

# Outcomes FATF Plenary, 16-18 October 2019



Paris, 18 October 2019 - FATF President Xiangmin Liu of the People's Republic of China, chaired the first meeting under the Chinese Presidency of the FATF from 16-18 October 2019.

During this three-day meeting, over 800 delegates representing 205 jurisdictions and international organisations discussed the following issues:

## 1. Major Strategic Initiatives

- Money laundering risk from “stablecoins” and other emerging assets
- Understanding and leveraging the use of digital identity

## 2. Mutual Evaluations and Follow-up

- Mutual evaluation of the Russian Federation and Turkey
- Follow-up assessments of Norway and Spain in which both countries achieved effectiveness re-ratings
- Follow-up reports for the mutual evaluations of Denmark, Ireland and Singapore in which all countries achieved technical compliance re-ratings
- Brazil's actions addressing the deficiencies identified in its 2010 mutual evaluation report and FATF concerns about a recent court decision regarding the use of financial intelligence
- Identifying jurisdictions with strategic anti-money laundering and countering the financing of terrorism (AML/CFT) deficiencies:
  - Jurisdictions no longer subject to monitoring: Ethiopia, Sri Lanka and Tunisia
  - New jurisdictions subject to monitoring: Iceland, Mongolia and Zimbabwe
  - Pakistan's actions in addressing deficiencies in its AML/CFT system
  - Monitoring Iran's actions to address deficiencies in its AML/CFT system

## 3. Other Strategic Initiatives

- Promoting and facilitating more effective supervision at national level
- Best Practices on Beneficial Ownership for Legal Persons
- New work on combating the laundering of proceeds of illegal wildlife trade
- Strategic review

## 1. Major Strategic Initiatives

### Money laundering risk from "stablecoins" and other emerging assets

After strengthening its standards to address the money laundering and terrorist financing risks of virtual assets, the FATF has now agreed on how to assess whether countries have taken the necessary steps to implement the new requirements. Given the global nature of the virtual asset industry, it is essential that countries implement these requirements swiftly, in particular understanding the risks and ensuring the effective supervision of the sector. From now on, assessments will specifically look at how well countries have implemented these measures. Countries that have already undergone their mutual evaluation must report back during their follow-up process on the actions they have taken in this area.

The FATF will closely monitor the developments and will continue to actively engage with the private sector to clarify the FATF's requirements as they work to comply with them.

Emerging assets such as so-called “stablecoins”, and their proposed global networks and platforms, could potentially cause a shift in the virtual asset ecosystem and have implications for money laundering and terrorist financing risks. In general terms, both “stablecoins” and their service providers would be subject to the FATF standards either as virtual assets and virtual asset service providers or as traditional financial assets and their service providers.

The FATF is actively monitoring emerging assets including “stablecoins”. It will continue to examine their characteristics and risks, and consider further clarifications on how the FATF standards apply to “stablecoins” and their service providers, as well as whether further updates are necessary.

National authorities are responsible for implementing AML/CFT rules in their jurisdiction, through national laws and regulations. The FATF will work to promote effective global implementation of the FATF standards applicable to virtual assets and other emerging assets.

### Understanding and leveraging the use of digital identity

In recent years, there has been a significant shift towards digital payments. The number of transactions are growing at over 12% every year. Customer identification is essential to prevent criminals and terrorists from raising and moving funds. However, in the growing digital world, different customer identification methods exist. The FATF is releasing draft guidance on the use of digital identity for public consultation.

This draft guidance analyses the use, reliability and independence of digital identification systems. It looks at how digital ID systems could meet FATF's customer due diligence requirements. It aims to help governments, financial institutions and other relevant entities to apply a risk-based approach to using digital ID systems.

The FATF supports financial innovation that does not create new safe havens for terrorists and criminals to carry out their transactions. Responsible innovation in the form of reliable digital ID systems contributes to the objectives of preventing its misuse for crime and terrorism, and supporting financial inclusion

## 2. Mutual Evaluations and Follow-up

### Mutual evaluation of the Russian Federation and Turkey

The Plenary discussed the mutual evaluation reports of Russia and Turkey and the level of effectiveness of each country's AML/CFT system and their level of compliance with the FATF Recommendations.

The Plenary discussed the joint FATF-EAG-MONEYVAL assessment of Russia and concluded that Russia has an in-depth understanding of the money laundering and terrorist financing risks it faces. It has established robust policies and laws to address these risks, and the country is particularly effective in its investigation and prosecution of terrorist financing. However, it should refine its approach to supervision and prioritise the investigation and prosecution of complex money laundering, especially concerning money being laundered abroad.

The Plenary concluded that Turkey has understood the risks it faces from money laundering and terrorist financing and has an adequate legal framework for effective action against these crimes, but serious shortcomings remain. In particular, it needs to pursue money laundering and terrorist financing in line with the country's risk profile. Turkey also needs to strengthen its ability to freeze without delay, the assets related to terrorism, the financing of terrorism and proliferation of weapons of mass destruction, of entities designated by the United Nations Security Council.

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 Plenary 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 December 2019, in accordance with procedures.

### Follow-up assessments of Norway and Spain in which both countries achieved effectiveness re-ratings

The Plenary discussed the progress that Norway and Spain made in improving their effective action against money laundering and terrorist financing since their mutual evaluations in 2014.

Norway has strengthened its understanding of the money laundering and terrorist financing risks it faces and developed a strategy to effectively address these risks. Norway is making better use of financial intelligence and has improved its ability to freeze assets linked to the financing of weapons of mass destruction.

Spain has taken action to ensure that money value transfer services and trusts are implementing measures to prevent their misuse for crime and terror financing and has established a more effective coordination mechanism to ensure that assets linked to proliferation of weapons of mass destruction are frozen.

Both countries demonstrated that they have now achieved substantial levels of effectiveness in these areas.

### Follow-up reports for the mutual evaluations of Denmark, Ireland and Singapore in which each country achieved technical compliance re-ratings

The Plenary discussed the progress that Denmark, Ireland and Singapore have made since their mutual evaluation reports were adopted. The FATF Plenary agreed to re-rate these countries on a number of FATF Recommendations to reflect their current level of technical compliance. Ireland moved from enhanced to regular follow-up process. In due course, the FATF will publish the follow-up reports, which set out the actions that they have taken to strengthen their measures to combat money laundering and the financing of terrorism and proliferation of weapons of mass destruction.

### Brazil's actions addressing the deficiencies identified in its 2010 mutual evaluation report and FATF concerns about a recent court decision regarding the use of financial intelligence

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 June 2010 mutual evaluation report, especially those related to terrorism and terrorist financing. The FATF reiterated its concern on a number of occasions and in June 2019, raised this as a membership concern for the October Plenary to consider.

Following the passage of Law No 13.810 in February 2019 and Decree No 9.825 in June 2019, the FATF reviewed Brazil's new framework for identifying and freezing terrorist assets.

Overall, the FATF is satisfied that Brazil has made substantial progress and addressed most of its targeted financial sanctions deficiencies, which concludes the process. The FATF no longer considers this a membership concern for the FATF.

However, the FATF expresses its serious concerns regarding Brazil's ability to comply with international standards and combat money laundering and terrorist financing that result from the limitation placed by a recent provisional injunction issued by one judge of the Brazilian Supreme Court on the use of financial intelligence in criminal investigations. The FATF is also concerned that the court decision is impacting Brazil's FIU to share information with law enforcement authorities.

The FATF is following this situation closely and it looks forward to timely updates and reassurances from Brazil in this regard.

### Identifying jurisdictions with strategic anti-money laundering and countering the financing of terrorism (AML/CFT) deficiencies

The FATF maintains its June 2019 public documents, which identify jurisdictions that may pose a risk to the international financial system, with the amendments set out below:

- [Jurisdictions with strategic 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](#)

### Jurisdictions no longer subject to monitoring: Ethiopia, Sri Lanka and Tunisia

The FATF congratulated Ethiopia, Sri Lanka and Tunisia for the significant progress made in addressing the strategic AML/CFT deficiencies identified earlier by the FATF and included in their respective action plans.

These jurisdictions will no longer be subject to the FATF's monitoring under its on-going global AML/CFT compliance process, and will work with the FATF-Style Regional Body of which they are a member to continue to strengthen their AML/CFT regimes.

## New jurisdictions subject to monitoring: Iceland, Mongolia and Zimbabwe

FATF has identified Iceland, Mongolia and Zimbabwe as jurisdictions with strategic AML/CFT deficiencies. Each jurisdiction has developed an action plan with the FATF to address the most serious deficiencies. The FATF welcomed their high-level political commitment to this action plan.

## Pakistan's actions in addressing deficiencies in its AML/CFT system

Since June 2018, when Pakistan made a high-level political commitment to work with the FATF and APG to strengthen its AML/CFT regime and to address its strategic counter-terrorist financing-related deficiencies, Pakistan has made progress towards improving its AML/CFT regime, including the recent development of its ML/TF risk assessment. At the October 2019 plenary, Pakistan reiterated its political commitment to completing its action plan and implementing AML/CFT reforms. Pakistan should continue to work on implementing its action plan to address its strategic deficiencies, including by: (1) adequately demonstrating its proper understanding of the TF risks posed by the terrorist groups, and conducting supervision on a risk-sensitive basis; (2) demonstrating that remedial actions and sanctions are applied in cases of AML/CFT violations, and that these actions have an effect on AML/CFT compliance by financial institutions; (3) demonstrating that competent authorities are cooperating and taking action to identify and take enforcement action against illegal money or value transfer services (MVTs); (4) demonstrating that authorities are identifying cash couriers and enforcing controls on illicit movement of currency; (5) improving inter-agency coordination including between provincial and federal authorities on combating TF risks; (6) demonstrating that law enforcement agencies (LEAs) are identifying and investigating the widest range of TF activity and that TF investigations and prosecutions target designated persons and entities, and those acting on behalf or at the direction of the designated persons or entities; (7) demonstrating that TF prosecutions result in effective, proportionate and dissuasive sanctions and enhancing the capacity and support for prosecutors and the judiciary; and (8) demonstrating effective implementation of targeted financial sanctions (supported by a comprehensive legal obligation) against all 1267 and 1373 designated terrorists and those acting for or on their behalf, including preventing the raising and moving of funds, identifying and freezing assets (movable and immovable), and prohibiting access to funds and financial services; (9) demonstrating enforcement against TFS violations including administrative and criminal penalties and provincial and federal authorities cooperating on enforcement cases; (10) demonstrating that facilities and services owned or controlled by designated person are deprived of their resources and the usage of the resources.

All deadlines in the action plan have now expired. While noting recent improvements, the FATF again expresses serious concerns with the overall lack of progress by Pakistan to address its TF risks, including remaining deficiencies in demonstrating a sufficient understanding of Pakistan's transnational TF risks, and more broadly, Pakistan's failure to complete its action plan in line with the agreed timelines and in light of the TF risks emanating from the jurisdiction. To date, Pakistan has only largely addressed five of 27 action items, with varying levels of progress made on the rest of the action plan. The FATF strongly urges Pakistan to swiftly complete its full action plan by February 2020. Otherwise, should significant and sustainable progress not be made across the full range of its action plan by the next Plenary, the FATF will take action, which could include the FATF calling on its members and urging all jurisdictions to advise their FIs to give special attention to business relations and transactions with Pakistan

## Monitoring Iran's actions to address deficiencies in its AML/CFT system

In June 2016, the FATF welcomed Iran's high-level political commitment to address its strategic AML/CFT deficiencies, and its decision to seek technical assistance in the implementation of the Action Plan.

In November 2017, Iran established a cash declaration regime. In August 2018, Iran has enacted amendments to its Counter-Terrorist Financing Act and in January 2019, Iran has also enacted amendments to its Anti-Money Laundering Act. The FATF recognises the progress of these legislative efforts. The bills to ratify the Palermo and Terrorist Financing Conventions have passed Parliament, but are not yet in force. As with any country, the FATF can only consider fully enacted legislation. Once the remaining legislation comes fully into force, the FATF will review this alongside the enacted legislation to determine whether the measures contained therein address Iran's Action Plan, in line with the FATF standards.

Iran's action plan expired in January 2018. In October 2019, the FATF noted that there are still items not completed and Iran should fully address: (1) adequately criminalizing terrorist financing, including by removing the exemption for designated groups "attempting to end foreign occupation, colonialism and racism"; (2) identifying and freezing terrorist assets in line with the relevant United Nations Security Council resolutions; (3) ensuring an adequate and enforceable customer due diligence regime; (4) clarifying that the submission of STRs for attempted TF-related transactions are covered under Iran's legal framework; (5) demonstrating how authorities are identifying and sanctioning unlicensed money/value transfer service providers; (6) ratifying and implementing the Palermo and TF Conventions and clarifying the capability to provide mutual legal assistance; and (7) ensuring that financial institutions verify that wire transfers contain complete originator and beneficiary information.

The FATF decided in June 2019 to call upon its members and urge all jurisdictions to require increased supervisory examination for branches and subsidiaries of financial institutions based in Iran. In line with the June 2019 Public Statement, the FATF decided this week to call upon its members and urge all jurisdictions to introduce enhanced relevant reporting mechanisms or systematic reporting of financial transactions; and require increased external audit requirements for financial groups with respect to any of their branches and subsidiaries located in Iran.

If before February 2020, Iran does not enact the Palermo and Terrorist Financing Conventions in line with the FATF Standards, then the FATF will fully lift the suspension of counter-measures and call on its members and urge all jurisdictions to apply effective counter-measures, in line with recommendation 19<sup>1</sup>.

While acknowledging that Iran has recently adopted the AML-CFT bylaw, which the FATF has not yet reviewed, the FATF expresses its disappointment that the Action Plan remains outstanding. The FATF expects Iran to proceed swiftly in the reform path to ensure that it addresses all of the remaining items by completing and implementing the necessary AML/CFT reforms.

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 with respect to countering terrorism-financing 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 with respect to business relationships and transactions with natural and legal persons from Iran, consistent with FATF Recommendation 19, including: (1) obtaining information on the reasons for intended transactions; and (2) conducting enhanced monitoring of business relationships, by increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination.

## 3. Other Strategic Initiatives

### Promoting and facilitating more effective supervision at national level

One of the priorities under the Chinese Presidency of the FATF is to identify challenges and weaknesses in AML/CFT supervision. The FATF discussed and approved the programme of outreach to national supervisors, which aims to explore ways of making supervision more effective. An objective of this effort is to encourage national supervisors and regulated entities to focus more on outcomes than processes and to promote risk-based approach to supervision. The Chinese government will host the first Supervisors' Forum in November 2019.

## Best Practices on Beneficial Ownership for Legal Persons

The FATF approved new Best Practices on Beneficial Ownership for Legal Persons.

Transparency of beneficial ownership is essential to prevent the misuse of companies, associations or other entities for money laundering or terrorist financing. However, many jurisdictions find it challenging to effectively implement the FATF's Recommendations in this area. FATF mutual evaluations highlight that jurisdictions using a multi-pronged approach with several sources of information are often more effective in preventing the misuse of legal persons for criminal purposes. The variety and availability of sources increases transparency and access to information, and helps address the problems of accuracy with particular sources.

The new best practices paper suggests key features of an effective system. Using input from countries around the global network, it will help countries implement robust and effective measures to prevent criminals and terrorists from hiding behind companies and other legal persons. The paper also suggests options for jurisdictions to obtain beneficial ownership information of overseas entities.

## New work on combating the laundering of proceeds of illegal wildlife trade

Illegal wildlife trade has a devastating impact on the environment, in particular endangered species. It has also become a very profitable enterprise for criminal trafficking syndicates, generating huge revenues every year, often with links to other serious crimes such as corruption, fraud, drug trafficking and organised crime. As one of the priorities under the Chinese Presidency, the FATF will work to develop good practices in tackling the financial flows linked to illegal wildlife trade. This project will analyse common supply chains and payment methods, as well as case studies from countries that have experience in investigating the financial flows from illegal wildlife trade. It will also consider the role of public-private partnerships and international cooperation in combating this crime. The project is slated to complete in June 2020.

## Strategic review

The Plenary agreed to commence work under its strategic review to consider the experience of the conduct of mutual evaluations to date which should inform the future of FATF's work post the current round of mutual evaluations. This will aim to strengthen the efficiency and the effectiveness of FATF and make the FATF's country assessments and monitoring processes more timely, effective and risk-based.

More on:

- [Public Statement - 18 October 2019](#)  
[Improving Global AML/CFT Compliance: On-going Process - 18 October 2019](#)

[← Publications](#)