

OUTCOMES OF THE JUNE 2018 MEETING OF THE FINANCIAL ACTION TASK FORCE

9 July 2018 - South Africa participated in the third meeting of the [Financial Action Task Force](#) (FATF) session under the Argentinian Presidency in Paris, France, from 24 to 29 June 2018. 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:

- [Combatting terrorist financing](#)
- [Improving the effectiveness of the Criminal Justice System](#)
- [Financial Flows from Human Trafficking, a typologies report](#)
- [Concealment of Beneficial Ownership, a typologies report](#)
- [Professional Money Launderers, a typologies report](#)
- [Draft risk-based approach guidance for the insurance sector and the draft risk-based approach guidance for the securities sector](#)
- [Update on FinTech & RegTech Initiatives](#)
- [FATF's work programme on virtual currencies/crypto-assets](#)
- [Discussion of the mutual evaluation reports of the Kingdom of Bahrain and the Kingdom of Saudi Arabia](#)
- [Discussion of follow-up reports for the mutual evaluations of Australia, Belgium and Sweden](#)
- [Brazil's progress in addressing the deficiencies identified in its mutual evaluation report since it agreed to an action plan in November 2017](#)
- [Two public documents identifying jurisdictions that may pose a risk to the international financial system:](#)
 - Jurisdictions with strategic anti-money laundering and countering the financing of terrorism (AML/CFT) deficiencies for which a call for action applies
 - Jurisdictions with strategic AML/CFT deficiencies for which they have developed an action plan with the FATF

Efforts to combat terrorist financing

The FATF received a report on the recent international conference on tackling the financing of terrorism (“No Money for Terror”), which was convened at the initiative of French President Macron in Paris on 25 and 26 April 2018. Ministers from 70 countries participated in the conference. The conclusions reached at the conference align closely with the FATF’s counter-terrorist financing strategy and its work more generally.

The FATF is continuing its work to improve the identification and understanding of terrorist financing risks, both at country level and more broadly. This includes continuing with the expanded update on the financing of ISIL, Al-Qaeda and affiliates.

The FATF discussed the ongoing review of the effective implementation of measures concerning risk, policy and coordination, investigation and prosecution, and preventive measures and financial sanctions.

[Back to top](#)

Improving the effectiveness of the Criminal Justice System

One of the FATF’s priorities over the past year was to enhance engagement with national prosecution services and other experts within criminal justice systems. Prosecutors and the judiciary are important components of efforts to combat money laundering and terrorist financing.

A series of regional workshops brought together practitioners as well as representatives to gather and share experiences and views on the challenges and good practices in investigating and prosecuting money laundering and terrorist financing cases, and seizing and confiscating criminal proceeds and instrumentalities. The outcomes of this global engagement with judges and prosecutors highlight good practices in investigation, prosecution, conviction and confiscation, as well as mutual legal assistance and extradition for both money laundering and terrorist financing.

The increased engagement with the criminal justice system and prosecution services will contribute to making investigation and prosecution of money launderers and terrorist financiers more effective.

[Back to top](#)

Financial Flows from Human Trafficking, a typologies report

The FATF adopted a report on joint FATF-APG study which analyses the financial flows associated with the fast-growing crime of human trafficking, both as a money laundering predicate and potential source of terrorist financing. The report updated the FATF's 2011 Human Trafficking report. The report provides good practices and indicators specific to the type of human trafficking as specified in the Palermo Protocol: human trafficking for forced labour, sexual exploitation or for the removal of organs. The report also responds to a call from the UN Security Council for the FATF to consider the links between human trafficking and terrorist financing. (Report to be published shortly.)

[Back to top](#)

Concealment of Beneficial Ownership, a typologies report

The FATF adopted a report on a joint FATF-Egmont Group study that looks at the mechanisms and techniques that can be used to obscure the ownership and control of illicitly obtained assets, drawing on over 100 case studies, the experiences of law enforcement experts, the outcomes of FATF Mutual Evaluation Reports, and the insights provided by academic reports and other studies. The report aims to raise awareness with national authorities, financial institutions and other professional service providers about the risks involved. (Report to be published shortly.)

[Back to top](#)

Professional Money Launderers, a typologies report

The FATF adopted a report that identifies the how professional money launderers provide services to criminals and organised criminal groups by laundering the proceeds of their illegal activities.

The report describes the specialist skill sets that professional money launderers offer their clients in order to hide or move their proceeds and provides a detailed explanation of the roles performed by professional money launderers. These range from providing the entire infrastructure for complex money laundering schemes (e.g. a 'full service') or constructing a unique scheme tailored to the specific needs of a client that wishes to launder the proceeds of crime. The report also provides recent examples of financial enterprises that have been acquired by criminal enterprises or co-opted to facilitate money laundering.

This report aims to assist authorities to identify and understand how professional money launders operate so that they can target them, as well as the structures that they utilise to launder funds, in order to disrupt and dismantle the groups that are involved in proceeds-generating illicit activity so that crime does not pay. (Report to be published shortly.)

[Back to top](#)

Risk-based approach guidance for the insurance sector and for the securities sector

The FATF discussed draft risk-based approach guidance papers for the insurance sector and the securities sector, respectively. These papers have been released for public consultation. The draft risk-based approach guidance for the life insurance sector can be accessed here <http://www.fatf-gafi.org/publications/fatfgeneral/documents/public-consultation-guidance-life-insurance.html> and the draft risk-based approach guidance for the securities sector can

be accessed here <http://www.fatf-gafi.org/publications/fatfgeneral/documents/public-consultation-guidance-securities.html>.

It is expected that the FATF will adopt the final reports, which will take into account the feedback received during the public consultation, at its next meeting in October 2018.

[Back to top](#)

Update on FinTech & RegTech Initiatives

The FATF considered an update on its ongoing work concerning FinTech and RegTech, including plans for the next FATF FinTech and RegTech Forum which will be held jointly with the Eurasian Group in Hangzhou, China on 4-5 September 2018. Information about the FATF's FinTech and RegTech Initiative can be accessed here [http://www.fatf-gafi.org/fintech-regtech/?hf=10&b=0&s=desc\(fatf_releasedate\)](http://www.fatf-gafi.org/fintech-regtech/?hf=10&b=0&s=desc(fatf_releasedate)).

[Back to top](#)

FATF's work programme on virtual currencies/crypto-assets

The FATF discussed its comprehensive work programme to urgently address the money laundering and terrorist financing vulnerabilities of virtual currencies/crypto-assets. The FATF continues its work to actively monitor and understand how criminals and terrorists can use virtual currencies/crypto assets to launder the proceeds of crime or move funds to support terror. The FATF agreed to initiate a project on investigative best practices related to virtual currencies/crypto-assets to assist law enforcement in the light of the growing risks. It has begun its review of guidance and standards to determine if changes are necessary to clarify their application to virtual currencies/crypto-assets and promote a more consistent regulatory approach, taking into account the results of the FATF's stocktake exercise of the different national regulatory approaches. The FATF will hold an intersessional meeting in September on how the FATF Standards apply to virtual currencies/crypto-assets.

[Back to top](#)

Mutual evaluation reports of the Kingdom of Bahrain and the Kingdom of Saudi Arabia

The FATF discussed the joint FATF-MENAFATF mutual evaluation reports of Bahrain and Saudi Arabia, which set out the level of effectiveness of each country's AML/CFT system and their level of compliance with the FATF Recommendations. 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 regime against money laundering and terrorist financing. The mutual evaluation reports are expected to be published by September 2018 after the quality and consistency review, in accordance with procedures.

[Back to top](#)

Follow-up reports for the mutual evaluations of Australia, Belgium and Sweden

The FATF discussed the progress that Australia, Belgium and Sweden have made since their mutual evaluation reports were adopted in 2015 for Australia and Belgium, and 2017 for Sweden. All three countries have made progress since the publication of their mutual evaluation report. For each country, the FATF agreed to improve the ratings from the original reports in respect of a number of FATF Recommendations to reflect the country's current level of technical compliance. After a quality and consistency review, the FATF will publish the follow-up reports which set out the actions that these countries have taken to strengthen the effectiveness of their measures to combat money laundering and the financing of terrorism and proliferation.

[Back to top](#)

Targeted mutual evaluation follow-up process

Brazil

The FATF recognises that Brazil has taken further steps to improve its counter terrorist financing regime; however deficiencies remain regarding targeted financial sanctions and Brazil has failed to meet the deadlines in the action plan it agreed to. As such, this is now a membership issue for the FATF to consider in February 2019 and Brazil is encouraged to address those deficiencies as soon as possible.

[Back to top](#)

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

These are discussed in the Centre's advisory note issued on 9 July 2018 which can be accessed [here](#).

[Back to top](#)

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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