

Outcomes of the Plenary meeting of the FATF, Busan Korea, 22–24 June 2016

Busan, 24 June 2016 – Under the Korean Presidency of Mr. Je-yoon Shin, the fourth Plenary meeting of Plenary year FATF-XXVII was held.

The main issues dealt with by this Plenary meeting were :

- [Work on terrorist financing](#), which remains the top priority for the FATF, including:
 - [Update to the 2015 report on ISIL financing](#).
 - [Revision of FATF Recommendation 8 and its interpretive note to protect non-profit organisations from terrorist financing abuse](#).
 - [Approval of the Handbook to Assist Practitioners in their implementation of UNSCR 1373](#).
 - [Approval of Detecting Terrorist Financing: Relevant Risk Indicators report for governments and relevant private sector](#).
 - [Report to the G20 on FATF initiatives to improve global effectiveness of measures to combat terrorist financing](#).
- Two public documents identifying jurisdictions that may pose a risk to the international financial system:
 - [Jurisdictions with strategic anti-money laundering and combating the financing of terrorism \(AML/CFT\) deficiencies for which a call for action applies](#)
 - [Iran's engagement with the FATF](#)
 - [Jurisdictions with strategic AML/CFT deficiencies for which they have developed an action plan with the FATF](#)
- [Further work to improve the implementation of the FATF Standard on beneficial ownership information on legal persons and legal arrangements](#).
- [Consolidation of FATF Standards on information sharing](#).
- [Discussion of the mutual evaluation reports of Austria, Canada and Singapore](#).
- [Statement on Brazil's progress in addressing the serious deficiencies identified in its mutual evaluation reports, and the issues that remain](#).
- [An update on AML/CFT improvements in Myanmar and Papua New Guinea](#).
- [Developments in the decline in correspondent banking](#).
- [The establishment of the FATF Training and Research Institute \(TREIN\)](#).

Efforts to combat terrorist financing

Following the adoption of a consolidated FATF Strategy to combat terrorist financing at the February 2016 Plenary, the FATF has continued to prioritise its work on terrorist financing. Delegates discussed and adopted the following outputs:

Improve and update the understanding of the financing of ISIL/Da'esh

The FATF continues to monitor developments regarding the financing of ISIL. It discussed an update to the 2015 report on ISIL financing which analyses ISIL's sources of revenue and expenditure, its financial management, the mechanisms used to move funds, and the facilitation and procurement networks. The FATF will continue to monitor changes to the financing of ISIL and its affiliates in order to inform the actions that FATF and members will take in order to disrupt ISIL finances.

Revision of FATF Recommendation 8 and its interpretive note to protect non-profit organisations from terrorist financing abuse

Non-profit organisations (NPOs) provide a range of vital services in our society, in particular for vulnerable communities and often in high-risk regions. However, terrorists and terrorist organisations may also abuse the NPO sector by moving their funds through legitimate NPOs, often without knowledge of donors, management or staff, or may even create sham NPOs to funnel money to fund terrorism related activities. FATF Recommendation 8 requires countries to review their laws and regulations to ensure that their non-profit sector cannot be abused for terrorist financing. Since the adoption of the current FATF Recommendations, the NPO sector and the threat environment it operates in have evolved. This was reflected in the June 2014 FATF typologies report Risk of Terrorist Abuse in Non-Profit Organisations and the 2015 Best Practices Paper on Combating the Abuse of Non-Profit Organisations (Recommendation 8). Since then, the FATF has worked to refine Recommendation 8 to take into account the findings of these two reports. With considerable input from NPOs and private sector which included a consultation and dialogue meeting in April 2016 and two rounds of public consultations, the FATF adopted a revision FATF Recommendation 8 and its interpretive note.



The revised standard aims to ensure that the implementation of Recommendation 8 is in line with the risk-based approach and does not disrupt or discourage legitimate non-profit activities.

[More information about the FATF Recommendations](#)

[Download the FATF Recommendations](#) (pdf)

Ensure countries are appropriately and effectively applying targeted financial sanction tools

In 2015, the FATF reviewed 199 countries to determine how well they have implemented measures to criminalise terrorist financing and freeze terrorist assets (targeted financial sanctions). Targeted financial sanctions are powerful tools in the fight against terrorist financing, depriving terrorists of funds they need to carry out their atrocities. However, the review revealed that many jurisdictions made insufficient use of these tools. In February 2016, the FATF Plenary agreed to collect information from its member and observer countries on their procedures to submit asset freezing requests. Based on input provided by 40 FATF members and observers, the FATF adopted a Handbook to Assist Practitioners in Their Implementation of UNSCR 1373 for practitioners. This step by step guide will help those involved in developing or reviewing domestic and foreign asset freezing requests and improve the global effective implementation of Recommendation 6 on targeted financial sanctions. The FATF will make this handbook available to relevant agencies within FATF and FSRB jurisdictions through a secure website and will closely monitor its use with a view to further improvements as appropriate.

Effective domestic coordination and international cooperation in detecting terrorist financing

The detection of possible cases of terrorist financing plays an important role in the investigation and prevention of terrorist attacks. Given the enormous amount of financial transactions carried out every day, it can be

challenging for those on the frontline to distinguish suspicious financial activities from legitimate transactions. To help governments and private sector identify cases where terrorists abuse the financial system, the FATF has developed relevant risk indicators with considerable input from both public and private sectors. These indicators provide an extensive, though not exhaustive checklist. The report explains how the indicators should be used and how sharing contextual information between private and public sectors can further improve the risk indicators. The report underscores the important role of both public and private sectors in the detection of terrorist financing, and the importance of effective information sharing. To preserve the usefulness of these indicators, they are not made public but will be shared with competent authorities, who in turn will disseminate them to relevant private sector entities.

In addition, the FATF has begun an exercise on domestic interagency information sharing, which will identify good practices, as well as potential areas of weakness and corresponding remedial action.

Future work on combatting terrorist financing

Since the February 2016 Plenary, world leaders, including G7 and G20, have expressed their support for FATF's efforts to choke off terrorist financing and called on countries to fully and effectively implement the FATF Recommendations.

In February 2016, the G20 Finance Ministers and Central Bank Governors asked for an update on FATF's ongoing work to tackle terrorist financing, including the effective implementation of measures to criminalise terrorist financing and freeze terrorists' assets. The Plenary discussed the report to the G20 on the action it has undertaken since February 2016. The report will be submitted to the G20 before its July 2016 meeting and will be made public on the FATF website subsequently.

The FATF has reviewed how its current standards and recent UNSCRs (particularly resolutions 2199 and 2253) align, to verify that the FATF standards incorporate all UN obligations regarding terrorist financing. On the basis of that review, the FATF will undertake further revisions to its Glossary and standards on criminalising terrorist financing. The FATF also expects to issue guidance later in 2016 which will assist countries in their implementation of these requirements.

The FATF continues to prioritise its work to strengthen the understanding of the terrorist financing threats, maintain up-to-date and effective tools to identify and disrupt terrorist financing and ensure that countries are appropriately and effectively implementing these tools.

Iran's engagement with the FATF

The FATF welcomes Iran's adoption of and high-level political commitment to an Action Plan to address its strategic AML/CFT deficiencies, and its decision to seek technical assistance in the implementation of the Action Plan. The FATF therefore has suspended countermeasures for twelve months in order to monitor Iran's progress in implementing the Action Plan. If the FATF determines that Iran has not demonstrated sufficient progress in implementing the Action Plan at the end of that period, FATF's call for countermeasures will be reimposed. If Iran meets its commitments under the Action Plan in that time period, the FATF will consider next steps in this regard.

Iran will remain on the FATF Public Statement until the full Action Plan has been completed. Until Iran implements the measures required to address the deficiencies identified in the Action Plan, the FATF will remain concerned with the terrorist financing risk emanating from Iran and the threat this poses to the international financial system. The FATF, therefore, calls on its members and urges all jurisdictions to continue to advise their financial institutions to apply enhanced due diligence to business relationships and transactions with natural and

legal persons from Iran, consistent with FATF Recommendation 19. The FATF urges Iran to fully address its AML/CFT deficiencies, in particular those related to terrorist financing.

The FATF will continue to engage with Iran and closely monitor its progress.

Improving transparency and beneficial ownership

The FATF has a long history of taking action to facilitate transparency and timely access to beneficial ownership information on legal persons and legal arrangements. The FATF continues to prioritise this issue, building on the large body of its previous work in this area.

The FATF first set international standards on beneficial ownership in 1990, and went on to assess countries' compliance with those standards in its 3rd round of mutual evaluations. A main focus of the 3rd round was ensuring that countries required their financial institutions to collect and verify beneficial ownership information as part of their customer due diligence (CDD) process, and took measures to prevent the misuse of legal persons and legal arrangements for money laundering or terrorist financing. This includes ensuring that adequate and accurate information on their beneficial ownership and control is available to the competent authorities in a timely manner. Countries not doing so remained subject to a rigorous follow up process which generated results. The vast majority of FATF members now have adequate legal frameworks for CDD.

In 2012, the FATF strengthened its standards on beneficial ownership, and is now in the process of assessing countries' compliance with the new standards. Effective implementation is the main focus of the 4th round. This places the FATF at the forefront of international efforts in this area, as being the first to assess how effectively countries are implementing measures to ensure that accurate, adequate and up-to-date basic and beneficial ownership information on legal persons and arrangements is available to the competent authorities without impediments.

In 2014, the FATF issued Guidance on Transparency and Beneficial Ownership which includes a step-by-step guide on how to access publicly available information on corporate vehicles, and establish procedures to facilitate information requests from foreign counterparts. As well, the FATF's ongoing work to facilitate information sharing more generally (as described in Section I of this paper) will also improve transparency and timely access to beneficial ownership information.

A review of the mutual evaluation reports conducted in the 3rd and 4th round reveal the following main implementation challenges:

- a) Basic information relating to company registration is not always sufficiently accurate and accessible in the country.
- b) CDD requirements, including requirements to identify and verify beneficial owners, are often well-implemented by banks, but much less so by other key gatekeepers (e.g., company formation agents, lawyers, and trust-and-company-service providers). This problem is exacerbated because supervision of these sectors for compliance with these requirements is often less robust than it is in the banking sector.
- c) Companies are required to maintain registers of their shareholders or members. However, often registries do not verify the information received. This means that the information contained in registries is not always accurate or up-to-date.
- d) Companies are often not subject to sanctions for failing to keep their shareholder registry accurate and up-to-date as required.
- e) Data protection and privacy laws and other obstacles to information sharing, often impede the competent authorities from getting timely access to adequate, accurate and up-to-date basic and beneficial ownership information. For example, even at the domestic level, tax

- authorities are often unable to share information with law enforcement authorities. These problems are amplified in the context of information sharing at the international level.
- f) Even where basic and beneficial ownership information is shared in a timely way (domestically or with foreign authorities), such exchange is of little value if the information is not accurate or up-to-date.

This highlights the need to focus on effective implementation of the existing requirements.

Recent events have placed additional focus on these issues. When implementing the FATF standards on transparency and beneficial ownership of legal persons and legal arrangements, the following aspects of implementation are crucial to an effective system. First, the beneficial ownership information collected and maintained must be accurate and up-to-date. Second, this information must be available to the competent authorities in a timely manner, and must be shared with authorities rapidly in the context of investigating, and prosecuting money laundering, associated predicate offences and terrorist financing. Third, proportionate and dissuasive sanctions should be available for failing to comply with these requirements.

Between June and October 2016, the FATF will engage with and undertake technical level discussions with the Global Forum to discuss initial proposals on ways to improve the implementation of the international standards on transparency, including on the availability of basic and beneficial ownership information, and its international exchange. The FATF Secretariat will engage bilaterally with the Global Forum Secretariat on these issues, as needed, and will also explore the possibility of finding a mutually convenient time when delegations from both the FATF and Global Forum could convene to discuss these issues.

Consolidating FATF standards on information sharing

Effectively sharing information concerning possible cases of abuse of the financial system with relevant authorities is one of the cornerstones of an effective AML/CFT system. The FATF's requirements on information sharing are set out in 25 of the FATF's 40 Recommendations, impact 7 immediate outcomes of the FATF Methodology for assessing effectiveness.

This compilation groups the relevant sections on information sharing from the existing FATF Recommendations. The compilation will help to clarify what the FATF Recommendations require in terms of the types of information that should be shared, when it should be shared and the safeguards and protections that should apply to sharing information.

The FATF will continue its work to develop best practices to facilitate information sharing within the private sector (enterprise-wide and between financial institutions not part of the same financial group), and between the public and private sector.

[Download the Consolidated FATF Standards on Information Sharing](#) (pdf).



Discussing the mutual evaluation reports of Austria, Canada and Singapore

The Plenary discussed the mutual evaluation reports of Austria, Canada and Singapore, which set out the level of effectiveness of their AML/CFT systems 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 mutual evaluation reports of Austria and Singapore were prepared under the responsibility of the FATF. The mutual evaluation of Canada was conducted by the International Monetary Fund (IMF) on the basis of the same FATF Methodology for assessments.

The Plenary discussed the team's key findings, priority actions, and recommendations regarding each country's AML/CFT regime. The FATF will finalise the mutual evaluation reports for publication after the quality and consistency review, in accordance with its procedures.

Brazil's considerable progress in addressing the serious deficiencies identified in its mutual evaluation reports, and the important issues that remain unresolved.

In February 2016, the Financial Action Task Force (FATF), the international standard-setter for combating money laundering, the financing of terrorism and proliferation of weapons of mass destruction, 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. Brazil had not criminalised terrorist financing since 2004 when Brazil's second mutual evaluation report was adopted. And while the FATF welcomed progress by Brazil on the freezing of terrorist assets, further improvements were required to fully satisfy the FATF standards. The FATF called on Brazil to fulfil its FATF membership commitment by enacting counter terrorist financing legislation that would adequately address these shortcomings in line with the FATF Recommendations. If adequate legislation would not be enacted by this FATF Plenary, the FATF would consider the next steps in the follow-up process.

Since February 2016, Brazil has taken significant steps towards improving its counter-terrorism (CFT) regime by enacting a law on the criminalisation of terrorist financing. The FATF welcomes this significant step made by Brazil, which improves the country's compliance with the international standards. As a consequence, the FATF has decided not to consider the next steps in the follow-up process.

In spite of this positive step, there still remain a number of shortcomings in the Brazilian counter-terrorist financing regime. Brazil must address these shortcomings in order to reach a satisfactory level of compliance with the FATF standards.

An update on AML/CFT improvements in Myanmar and Papua New Guinea

The FATF congratulated Myanmar and Papua New Guinea for the significant progress made in addressing the strategic AML/CFT deficiencies earlier identified by the FATF and included in their respective action plans. Both countries will no longer be subject to the FATF's monitoring under its on-going global AML/CFT compliance process. Both countries will work with the Asia/Pacific Group on Money Laundering as they continue to further strengthen their AML/CFT regime.

Decline in correspondent banking

The FATF is continuing to follow developments on the decline in correspondent banking, also referred to as de-risking, which is being driven by many different factors. To contribute to the international community's efforts to address this issue, the FATF is developing guidance on the correct implementation of the risk-based approach.

The establishment of the FATF Training and Research Institute (TREIN)

The FATF finalised the memorandum of understanding for an FATF Training and Research Institute. Through its programme of training and research on the FATF Standards and other relevant issues, the institute will help national authorities to develop their capacity to combat money laundering and the financing of terrorism and proliferation. The institute, established following an initial proposal by Korean government, will make an important contribution to the work of the FATF global network to protect the global financial system from abuse. The institute will be located in Busan, Korea, and is expected to be operational in the coming months.