



Financial Action Task Force on Money Laundering Groupe d'Action Financière sur le Blanchiment de Capitaux

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2004

FATF mandate renewed for eight years

The Financial Action Task Force (FATF), the premier international body charged with safeguarding the global financial system against money laundering and terrorist financing, held a Ministerial meeting on 14 May on the margins of the OECD Ministerial Council Meeting.

The representatives from FATF's 33 members reaffirmed their commitment to the FATF and renewed the FATF's mandate to combat money laundering and terrorist financing for a further eight years. This record 8-year mandate¹ demonstrates that the members of FATF remain united in their commitment to combat terrorism and international crime, and is a sign of their confidence in the FATF as an important instrument in that fight. The ministers commended FATF for its achievements since its inception in 1989, and urged it to continue to mobilize the international community in an even deeper and more expansive effort to fight money laundering and the financing of terrorism.

Moving forward, the FATF will continue to set anti-money laundering and counter-terrorist financing standards in the context of an increasingly sophisticated financial system, and work to ensure global compliance with those standards. Moreover, as the formal financial system becomes increasingly closed to terrorists and criminals, the FATF will enhance its focus on informal and non-traditional methods of financing terrorism and money laundering, including through cash couriers, alternative remittance systems, and the abuse of non-profit organisations.

Further information about the FATF and its efforts to combat money laundering and terrorist financing can be found at <http://www.fatf-gafi.org>.

The FATF is an independent international body whose Secretariat is housed at the OECD. The thirty-one member countries and governments of the FATF are: Argentina; Australia, Austria; Belgium; Brazil; Canada; Denmark; Finland; France; Germany; Greece; 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; United Kingdom; and the United States. The European Commission and the Gulf Co-operation Council are also members of the FATF.

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¹ The mandate is attached to this press release.

MANDATE FOR THE FUTURE OF THE FATF (September 2004 – December 2012)

The need for continued action against money laundering and terrorist financing

1. The current remit of the FATF expires at the end of August 2004. Considerable progress has been made in the fight against money laundering since the inception of the FATF in 1989. However, the FATF still has a major task to perform in continuing to set standards in the context of an ever more sophisticated international financial system. This key role should be completed by carrying out typologies and compliance work in order to ensure global action against money laundering. Following the expansion of its mandate in 2001 to include the fight against terrorist financing and the introduction of the Eight Special Recommendations, the FATF opened up an entirely new area of work. Although much has been done, there is an obvious need for continuing mobilisation at the international level to deepen and broaden anti-money laundering action and the fight against terrorist financing. This document, therefore, sets out the main tasks of the future mandate of the FATF.

(i) Strategic Issues

(a) Establish international standards for combating money laundering and terrorist financing

2. Over the years, the FATF's role as an international standard setter has become increasingly important and should therefore continue with the same intensity and energy. The FATF must also continue its work on reviewing measures in the areas of money laundering and the financing of terrorism, for instance, by drawing up guidelines to cover specific areas in the Forty Recommendations and in the Eight Special Recommendations taking into account the views of the industry sectors affected by the FATF's standards. The FATF should also consider the advisability of integrating the two sets of Forty and Eight Recommendations respectively into a single, unified standard. The timing and mechanism for such an exercise should also be carefully thought out and should take into account the feedback and reactions to the revised set of Recommendations.

(b) Ensure global action to combat money laundering and terrorist financing

3. The FATF should pursue the task of ensuring that members and non-members adopt relevant legislation against money laundering and terrorism, including reserving the right to take appropriate action in response to specific money laundering and terrorist financing threats. An important component of FATF's overall efforts is co-operation with other international bodies. The pilot programme, agreed with the IMF/WB, expired at the end of 2003. In order to achieve the best possible results, cooperation with the International Monetary Fund (IMF) and the World Bank (WB) should continue and indeed become stronger. Moreover, there should be closer co-operation with FATF-style regional bodies and other international organisations throughout the world, both in the fight against money laundering and terrorist financing. The FATF should focus in particular on cooperation with other organisations, such as the United Nations and various donor organisations, and FATF should work with the International Financial Institutions (IFIs) to ensure that the pilot project becomes permanent.

(c) Ensure that FATF members have implemented the revised Forty and the Eight Recommendations in their entirety and in an effective manner

4. The FATF should continue to carry out mutual evaluations among its membership (employing the common assessment methodology) to check that the member states have

implemented both the

Forty and the Eight Recommendations. Accordingly, the FATF should consider how and when it will conduct the already agreed third round of mutual evaluations. The attention of the FATF should continue to be focused on standard-setting, subsequent legislative work by countries and the effective functioning of anti-money laundering (AML)/countering the financing of terrorism (CFT) systems. The elaboration and adoption of legislation combined with the effective implementation of such legislation should continue to be a priority objective in the successful fight against money laundering and terrorist financing. It is essential that this issue should be addressed in mutual evaluations.

2. 5. In addition, one of the primary instruments by which the FATF monitors members' implementation of its Recommendations is the self-assessment exercise, which is a component in the evaluation exercise. This exercise may continue and a new questionnaire may be required to cover the implementation of the revised Recommendations.

(d) Membership

6. In September 1998, the FATF identified seven target countries for membership¹. Significant progress has been made with respect to the seven target countries, insofar as five of them have already been granted membership status. The FATF should continue to actively work towards the membership of the remaining two countries². However, the FATF has perhaps approached the limit of members if it is to continue to retain its current structure and character. Any future identification of possible strategically important countries should address the issue of geographical balance and the impact on the efficiency of FATF. Finally, the policy for the admission of new members should be reviewed to include counter-terrorist financing criteria.

(e) Enhance the relationship between FATF and FATF-style regional bodies (FSRBs), the Offshore Group of Banking Supervisors (OGBS) and non-member countries

1. 7. In order to reinforce FATF's position as the world's leading standard setter in the areas of money laundering and terrorist financing, it is essential that as many of the world's countries as possible commit themselves to applying the Recommendations and feel themselves to be participants in the process. Therefore, it would be worthwhile to discuss how to further deepen the co-operation and enhance coordination between FATF, the FSRBs³ and the OGBS as well as with non-member countries.

2. 8. The FATF needs to be more proactive in its outreach to the FSRBs and the OGBS and to consult with them on essential policy issues. Building on efforts undertaken over the past years, there are numerous steps that can be taken to further enhance these relationships. One possibility would be to have regular technical meetings between the Secretariats of the FSRBs and the OGBS and the FATF Secretariat, and FATF presentations during the meetings of the FSRBs and the OGBS should be further developed. Another possibility would be to consider how the FATF Steering Group could become more involved in consultations with the OGBS, FSRBs or their Steering Groups, where these exist. The FATF should also consider how to provide the FSRBs and non-member countries with additional opportunities for their input in FATF discussions. For instance, a specific region covered by an FSRB could be given an opportunity, on a rotating basis, to present specific regional issues either in terms of typologies or in terms of counter-measures or practices to combat money laundering and terrorist financing - building for instance on the mutual evaluations exercises carried out by the

¹ Argentina, Brazil, China, India, Mexico, South Africa and the Russian Federation.

² China and India.

As of May 2004, the existing FSRBs are: Asia / Pacific Group on Money Laundering (APG), Caribbean Financial Action Task Force (CFATF), Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL), Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), Financial Action Task Force on Money Laundering in South America (GAFISUD)

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FSRBs and the OGBS. Similarly, the FATF should also strengthen the dialogue on AML/CFT policies with non-member countries.

(f) Further develop the typologies exercises

9. It is extremely important for the future that FATF intensifies its study of the techniques and trends in money laundering and terrorist financing. More attention and resources should be devoted to this work. This applies in particular to terrorist financing, which is a relatively new area of activity for the FATF. A stronger connection between the typologies exercises and the standard setting task of the FATF must be created. The analytical scope and robustness of the typologies reports should be significantly increased and the FATF should also increase its efforts to become the authoritative source of data/information on money laundering and terrorist financing issues. The FATF should also expand its co-operation in the typologies area with FATF-style regional bodies and the Egmont Group.

(g) Outreach

10. Communication and publicity should be sustained and further developed, in particular by reaching out, not just to the public and governments, but also to parties affected by the FATF's standards, e.g. financial institutions and certain non-financial businesses and professions. For example, the President/Secretariat could attend key meetings and fora of the private sector organisations in order to highlight FATF's work and receive feedback. Alternatively, there could be more focus on liaison mechanisms with associations or bodies representing such entities, subject to reasonable resource implications.

(ii) Operational issues

(a) Organisation of Work

11. As the FATF's mandate has been broadened to include new issues, e.g. the fight against the financing of terrorism, collaboration with the IFIs, demands have arisen for greater flexibility and effectiveness in the conduct of its activities. In order to make operations as effective as possible, the present organisation of the work is under review. This review will be concluded before the beginning of the new mandate (i.e. at the June 2004 Plenary meeting).

(b) Presidency

12. Each Presidency should continue to be designated by the Plenary for the duration of one year. Ideally, the President should be selected from among the members which have not yet held the Presidency. However, the possibility of selecting a country which has previously held the

Presidency could also be considered.

(c) The Steering Group

13. The main function of the Steering Group should continue to be an advisory one. It would also be legitimate to improve communication between the Steering Group and the Plenary even though the main role of the Steering Group is to provide advice to the President. Following past practice, the President, the past President and the President-designate should be members of the Steering Group for a normal period of three years. Overall, the Steering Group should reflect all the categories of FATF members in terms of geography and size.

(d) Secretariat and Budget

14. Given the recent and significant expansion of its size, the Secretariat should be more involved in the work of the working groups to ensure co-ordination and consistency. With its current size, the Secretariat should be able to cope with the tasks contemplated in this mandate. Since the

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arrangements with the OECD have worked satisfactorily in the past, there seems no reason to change them.

15. The current arrangements for financing the FATF activities should be retained. The cost of the Secretariat and other services should be met by the FATF budget, using the OECD as the channel for these operations. With regard to the method of financing the FATF, members should continue to contribute according to the OECD scales. In addition, other members could also make voluntary contributions to the FATF budget if they wish, so as to provide further resources, in a flexible manner. A mechanism for providing the annual financial statements to members should be established. Information related to member countries in arrears should also be provided to the Plenary.

(e) Future duration

16. Since its inception, the FATF has been operating under a temporary life-span and requires a specific decision of the Task Force to continue. For the sake of stability and continuity and given the widening of the remit to include terrorist financing, the FATF should continue its work in the areas covered in this mandate for a period of eight years (i.e. expiration of the mandate in December 2012). However, in order to ensure that the FATF's activities concentrate on the requisite issues, continuous follow-up of the work is essential and there could be a mid-term review during that period.

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