of information, as well as examples of constructive engagement between the public and the private sectors.

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## Financial Inclusion

Financial inclusion remains a priority for the FATF. An overly cautious approach to AML/CFT safeguards can have the unintended consequence of excluding legitimate businesses and consumers from the formal financial system. In this context a lack of reliable identity data verification is one of the main obstacles to providing appropriate regulated financial services or products to unbanked customers. The FATF published a [supplement](#) to its 2013 FATF Guidance on AML/CFT Measures and Financial Inclusion. The guidance provides country examples of customer due diligence measures adapted to the context of financial inclusion and aims to encourage countries to make use of the FATF Recommendations’ flexibility to provide sound financial services to the financially excluded.

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## Support for responsible innovation

The FATF has been engaging with a wide range of role players recently in connection with FinTech & RegTech innovations. The FATF’s objective at this stage is to determine how countries are approaching these innovations, such as digital ID and KYC utilities, and what policy steer may be required from an AML/CFT perspective. The FATF has confirmed in a [statement](#) that it strongly supports responsible financial innovation that is in line with the principles that underpin the FATF Standards and that it will continue to explore the opportunities that new innovations may present for improving the effective implementation of AML/CFT measures. In doing so the FATF will maintain five principles as its point of departure:

- Fighting terrorism financing and money laundering is a common goal of governments and the private sector.

- Encourage public and private sector engagement.
- Pursue positive and responsible innovation.
- Set clear regulatory expectations and apply smart regulation which address risks as well as allow for innovation.
- Apply fair and consistent regulation.

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## Public documents identifying jurisdictions that may pose a risk to the international financial system

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## Discussion of the mutual evaluation reports of Mexico and Portugal

The FATF discussed the mutual evaluations of Mexico and Portugal which sets out the level of effectiveness of each country's systems to combat money laundering and terrorist financing and their level of compliance with the FATF Recommendations. The reports were prepared on the basis of the FATF Methodology for assessments. The FATF discussed the respective assessment teams' key findings, priority actions, and recommendations regarding each country's regime to combat money laundering and terrorist financing. The FATF expects to publish the mutual evaluation reports in January 2018, after their quality and consistency has been reviewed, in accordance with its procedures.

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## Targeted mutual evaluation follow-up process

## Austria

The FATF discussed the progress that Austria had made since the adoption of its mutual evaluation report in September 2016. The FATF recognised that Austria's progress is significant and agreed to re-rate the findings in relation to a number of FATF Recommendations to reflect the country's current level of technical compliance. The FATF expects to publish the follow-up report which sets out the actions that Austria has taken to strengthen the effectiveness of its measures to combat money laundering and the financing of terrorism and proliferation in due course after its quality and consistency has been reviewed.

## Brazil

In February 2016, the FATF released a statement conveying its deep concerns about Brazil's continued failure to remedy the serious deficiencies identified in its third mutual evaluation report adopted in June 2010, especially those related to terrorism and terrorist financing. FATF members recognised that Brazil has taken several significant steps to improve its CFT regime, however, deficiencies remain regarding targeted financial sanctions. FATF members will consider Brazil's progress in addressing these remaining deficiencies in accordance with an agreed action plan in February 2018. The FATF's public statement in this regard can be accessed [here](#).

## South Africa

The FATF considered the 14<sup>th</sup> follow-up report to South Africa's 2009 mutual evaluation. The FATF concluded that the deficiencies relating to gaps in South Africa's customer due diligence and record-keeping requirements have been addressed adequately with the recent amendments to the Financial Intelligence Centre Act, 2001, which took effect on 2 October 2017. On this basis the FATF decided to end the follow-up process in respect of South Africa.

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# Forum of the Heads of FATF Financial Intelligence Units

FATF Heads of FIUs discussed how to enhance the effectiveness of suspicious transaction reporting regimes and the quality of financial intelligence. The private sector and large financial institutions in particular play a crucial role in detecting and reporting transactions with suspected links to crime or terrorism. Discussions focused on the exchange of information between private and public sectors, how to improve the effectiveness of the reporting regime and maximising the usefulness of the information shared in ongoing investigations, and the independence of financial intelligence units.

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## Outreach to Prosecutorial Services and Criminal Justice Systems

One of the priorities of the FATF Presidency is to enhance engagement with national prosecuting authorities and other experts within criminal justice systems to build synergies and, ultimately, improve the effectiveness of efforts to combat money laundering and terrorist financing. The FATF is conducting a series of workshops which will continue throughout this Plenary year. The workshops will contribute efforts to identify the challenges that prosecutors and the judiciary face and suggest good practices to deal with them.

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For more information on these and other matters relating to the work of the FATF please visit <http://www.fatf-gafi.org/home/>.