

**INQUIRY INTO EU AND INTERNATIONAL CO-OPERATION TO COUNTER MONEY
LAUNDERING AND THE FINANCING OF TERRORISM**

SUBMISSION OF THE FINANCIAL ACTION TASK FORCE SECRETARIAT

Introduction

1. The Financial Action Task Force (FATF) is an inter-governmental body with 34 members¹, whose purpose is the development and promotion of policies, both at national and international levels, to combat money laundering and terrorist financing. FATF was established by the G-7 Summit in 1989 to combat the threat of money laundering posed to the banking system and to financial institutions. In October 2001, the FATF's mandate was expanded to incorporate efforts to combat terrorist financing, and further work has been done recently on illicit financing more generally. The current FATF revised mandate (2008-2012), which determines the FATF's directions and priorities, was approved at an FATF Ministerial meeting in April 2008 (see [Annex 1](#)).

FATF Mission

2. Since its establishment, the FATF has focused its work on three main activities:
- **Standard setting:** A core function of the FATF has been to set the international standards for anti-money laundering, and (since 2001), for combating terrorist financing (AML/CFT). The 40+9 Recommendations provide a complete set of counter-measures covering the criminal justice system and law enforcement, the financial system and its regulation, certain designated businesses and professions, and international co-operation. The FATF Recommendations have been recognised, endorsed and adopted by many international bodies, including the IMF, the World Bank, and the United Nations (see UNSCR 1617). As set out in the FATF Revised Ministerial mandate for 2008-2012, the FATF will continue to revise and clarify its 40+9 Recommendations when necessary (see more below).
 - **Ensuring effective global compliance with the standards:** Full and effective implementation of the 40+9 Recommendations in all countries is one of the fundamental

¹ The thirty-four members of the FATF are: Argentina; Australia; Austria; Belgium; Brazil; Canada; China; Denmark; the European Commission; Finland; France; Germany; Greece; the Gulf Co-operation Council; Hong Kong, China; Iceland; Ireland; Italy; Japan; Luxembourg; Mexico; the Kingdom of the Netherlands; New Zealand; Norway; Portugal; the Russian Federation; Singapore; South Africa; Spain; Sweden; Switzerland; Turkey; the United Kingdom; and the United States.

goals of the FATF. FATF member countries are strongly committed to the discipline of multilateral monitoring and peer review. In this context, the FATF has a process of mutual evaluations that are intended to both monitor progress made by, and encourage, member governments in implementing the FATF Recommendations. The mutual evaluation reports not only provide an accurate technical assessment of the extent to which the evaluated country has implemented an effective AML/CFT system, but also are published, and are enforced through the peer pressure mechanism. Currently, the FATF is more than two-thirds of the way through its third round of mutual evaluations.

3. The FATF has worked to extend and foster this peer review process through the FATF-Style Regional Body (FSRB) network, which is a very important mechanism for promoting timely and effective implementation of FATF Recommendations globally, and for contributing to the creation of a level playing field throughout the membership and beyond (see description of the FSRB Network below).

- **Identifying money laundering and terrorist financing threats:** The FATF is uniquely placed to analyse and draw international attention to emerging money laundering and terrorist financing vulnerabilities, and has significantly enhanced its process for the identification of money laundering and terrorist financing threats (the typologies process). Currently for example, the FATF is conducting a typologies exercise to identify the trends and any new threats in the securities sector. The generation and dissemination of in-depth typologies studies is central to the work of the FATF and provides a solid foundation for ongoing policy development at the national and international levels. In pursuing this work, the FATF will continue its expanded co-operation with the FSRBs and other international bodies, and will also harness the experience and expertise which the private sector can bring to this process.

4. Following the same goal, the FATF has commenced a process of **surveillance of systemic criminal and terrorist financing risks**, so as to enhance its ability to identify, prioritise and act on systemic threats. In this context, and drawing on contributions from the FATF membership, the private sector and the FSRBs, it will support the development of national threat assessments through best practice guidance and establish stronger and more regular mechanisms for sharing information on risks and vulnerabilities.

FATF as the global AML/CFT standard setter has demonstrated its capacity to create new standards and to issue timely policy changes that respond to the ever-evolving practices of money launderers and terrorist financiers. The FATF Recommendations are globally recognized and endorsed, and have also been adopted by many international bodies.

The FATF has developed effective means of monitoring and promoting compliance with its Recommendations among the FATF members. These practices have produced significant improvements in the AML/CFT systems of FATF countries. The FATF has also extended and fostered the peer review process throughout the FATF-Style Regional Body (FSRB) network.

Ministerial Accountability

5. The FATF is accountable to the Ministers of its membership. To strengthen this accountability, the FATF President reports annually to Ministers on key aspects of FATF work, including on global threats. Given the potentially destabilising effects of criminal and terrorist action against the international financial architecture, occasional ministerial meetings also provide an ongoing accountability mechanism whereby Ministers can shape the strategic direction of FATF policy-making.

The FATF is accountable to the Ministers of its membership and has developed mechanisms to ensure adequate transparency and accountability to Ministers. This is central to the FATF's ability to undertake its mission.

Global FATF Network

6. Since it was created, the FATF has worked with non-member jurisdictions and organisations to establish a global network for combating money laundering and terrorist financing. The aim of this network has been to promote political support for and ensure the implementation of the FATF AML/CFT standards as broadly as possible beyond the FATF membership. It has done this in several ways: expanding FATF membership, fostering and supporting the eight FATF Style Regional Bodies² (FSRBs), and enhancing its cooperation with other relevant international organisations.

7. In recent years, the FATF has expanded its membership by adding a number of strategically important countries as members (Argentina, Brazil, China, Mexico, Russia, South Africa), and two countries (India and Korea) are observers, and in the process of moving towards membership. Thus sixteen G20 members are direct members of FATF, two are observers, one is a member of the Gulf Cooperation Council (an FATF member), and one a member of an FSRB.

8. In addition, the eight FSRBs are an important part of the FATF network: as of today, 157 jurisdictions are members of these bodies (including 12 jurisdictions which are also members of FATF). Moreover, the Offshore Group of Banking Supervisors (OGBS) has similar functions to an FSRB and has a similar status within the FATF. OGBS has 16 members (including 12 which are also members of other regional groups). Therefore, there are in total 161 different member jurisdictions in these nine groups³ that have committed to implementing the FATF standards and undergoing mutual evaluations. When taken together with the FATF, there are at present **181 jurisdictions that directly comprise the FATF global AML/CFT network.**

² List of FATF-Style Regional Bodies: The Asia/Pacific Group on Money Laundering (APG), the Caribbean Financial Action Task Force (CFATF), the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), the Eurasian Group on Money Laundering (EAG), the *Grupo de Acción Financiera de Sudamérica* (GAFISUD), the Intergovernmental Task Force against Money Laundering in Africa (GIABA), the Middle Eastern and North African FATF (MENAFATF) and the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL).

³ References to FSRBs in this document apply equally to the OGBS.

9. The very close relationship that exists between the FATF and the FSRBs (such as Moneyval) is already demonstrated by the close interaction that has existed between these bodies over many years, and by the fact that the FSRBs participate in all FATF work, both confidential and non-confidential. Therefore, FSRBs already de facto benefit from a higher status than the other FATF observers, and have many of the rights that are held by full members. However, with the view of further strengthening the essential partnerships between the FATF and the FSRBs, the Plenary decided in June 2005 to an enhanced status for FSRBs, called “Associate Member”. The creation of this new status seeks to afford members of regional bodies greater participation in the processes within the FATF and provide the regional bodies enhanced access to and influence on FATF policies and decisions. Specifically, regional bodies that are named as associate members are permitted to send a representative number of country member delegates to FATF plenary meetings.

10. Thirteen of the 34 FATF members are also members of one or more of the FSRBs, which provides a close link between the work of the FATF and the work of the FSRBs. Additionally, two of the jurisdictions within the Kingdom of the Netherlands – Aruba and the Netherlands Antilles – are members of an FSRB. Correspondingly two FATF members – France and the Netherlands – are currently members of MONEYVAL. Joint membership by these jurisdictions aids consistency of approach in the work of these bodies and supports effective information sharing between them. The input of joint members has also proven useful when the FATF and an FSRB are collaborating on typologies or other projects and when joint meetings are held.

11. The FATF has always sought to **develop close collaboration and cooperation with other international bodies interested in the AML/CFT area**. In particular, with the International Monetary Fund and the World Bank, which both conduct evaluations of the implementation of the FATF standard by countries and develop technical assistance programs, the Basel Committee on Banking Supervision (Basel Committee), the International Organisation of Securities Commission (IOSCO) and the International Association of Insurance Supervisors (IAIS). In addition, the FATF has been working closely with the FSF.

12. The IMF and the World Bank (collectively, the “international financial institutions” or “IFIs”) play a central role in monitoring the implementation of the FATF Recommendations among their members. The IFIs are well-positioned to link the FATF with FATF non-members. On the one hand, the IFIs are largely funded and controlled by the same states that founded the FATF. On the other hand, the IFIs have strong working relationships and expertise in areas relevant to FATF non-member developing nations. The robust technical assistance programs of the IMF and the World Bank increase the capacity of FATF non-members to comply with the FATF Recommendations.

13. Amongst its different activities, the FATF has a number of work-streams underway on the issues relating to the reinforcement of international cooperation and the promotion of integrity in the financial markets. It has in particular developed procedures and mechanisms to protect the global financial system from uncooperative and non transparent jurisdictions that pose increased risks of illicit financial activity. More globally the FATF is continuing its work in the fight against money laundering and terrorist financing.

In crafting an international response to money laundering and terrorism financing, the FATF has formed institutional partnerships with the Regional Bodies and various international institutions. Through these bodies and institutions, the FATF is able to indirectly engage FATF non-member countries and advance the universal implementation of the Recommendations. In creating the status of “associate members” for the regional bodies, the FATF has opened its internal functions to greater external participation.

International cooperation issues

14. Since 2000 the FATF has taken firm action against uncooperative jurisdictions in the AML/CFT area. This effort started with the initiative **on Non Co-operative Countries and Territories (NCCTs)** and is now being continued through the **work of the FATF's International Co-operation Review Group (ICRG)**.

a) The Non Co-operative Countries and Territories initiative (NCCTs)

15. During the NCCT initiative, 23 jurisdictions were publically listed due to a lack of an effective AML/CFT system. The initiative was successful, as it resulted in these jurisdictions implementing more comprehensive measures to prevent, detect and punish money laundering and terrorist financing. **Substantial progress was made in all 23 jurisdictions due to the NCCT process and the last country (Myanmar) was removed from the FATF list in October 2006, though it remains subject to monitoring.**

b) The International Co-operation Review Group (ICRG).

The ICRG process

16. Following on to the NCCT process, the FATF Plenary agreed to form **the International Co-operation Review Group (ICRG)**, which started its activities in January 2007. The ICRG addresses jurisdictions or cases where international co-operation has been difficult or impossible and/or where severe deficiencies in the AML/CFT regime have been identified resulting in serious vulnerabilities in the AML/CFT framework.

17. At the start of this ICRG process, the FATF decided to review and follow up with several jurisdictions based on the lack of effective AML/CFT controls: Comoros Islands, Iran, São Tome & Príncipe, and Turkmenistan, as well as the northern part of Cyprus. At later stages, Pakistan and Uzbekistan were referred into the process because of ML/FT risks and lack of adequate controls.

18. Due to a lack of adequate progress in those jurisdictions, the FATF has issued several public statements since October 2007⁴. In these public statements, the FATF called on its members and urged all jurisdictions to advise their financial institutions to take the risk arising from the deficiencies in the AML/CFT systems in certain of these jurisdictions into account for enhanced due diligence.

19. The current ICRG procedures are flexible and have been used successfully so far to engage with these jurisdictions, and to encourage progress in all of them. Nevertheless, FATF delegations have expressed their desire to further refine and enhance the procedures so as to ensure more consistency. In accordance with the FATF's priorities for 2008-2009, new procedures will thus be considered by the

⁴ October 2007, regarding Iran, see FATF's public website: <http://www.fatf-gafi.org/dataoecd/1/2/39481684.pdf>

February 2008, regarding Uzbekistan, Iran, Pakistan, Turkmenistan, São Tomé and Príncipe and the northern part of Cyprus, see FATF's public website: <http://www.fatf-gafi.org/dataoecd/16/26/40181037.pdf>

October 2008, regarding Iran, Uzbekistan, Turkmenistan, Pakistan and São Tomé and Príncipe, see FATF's public website: <http://www.fatf-gafi.org/dataoecd/25/17/41508956.pdf>.

membership during 2009 to improve how the FATF system responds to threats posed by High-Risk Jurisdictions and how to better achieve a level playing field in this area. Once the procedures are strengthened, it is possible that more jurisdictions will be examined and followed up by the ICRG. This intensification of efforts is meant to reduce the vulnerability of the international financial system to money laundering and terrorist financing and will on a more general level also enhance corporate transparency and market integrity. It should also be noted that the recent G20 statement emphasized the need for FATF to take further action in this area.

c) Actions taken by members and other jurisdictions (Recommendation 21)

20. All FATF members have taken actions specifically in response to the FATF public statement of 28 February 2008. Related statements were issued in October 2007 and October 2008.

21. Many FATF members' issued advisories to inform financial institutions of the information in the FATF public statement and specifically called for their financial institutions to take the risks into account, be aware of the increased ML/FT risks, or apply appropriate or enhanced due diligence when dealing with transactions and customers involving all five countries and the area. A significant degree of harmonization thus exists in terms of alerting countries to the potential ML/FT risks and advising the financial sector to take these risks into account.

22. In addition to this enhanced due diligence, FATF Recommendation 21 calls for "additional counter-measures" to be taken where the country fails to respond adequately to the concerns that are expressed. FATF members have flexibility to apply appropriate "counter-measures", but there are also ongoing discussions on the harmonization of these actions.

The FATF has intensified its efforts to reduce the vulnerability of the international financial system to money laundering and terrorist financing. In recent years the FATF has taken a number of actions that are consistent with and support the objectives of reinforcing international cooperation and promoting integrity in financial markets.

d) Other initiatives in relation to international cooperation

23. Apart from the NCCT and ICRG processes, which focus on uncooperative jurisdictions, the FATF has also been working to enhance international cooperation relating to money laundering and terrorist financing, including cooperation between financial sector supervisors. The FATF Recommendations (see. R.36-40 in particular) set out clear and broad standards that require the widest possible range of international cooperation. As regards financial sector supervision, the FATF also has several Recommendations (R.17, 23, 25 and 29) which underpin international cooperation by requiring that there be effective supervisory systems and actions at the domestic level.

24. Through the evaluation process, the FATF, the FSRBs and the IMF/World Bank have now evaluated approximately 100 jurisdictions worldwide⁵, and the reports, combined with the peer pressure mechanisms and an effective process of follow up, are exerting pressure that will lead to significant improvements in compliance, and in the longer term, an improved capacity to cooperate internationally. To

⁵ See http://www.fatf-gafi.org/document/32/0,3343,en_32250379_32236982_35128416_1_1_1_1,00.html for a list of FATF mutual evaluations and links to FSRB websites with their published reports.

that end, the FATF will continue to work closely with the IMF and World Bank in 2009 to develop ideas for enhancing contributions to each other's work and objectives. Moreover, the FATF will work to strengthen its relationship with the FSRBs and to enhance the ways in which they can contribute to the FATF decision making processes.

25. On a number of occasions the FATF has also worked closely with other international organisations, such as the IMF and World Bank, the Basel Committee, IOSCO, IAIS, and the FSF, to address particular issues that have arisen. Examples include the development of sector specific guidance, preparing guidance on the risk-based approach to AML/CFT (including identifying areas of higher risk), and examining ways in which there could be a more effective and efficient exchange of information internationally.

26. The FATF also works very closely with the Egmont Group – the international body that represents the financial intelligence units (FIUs) of each country. FIUs are responsible for receiving suspicious transaction reports and they are an essential component of the international fight against money laundering, the financing of terrorism, and related crime. The Egmont Group now has 108 FIUs as members. During 2008-09 FATF will be working closely with the Egmont Group to develop ideas that will enhance our respective contributions to each other's work and objectives. The FATF standards in relation to the FIUs and the suspicious transactions reporting requirement are very comprehensive (R.26, R.13 and SRIV). Cross-border cooperation among FIUs is also very much promoted (see R.40) as well as feedback mechanisms from the FIU to the reporting entities within the private sector. The FATF mutual evaluations (in the 3rd round) are looking at the implementation and effectiveness components in relation to FIUs.

In relation to international cooperation, the FATF standards set out clear and broad requirements and the FATF will continue to focus closely on assessing the implementation and effectiveness of the existing international cooperation mechanisms.

27. In recent years the FATF has taken a number of actions that are consistent with and support the objectives of reinforcing international cooperation and promoting integrity in financial markets. These actions have been reaffirmed and reinforced by the current FATF Ministerial mandate for 2008-2012. This mandate, together with the priorities of the current FATF Presidency (Brazil), sets out the FATF focus for the immediate future, and include (in addition to the issue of High Risk/Uncooperative jurisdictions):

- Commencing a process to examine the FATF standards and prepare for the 4th Round of Evaluations, while also continuing the work to ensure effective global implementation, with particular attention being paid to the challenges faced by low capacity countries;
- Deepening global surveillance of systemic criminal and terrorist threats identified by the FATF;
- Responding to emerging threats which affect the integrity of the financial system. For example, FATF has already swiftly responded to the emerging threat of proliferation financing through guidance it has published related to UNSCRs 1718, 1737, 1747 and 1803, and has committed to undertaking longer-term analysis in this area related to UNSCR 1540;
- Enhancing the cooperation and coordination with key stakeholders and partners – in 2008-09 concentrating in particular on the relationships with FSRBs and the Egmont Group;
- Building a stronger, practical and ongoing partnership with the private sector which is at the frontline of the global fight against money launderers and terrorist financiers.

Impact of the global financial and economic crisis on AML/CFT

28. In February 2009, the FATF agreed to examine the impact of the global financial and economic crisis on efforts to combat money laundering and terrorist financing. Under this initiative, the FATF will take stock of the consequences of the financial and economic crisis for the FATF and identify issues for further analysis and discussion. The FATF analysis will also look at the role AML/CFT measures have in national and global solutions to this crisis. In addition, the FATF will continue to consider the measures which countries are taking to mitigate the impacts of the crisis as such measures should not undermine AML/CFT controls.

The FATF is currently looking at the consequences of the financial and economic crisis for the FATF with the objective of identifying any issues related to AML/CFT that could require further analysis and action.

Effective Global Implementation

29. Over the last 15 years, one of the most effective aspects of the FATF process has been to closely monitor and encourage full implementation of the 40+9 Recommendations in all countries. The current ongoing evaluation process remains a critical mechanism for promoting timely and effective implementation, and for contributing to the creation of a level playing field globally. When combined with the appropriate follow-up action to ensure that countries correct, as quickly as possible, any deficiencies that are identified through the mutual evaluation process, the whole process has expedited and enhanced the implementation of the international standards. FATF members are working hard to enhance their AML/CFT systems so as to bring them closely into line with the FATF standards.

30. However, many countries, in particular low-capacity countries, face challenges in the implementation of FATF standards. In order to minimise both their own vulnerabilities and the associated risks for the international financial system, the FATF works in close collaboration with the FSRBs, the IFIs and the United Nations, to develop strategies to facilitate the implementation of the FATF Recommendations by countries facing capacity constraints.

31. At its meeting in February 2008, the FATF adopted new guidance to support the full and effective implementation of the FATF standards in low capacity countries. This guidance focuses on key implementation priorities such as co-operation, engagement, prioritization and planning. The guidance seeks to assist countries to implement the standards in a manner reflecting their national institutional systems and consistent with the money laundering and terrorist financing risks they face, and in a way which takes account of their sometimes limited resources.

32. Therefore, FATF recognises the key role played by its regional partners in this work, and continues to work to foster and support them, and is currently reviewing how it can further enhance their involvement. Equally, countries that are not FSRB members are encouraged to join the relevant regional body, thus widening the geographic scope of implementation.

33. The FATF is currently looking at the monitoring processes in place in the different FSRBs with the objective to promote results-oriented follow-up mechanisms as a tool to exert pressure on countries to improve their level of compliance with the FATF standards. As the FATF standards were significantly strengthened in 2003 and the EU Directive revised in 2005, many countries have only recently implemented many of the requirements, and it is too early to fully assess the results.

The current ongoing evaluation process remains a critical mechanism for promoting timely and effective implementation, and for contributing to the creation of a level playing field globally. The whole process has expedited and enhanced the implementation of the international standards. The FATF continues to work on strengthening the AML/CFT international network.

Increased Transparency

34. The FATF has long promoted the need for adequate transparency in combating money laundering, terrorist financing and other illicit financial activity. The concept that competent authorities, as well as the financial sector, should be able to identify not only customers of financial institutions, but also the underlying beneficial owner of the assets, is at the core of the FATF Recommendations. This also extends to those in control of companies and other legal persons. Recommendation 5 requires all financial institutions to identify the natural person that is the ultimate beneficial owner of the property, while Recommendations 33 and 34 require countries to have appropriate laws and systems to ensure that their competent authorities can obtain timely access to accurate and current information on the beneficial ownership and control of legal persons (such as companies) and arrangements (such as trusts). The FATF has been working both with members and with many other countries through the network of FSRBs, to emphasise the importance of identifying the beneficial owner and to improve transparency more generally.

35. The FATF has also significantly increased its engagement with the private sector, through events with industry groups and the production of joint analysis on issues of common concern, soliciting private sector input to the typologies process, and through the establishment of a private sector consultative forum. More generally, in accordance with better regulatory practice, the FATF will maintain high levels of transparency in its work, through direct communication, outreach and awareness-raising across all stakeholders, and making use of all available channels of communication.

36. Indeed, the FATF has sought to take a lead on the issue of transparency by publishing all its mutual evaluations reports in full, and has strongly encouraged the FSRBs and the IMF and World Bank to take a similar approach for their assessments. This increased transparency has enabled a much better identification of the AML/CFT risks that exist in other jurisdictions.

37. Strengthening communications with the public continues to be an important focus of each FATF Presidency. After each of the plenary meetings, the FATF President releases a Chairman's Summary of key decisions and outcomes of the meeting. In addition, the FATF publishes regular statements on countries for their lack of comprehensive AML/CFT systems (see [Annex XXX](#), the Statement published in February 2009). The FATF also publishes annual reports and Newsletters (see http://www.fatf-gafi.org/findDocument/0,3354,en_32250379_32237245_1_32247548_1_1_1,00.html) as well as all reports on ML/TF methods and trends (http://www.fatf-gafi.org/pages/0,3417,en_32250379_32237277_1_1_1_1_1,00.html).

The FATF maintains high levels of transparency in its work, through direct communication, outreach and awareness-raising across all stakeholders, and making use of all available channels of communication.

Enhancing the standards where necessary

38. The FATF has sought, historically, to review its standards on a regular basis to ensure that they remain up-to-date and relevant in addressing the threats identified in the course of its ongoing work. Revisions of the original 1990 Recommendations were published in 1996 and 2003. The Special Recommendations were originally published in October 2001 and have not yet been subject to systematic review, although they have been expanded significantly in more recent years. This precedent of undertaking regular reviews has served the FATF well, by ensuring that it is comfortable that its standards remain relevant to current global ML/TF environment. It also sends the right message to those directly affected by the standards (not least of all the private sector) that the FATF continues to be dynamic in its thinking.

39. In recent years, the FATF and the regional bodies have undertaken a considerable amount of detailed study of both the global ML/TF threats (through the typologies and similar projects in other working groups), and of the measures adopted in individual jurisdictions to implement the current 40+9 Recommendations (through the mutual evaluation process). In addition, extensive work has taken place, in conjunction with the private sector, on the application of the risk-based approach to AML/CFT. These work-streams, which are all ongoing, have highlighted a number of issues in relation to the current standards. Recently a process has started, whereby in preparation for a 4th Round of mutual evaluations the FATF has agreed to consider possible areas where the standards need to be revised, as well as reviewing its mutual evaluation processes so as to focus on the most important issues. This process will allow FATF to address in a timely way any deficiencies and weaknesses that currently exist and to further reinforce the FATF standards as necessary.

The FATF continues to be dynamic in its thinking and is engaged in an active process of regular review of its standards on the basis of new threats and experiences drawn from the mutual evaluation exercise.

Interaction with the private sector

40. Over the past year, the FATF undertook a series of outreach and consultation meetings with private sector representatives and industry associations. Meetings were held with major players in the financial sector, including associations and private businesses. Notably the FATF met with key private sector organisations in London in December 2007. This meeting focused on exchange of information on money laundering and terrorist financing techniques and reflects an enhanced commitment by the FATF to engage with the private sector. The response by the private sector has been overwhelmingly constructive and productive. Representatives have noted their support for continued engagement with the FATF.

41. A successful inaugural FATF-private sector meeting of experts on money laundering and terrorist financing methods and trends (typologies) was also held in December 2007. The topics discussed at the meeting focused on: trade finance (with a focus on trade-based money laundering and proliferation financing, corruption, VAT carousel fraud and pre-paid cards. Building on the success of this meeting, the FATF has decided to integrate such joint work into its typologies programme wherever possible. During the year the FATF has increasingly sought out the advice of relevant private sector experts on its typologies reports.

42. In October 2007, the FATF launched a new online forum – the Private Sector Consultative Forum - bringing together the FATF and key private sector bodies. The forum builds on existing outreach

activities and has formalised and enhanced dialogue and a partnership approach between the FATF and key private sector organisations from a wide range of sectors across the globe. Building on useful ideas raised in this forum, the FATF has agreed to initiate a joint project with the private sector on the role of intermediaries and other third parties in performing customer due diligence. The scope for improved information exchange between the public and private sectors, and for applying cost/benefit analysis to AML/CFT systems along with other possible projects, is being explored further with the private sector.

43. Private sector consultation meetings also resulted in the creation of the Electronic Advisory Group on the risk based approach. The Electronic Advisory Group on the risk based approach was set up in March 2006 and includes both public and private sector participants. This group was tasked by the FATF plenary to draft good practice guidelines on the risk-based approach (the RBA) and completed the Guidance on the Risk-based Approach to Combating Money laundering and Terrorist Financing: High Level Principles and Procedures in June 2007 as a joint initiative conducted by financial sector representatives with the FATF. Building on that initiative, a series of meetings have been held with representatives of various designated non-financial businesses and professions and appropriately focused guidance on implementing a risk based approach to combating money laundering is being devised for each business/profession. In June and October 2008 the FATF finalised the joint work and guidance for: (1) accountants; (2) dealers in precious metals and stones; (3) real estate agents; (4) trust and company service providers; (5) legal professionals and (6) casinos.

44. These guidance papers are intended to assist both public authorities and the private sector in applying a risk-based approach to combating money laundering and terrorist financing by: (1) supporting the development of a common understanding of what the risk-based approach involves; (2) outlining the high-level principles involved in applying the risk-based approach and (3) indicating good practice in the design and implementation of an effective risk-based approach.

45. In September 2009, the FATF will meet with representatives of the international banking, securities and insurance sectors to discuss issues of common interest. Such issues will be both technical in nature as well as dealing with broader questions related to measures that could be taken to enhance financial market integrity.

46. As a standard setter, the FATF decided to involve the private sector in the review process back in 2002. In May 2002, the FATF published a “public consultation document,” drafted with collaboration from the Regional Bodies, which addressed the upcoming revision of the Recommendations, proposed potential solutions to the issues, and invited comments from all countries, international organizations, private sector players, and other interested parties. The FATF sought to achieve the widest possible participation in this revision of the Recommendations. In response to the public consultation document, the FATF received more than 150 written comments.

The FATF is engaged in an ongoing dialogue with the private sector. Such dialogue has expanded in the last few years in several areas of work, especially in relation to the standards (including their revision) and emerging ML/TF trends and techniques.

Annex 1

FATF publications can be obtained from the FATF website - <http://www.fatf-gafi.org>

In particular, the website has the following documents:

1. FATF revised Ministerial Mandate
2. FATF 40 + 9 Recommendations
3. FATF 2004 AML/CFT Methodology
4. FATF mutual evaluation reports
5. FATF Typologies reports
6. FATF annual reports