

## OUTCOMES OF THE FEBRUARY 2019 MEETING OF THE FINANCIAL ACTION TASK FORCE

South Africa participated in the second meeting of the [Financial Action Task Force](#) (FATF) session under the United States of America (USA) Presidency in Paris, France, from 17 to 22 February 2019. At this meeting the FATF continued work on a number of important initiatives 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:

- [Operations of the FATF](#)
- [Combating the financing of terrorism, including a public statement on its actions to combat terrorist financing](#)
- [Mitigating risks from virtual assets](#)
- [The mutual evaluation reports of China and Finland](#)
- [Follow-up reports for the mutual evaluations of Italy and Norway](#)
- [Brazil's progress in addressing the deficiencies identified in its mutual evaluation report](#)
- [Adoption of a report to the G20 Finance Ministers and Central Bank Governors](#)
- [Approval of three Risk-Based Approach Guidance papers on Lawyers, Accountants and Trust and Company Service Providers for public consultation](#)
- [FATF Heads of Financial Intelligence Units](#)
- [Two public documents identifying jurisdictions with deficiencies in their measures against money laundering and terrorist financing](#)

## Operations of the FATF

### *Strengthening the governance and accountability of the FATF*

In October 2018, FATF Members agreed to strengthen FATF governance and accountability through increasing the engagement of ministers and senior officials of FATF members. Against this background the FATF agreed a proposed structure for Ministerial approval in April 2019 during the adoption of the FATF's revised mandate. The structure for Ministerial involvement aims to achieve the right balance between political oversight, senior level engagement and maintaining FATF as a technical body.

### *Appointing the incoming FATF Vice-President for 2019-2021*

The FATF appointed Dr. Marcus Pleyer, Deputy Director General of the Finance Markets Department of the German Federal Ministry of Finance, as the new incoming FATF Vice-President. Dr. Pleyer will assume the role of FATF Vice-President for a two-year term, effective 1 July 2019 and until 30 June 2021.

### *Status of expansion of membership*

Saudi Arabia is continuing the membership accession process to be granted membership status as set out in the [FATF's Membership process and criteria](#). Saudi Arabia has provided a high-level political commitment to reach the expected results within a reasonable timeframe and prepared an action plan that will be reviewed by the FATF.

Israel's membership process has been completed and the country participated in the February 2019 meeting as a full member of the FATF.

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## Combating the financing of terrorism

Combating the financing of terrorism remains a top priority for the FATF under the US Presidency. The FATF's work in this area include work on the prosecution of terrorist

financing and assessing terrorist financing risks. These topics will be further developed at the Joint Experts' meeting in March 2019, to be hosted in Tel Aviv, Israel. The FATF also considered a further update on the financing methods employed by ISIL and Al Qaeda and its affiliates. The FATF released a [public statement](#) on its current actions to combat terrorist financing.

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## **Amendments to the FATF Recommendations on the regulation of virtual assets**

Recognising the need to adequately mitigate the money laundering and terrorist financing risks associated with virtual asset activities, the FATF is setting out more detailed implementation requirements for effective regulation and supervision/monitoring of virtual asset service providers. The FATF has therefore been working on an [Interpretive Note to Recommendation 15](#) with a view to formally adopt it as part of the FATF Standards in June 2019. The FATF had amended Recommendation 15 in October 2018 to clarify how the FATF standards apply to activities or operations involving virtual assets.

The majority of the text of the new Interpretive Note has been finalised. One aspect relating to the application of Recommendation 16 (Wire Transfers) to transactions involving virtual assets has not yet been finalised because it will benefit from private sector consultations. This will be considered further following the Private Sector Consultative Forum scheduled for April, 2019 in Vienna, Austria, to reflect technical implementation considerations for final adoption in June 2019.

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## **Mutual Evaluations and Follow-Up Reviews and Compliance**

### ***Discussion of the mutual evaluation reports of China and Finland***

The FATF discussed the mutual evaluation reports of China and Finland, which set out the level of effectiveness of each country's Anti-Money Laundering (AML)/Counter Terrorist Financing (CFT) system and their level of compliance with the FATF Recommendations.

The mutual evaluation report for China reflects that it has the foundation for a sound system to tackle money laundering and terrorist financing, but should strengthen its financial intelligence unit and the use of financial intelligence. The report for Finland shows that measures to combat money laundering and terrorist financing are delivering good results, but that the country needs to improve supervision to ensure that banks and others are properly implementing effective AML/CFT controls.

The reports were prepared on the basis of the FATF Methodology for assessments, which requires countries to take into account the effectiveness with which AML/CFT measures are implemented, as well as technical compliance for each of the FATF Recommendations. The FATF discussed the key findings, priority actions and recommendations regarding each country's AML/CFT regime. The mutual evaluation reports are expected to be published by April 2019, after the quality and consistency reviews of the two reports.

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### ***Discussion of follow-up reports for the mutual evaluations of Italy and Norway***

The FATF discussed the progress that Italy and Norway have made since their mutual evaluation reports were adopted (in 2016 and 2014 respectively). Both countries have made progress since the publication of their mutual evaluation report, with this being the second progress report for Norway.

For each country, the FATF agreed to re-rate a number of FATF Recommendations to reflect the country's current level of technical compliance. Both countries have also taken actions to strengthen the effectiveness of their respective measures to combat money laundering and the financing of terrorism and proliferation. The FATF will publish the follow-up reports after a quality and consistency review.

## ***Brazil's progress in addressing the deficiencies identified in its mutual evaluation report***

In June 2018, the FATF decided that it would initiate discussions on Brazil's membership if adequate legislation was not adopted by the February 2019 Plenary. Brazil subsequently has passed new legislation towards addressing its deficiencies. The FATF will review the legislation for compliance with FATF Standards and will consider next steps in June 2019 . The FATF has issued a [statement](#) regarding Brazil's steps toward addressing the deficiencies identified in its mutual evaluation report.

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## **Adoption of a report to the G20 Finance Ministers and Central Bank Governors**

The FATF discussed its report to the G20 Finance Ministers and Central Bank Governors. This report sets out the FATF's progress since its last update to G20 Leaders in December 2018, on its work programme on preventing the misuse of virtual assets for money laundering and terrorist financing, countering the financing of terrorism and proliferation, improving transparency and the availability of beneficial ownership information, digital identity and FATF engagements with judges and prosecutors.

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## **Approval of three Risk-Based Approach Guidance papers for public consultation**

The risk-based approach is at the core of the FATF Recommendations. It ensures that countries identify and understand the unique risks they are exposed to, allowing them to prioritise resources on areas where risks are highest. The FATF has been developing risk-based approach guidance for lawyers, accountants and trust and company service providers. These guidance documents aim to support the implementation of the risk-based approach, taking into account national ML/TF risk assessments and AML/CFT

legal and regulatory frameworks. The guidance documents will be released for public consultation before their final adoption in June 2019.

The FATF has issued the following documents for consultation with the private sector, which are all available on the FATF website:

- [FATF-RBA Guidance for Legal Professionals](#)
- [FATF-RBA Guidance for Accountants](#)
- [FATF-RBA Guidance for Trust and Company Service Providers](#)
- [Interpretive Note to R.15, requirements on information accompanying payments](#)

Representatives of these sectors are encouraged to provide their collated response to the FATF Secretariat ([pdg@fatf-gafi.org](mailto:pdg@fatf-gafi.org)) by no later than **8 April 2019**.

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## FATF Heads of Financial Intelligence Units

The Heads of a number of financial intelligence units (FIUs) of FATF members met in the margins of the February, 2019, meetings and further discussed three collaborative initiatives namely: sharing best practices relating to strategic analysis, FIUs efforts to identify virtual asset entities and the tools available to FIUs to analyse transactional activity relating to virtual assets, and the roles FIUs can play in countering proliferation financing. The results of these efforts will enrich the work on these three issues on the FATF's work programme.

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## Public documents identifying jurisdictions with deficiencies in their measures against money laundering and terrorist financing

These are discussed in the Centre's advisory notes issued on **01 March 2019**, which can be accessed [here](#) and [here](#).

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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/>.

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