

Public Statement - June 2019

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Orlando, FL, United States, 21 June 2019 - The Financial Action Task Force (FATF) is the global standard-setting body for anti-money laundering and combating the financing of terrorism (AML/CFT). In order to protect the international financial system from money laundering and financing of terrorism (ML/FT) risks and to encourage greater compliance with the AML/CFT standards, the FATF identifies jurisdictions that have strategic deficiencies and works with them to address those deficiencies that pose a risk to the international financial system.

Jurisdiction subject to a FATF call on its members and other jurisdictions to apply counter-measures to protect the international financial system from the ongoing and substantial money laundering and financing of terrorism (ML/FT) risks.

Democratic People's Republic of Korea (DPRK)

The FATF remains concerned by the DPRK's failure to address the significant deficiencies in its anti-money laundering and combating the financing of terrorism (AML/CFT) regime and the serious threats they pose to the integrity of the international financial system. The FATF urges the DPRK to immediately and meaningfully address its AML/CFT deficiencies. Further, the FATF has serious concerns with the threat posed by the DPRK's illicit activities related to the proliferation of weapons of mass destruction (WMDs) and its financing.

The FATF reaffirms its 25 February 2011 call on its members and urges all jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with the DPRK, including DPRK companies, financial institutions, and those acting on their behalf. In addition to enhanced scrutiny, the FATF further calls on its members and urges all jurisdictions to apply effective counter-measures, and targeted financial sanctions in accordance with applicable United Nations Security Council Resolutions, to protect their financial sectors from money laundering, financing of terrorism and WMD proliferation financing (ML/FT/PF) risks emanating from the DPRK. Jurisdictions should take necessary measures to close existing branches, subsidiaries and representative offices of DPRK banks within their territories and terminate correspondent relationships with DPRK banks, where required by relevant UNSC resolutions.

Jurisdiction subject to a FATF call on its members and other jurisdictions to apply enhanced due diligence measures proportionate to the risks arising from the jurisdiction.

Iran

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. Given that Iran provided that political commitment and the relevant steps it has taken, the FATF decided in February 2019 to continue the suspension of counter-measures.

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 June 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 at its meeting this week to continue the suspension of counter-measures, with the exception of the FATF calling upon members and urging all jurisdictions to require increased supervisory examination for branches and subsidiaries of financial institutions based in Iran, in line with the February 2019 Public Statement.

While acknowledging the progress that Iran made including with the passage of the Anti-Money Laundering Act, 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.

If by October 2019, Iran does not enact the Palermo and Terrorist Financing Conventions in line with the FATF Standards, then the FATF will require introducing enhanced relevant reporting mechanisms or systematic reporting of financial transactions; and increased external audit requirements for financial groups with respect to any of their branches and subsidiaries located in Iran. The FATF also expects Iran to continue to progress with enabling regulations and other amendments.

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.

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Improving Global AML/CFT Compliance: On-going Process - 21 June 2019

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Orlando, USA, 21 June 2019 - As part of its ongoing review of compliance with the AML/CFT standards, the FATF identifies the following jurisdictions that have strategic AML/CFT deficiencies for which they have developed an action plan with the FATF. While the situations differ among each jurisdiction, each jurisdiction has provided a written high-level political commitment to address the identified deficiencies. The FATF welcomes these commitments.

A number of jurisdictions have not yet been reviewed by the FATF. The FATF continues to identify additional jurisdictions, on an ongoing basis, that pose a risk to the international financial system.

The FATF and the FATF-style regional bodies (FSRBs) will continue to work with the jurisdictions noted below and to report on the progress made in addressing the identified deficiencies. The FATF calls on these jurisdictions to complete the implementation of action plans expeditiously and within the proposed timeframes. The FATF will closely monitor the implementation of these action plans and encourages its members to consider the information presented below.

Jurisdictions with strategic deficiencies	Jurisdictions no longer subject to monitoring
The Bahamas Botswana Cambodia Ethiopia Ghana Pakistan Panama Sri Lanka Syria Trinidad and Tobago Tunisia Yemen	Serbia

The Bahamas

Since October 2018, when The Bahamas made a high-level political commitment to work with the FATF and CFATF to strengthen the effectiveness of its AML/CFT regime and address any related technical deficiencies, The Bahamas has taken steps towards improving its AML/CFT regime, including by beginning its initial implementation of the recent Beneficial Ownership Law, and bringing the Anti-Terrorism Regulations into force. The Bahamas should continue to work on implementing its action plan to address its strategic deficiencies, including by: (1) completing the comprehensive electronic case management system for international cooperation; (2) demonstrating risk-based supervision of non-bank financial institutions; (3) completing the

process to ensure the timely access to adequate, accurate and current basic and beneficial ownership information; (4) increasing the quality of the FIU's products to assist LEAs in the pursuance of ML/TF investigations, specifically complex ML/TF and stand-alone ML investigations; (5) demonstrating that authorities are investigating and prosecuting all types of money laundering, including complex ML cases, stand-alone money laundering, and cases involving proceeds of foreign offences; (6) increasing the identification, tracing and freezing or restraining of assets and to present cases linked with foreign offences and standalone ML cases; and (7) addressing remaining gaps in the TF and PF TFS frameworks and demonstrating implementation.

Botswana

Since October 2018, when Botswana made a high-level political commitment to work with the FATF and ESAAMLG to strengthen the effectiveness of its AML/CFT regime and address any related technical deficiencies, Botswana has taken steps towards improving its AML/CFT regime, including by amending its legal framework to criminalise ML and TF and amending record keeping and STR filing obligations. Botswana should continue to work on implementing its action plan to address its strategic deficiencies, including by: (1) assessing the risks associated with legal persons, legal arrangements, and NPOs, and developing and implementing a risk-based comprehensive national AML/CFT strategy; (2) developing and implementing risk-based AML/CFT supervisory manuals; (3) improving its analysis and dissemination of financial intelligence by the FIU, and enhancing the use of financial intelligence among the relevant law enforcement agencies; (4) developing and implementing CFT strategy, and ensuring the TF investigation capacity of the law enforcement agencies; (5) ensuring the implementation without delay of targeted financial sanctions measures related to terrorist financing and proliferation financing, and (6) applying a risk-based approach to monitoring non-profit organisations.

Cambodia

Since February 2019, when Cambodia made a high-level political commitment to work with the FATF and APG to strengthen the effectiveness of its AML/CFT regime and address any related technical deficiencies, Cambodia has taken steps towards improving its AML/CFT regime, including by increasing the analytical resources of its FIU Cambodia should continue to work on implementing its action plan to address its strategic deficiencies, including by: (1) providing a broad legal basis for MLA and conducting relevant training to LEAs; (2) implementing risk-based supervision for real estate and casinos; (3) implementing the risk-based supervision to banks, including through prompt, proportionate and dissuasive enforcement actions, as appropriate; (4) amending the AML/CFT Law to address the remaining technical compliance deficiencies; (5) conducting sector-specific outreach to casinos, real-estate and MVTs providers; (6) increasing its FIU resources; enhancing its analysis of STRs; and increasing disseminations to LEAs; (7) increasing domestic coordination and cooperation to enhance ML investigations; (8) demonstrating an increase in ML investigations and prosecutions; and providing targeted proceeds of crime confiscation training to all LEAs; (9) demonstrating an increase in the freezing and confiscation of criminal proceeds, instrumentalities, and property of equivalent value; (10) establishing the legal framework to implement UN sanctions related to PF TFS, demonstrating that implementation is occurring and enhancing the understanding of sanctions evasion.

Ethiopia

In February 2017, Ethiopia made a high-level political commitment to work with the FATF and ESAAMLG to strengthen the effectiveness of its AML/CFT regime and address any related technical deficiencies. The FATF has made the initial determination that Ethiopia has substantially completed its action plan and warrants an on-site visit to verify that the implementation of Ethiopia's AML/CFT reforms has begun and is being sustained, and that the necessary political commitment remains in place to sustain implementation in the future. Specifically, Ethiopia has made the following key reforms: (1) implementing the results of its national risk assessment; (2) integrating designated non-financial businesses and professions into its AML/CFT regime; (3) confiscating the proceeds and instrumentalities of crime; (4) implementing terrorism-related targeted financial sanctions and proportionately regulating non-profit organizations in line with a risk-based approach; and (5) establishing and implementing WMD-related targeted financial sanctions.

Ghana

Since October 2018, when Ghana made a high-level political commitment to work with the FATF and GIABA to strengthen the effectiveness of its AML/CFT regime, Ghana has taken steps towards improving its AML/CFT regime, including by developing its national AML/CFT Policy and Action Plan based on the risks identified in the NRA, and conducting a risk assessment on its NPO sector. Ghana should continue to work on implementing its action plan to address its strategic deficiencies, including by: (1) developing and implementing a comprehensive national AML/CFT Policy based on the risks identified in the NRA, including measures to mitigate ML/TF risks associated with the legal persons; (2) improving risk-based supervision, by enhancing the capacity of the regulators and the awareness of the private sector; (3) ensuring the timely access to adequate, accurate and current basic and beneficial ownership information; (4) ensuring the focused actions of the FIU in accordance with the risks identified by the NRA, and adequate resource allocation to the FIU; (5) ensuring adequate and effective investigation and prosecution of TF; and (6) applying a risk-based approach for monitoring non-profit organisations.

Pakistan

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 taken steps towards improving its AML/CFT regime, including the recent development of its TF risk assessment addendum; however, it does not demonstrate a proper understanding of Pakistan's transnational TF risk.. 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 and understanding the risk of cash couriers being used for TF; (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 persons and entities 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. The FATF expresses concern that not only did Pakistan fail to complete its action plan items with January deadlines, it also failed to complete its action plan items due May 2019. The FATF strongly urges Pakistan to swiftly complete its action plan by October 2019 when the last set of action plan items are set to expire. Otherwise, the FATF will decide the next step at that time for insufficient progress.

Panama

In June 2019, Panama made a high-level political commitment to work with the FATF and GAFILAT to strengthen the effectiveness of its AML/CFT regime. Since the completion of its MER in 2017, Panama has made progress on a number of its MER recommended actions to improve technical compliance and effectiveness, including enacting Law No. 70 introducing tax offenses and making them predicate offences for money laundering, increasing obligations for resident agents, and addressing the shortcomings in the timeframe to submit suspicious transaction reports. Panama will work to implement its action plan, including by: (1) strengthening its understanding of the national and sectoral ML/TF risk and informing findings to its national policies to mitigate the identified risks; (2) proactively taking action to identify unlicensed money remitters, applying a risk-based approach to supervision of the DNFBP sector and ensuring effective, proportionate, and dissuasive sanctions again

AML/CFT violations; (3) ensuring adequate verification and update of beneficial ownership information by obliged entities, establishing an effective mechanisms to monitor the activities of offshore entities, assessing the existing risks of misuse of legal persons and arrangements to define and implement specific measures to prevent the misuse of nominee shareholders and directors, and ensuring timely access to adequate and accurate beneficial ownership information; and (4) ensuring effective use of FIU products for ML investigations, demonstrating its ability to investigate and prosecute ML involving foreign tax crimes and to provide constructive and timely international cooperation with such offence, and continuing to focus on ML investigations in relation to high-risk areas identified in the NRA and MER.

Sri Lanka

In November 2017, Sri Lanka made a high-level political commitment to work with the FATF and APG to strengthen the effectiveness of its AML/CFT regime and address any related technical deficiencies. In February 2019, the FATF made the initial determination that Sri Lanka has completed its action plan and warrants an on-site assessment. Specifically, Sri Lanka has made the following key reforms: (1) enacting amendments to the MACMA to ensure that mutual legal assistance may be provided on the basis of reciprocity; (2) issuing the CDD Rule for DNFBPs, issuing any necessary guidance, and ensuring implementation of this Rule has begun, by way of supervisory actions; (3) enhancing risk-based supervision and outreach to FIs, and high risk DNFBPs, including through prompt and dissuasive enforcement actions and sanctions, as appropriate; (4) providing case studies and statistics to demonstrate that competent authorities can obtain beneficial ownership information in relation to legal persons in a timely manner; (5) issuing a revised Trust Ordinance and demonstrating that implementation has begun; and (6) establishing a TFS regime to implement the relevant UNSCRs related to Iran, demonstrating that implementation has begun, and demonstrating that implementation has begun on the UN Regulation related to the DPRK. However, due to the terrorist attack that occurred on 21 April 2019, the FATF was unable to conduct an on-site visit to confirm whether the process of implementing the required reforms and actions has begun and is being sustained. The FATF will conduct an on-site visit prior to its October 2019 Plenary.

Syria

Since February 2010, when Syria made a high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies, Syria has made progress to improve its AML/CFT regime. In June 2014, the FATF determined that Syria had substantially addressed its action plan at a technical level, including by criminalising terrorist financing and establishing procedures for freezing terrorist assets. While the FATF determined that Syria has completed its agreed action plan, due to the security situation, the FATF has been unable to conduct an on-site visit to confirm whether the process of implementing the required reforms and actions has begun and is being sustained. The FATF will continue to monitor the situation, and will conduct an on-site visit at the earliest possible date.

Trinidad and Tobago

Since November 2017, when Trinidad and Tobago made a high-level political commitment to work with the FATF and CFATF to strengthen the effectiveness of its AML/CFT regime and address any related technical deficiencies, Trinidad and Tobago has taken steps towards improving its AML/CFT regime, including by proclaiming laws on NPO supervision and civil asset recovery. Trinidad and Tobago should continue to work on implementing its action plan to address its strategic deficiencies, including by implementing: (1) the remaining measures to further enhance international cooperation; (2) the issues related to transparency and beneficial ownership; and (3) the measures to monitor NPOs on the basis of risk.

Tunisia

In November 2017, Tunisia made a high-level political commitment to work with the FATF and MENAFATF to strengthen the effectiveness of its AML/CFT regime and address any related technical deficiencies. The FATF has made the initial determination that Tunisia has substantially completed its action plan and warrants an on-site assessment to verify that the implementation of Tunisia's AML/CFT reforms has begun and is being sustained, and that the necessary political commitment remains in place to

sustain implementation in the future. Specifically, Tunisia has made the following key reforms: (1) implementing risk-based AML/CFT supervision of the financial sector and fully integrating designated non-financial businesses and professions into its AML/CFT regime; (2) maintaining comprehensive and updated commercial registries and strengthening the system of sanctions for violations of transparency obligations; (3) increasing the efficiency of suspicious transaction report processing by allocating the necessary resources to the financial intelligence unit; (4) establishing a terrorism-related targeted financial sanctions regime and appropriately monitoring the association sector; and (5) establishing WMD-related targeted financial sanctions.

Yemen

Since February 2010, when Yemen made a high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies, Yemen has made progress to improve its AML/CFT regime. In June 2014, the FATF determined that Yemen had substantially addressed its action plan at a technical level, including by: (1) adequately criminalising money laundering and terrorist financing; (2) establishing procedures to identify and freeze terrorist assets; (3) improving its customer due diligence and suspicious transaction reporting requirements; (4) issuing guidance; (5) developing the monitoring and supervisory capacity of the financial sector supervisory authorities and the financial intelligence unit; and (6) establishing a fully operational and effectively functioning financial intelligence unit. While the FATF determined that Yemen has completed its agreed action plan, due to the security situation, the FATF has been unable to conduct an on-site visit to confirm whether the process of implementing the required reforms and actions has begun and is being sustained. The FATF will continue to monitor the situation, and conduct an on-site visit at the earliest possible date.

Jurisdictions No Longer Subject to the FATF's On-Going Global AML/CFT Compliance Process

Serbia

The FATF welcomes Serbia's significant progress in improving its AML/CFT regime and notes that Serbia has strengthened the effectiveness of its AML/CFT regime and addressed related technical deficiencies to meet the commitments in its action plan regarding the strategic deficiencies that the FATF identified in February 2018. Serbia is therefore no longer subject to the FATF's monitoring process under its ongoing global AML/CFT compliance process. Serbia will continue to work with MONEYVAL to improve further its AML/CFT regime.

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Outcomes FATF Plenary, 16-21 June 2019

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Orlando, 21 June 2019 - FATF President Marshall Billingslea of the United States, chaired the third and last Plenary meeting under the U.S. Presidency in Orlando on 19-21 June 2019.

During this Plenary, delegates celebrated the 30th Anniversary of the FATF. In recent years, the international community is following the FATF's work increasingly closely. Recent G20 statements and the United Nations Security Council resolutions recognise the FATF's important role in protecting the integrity of the financial system. Last month's FATF Ministerial meeting resulted in a new, open-ended mandate, and greater Ministerial involvement in the work of the FATF, recognising the substantial achievement of the FATF over three decades. This Plenary meeting was the first under the FATF's new mandate.

U.S. Secretary of the Treasury Steven T. Mnuchin delivered the [closing remarks](#) to the Plenary, highlighting the critical role of the FATF, the importance of the new global standards agreed by FATF this week to protect virtual assets from abuse by money launderers, terrorist financiers, and other illicit actors; action on Iran; and agreement to strengthen the standards to counter the financing of the proliferation of WMD.

During three days of meetings, delegates discussed the following issues, including FATF initiatives under the U.S. Presidency of the FATF:

[1. Major Strategic Initiatives](#)

- Mitigating risks from virtual asset activities, including a public statement and a risk-approach guidance on virtual assets and virtual asset service providers.
- Launching a Strategic Review to analyse the progress made on effective implementation of AML/CFT measures, review the FATF/FSRB assessment processes, and identify drivers of positive change.
- FATF's current action to combat terrorist financing, including a statement on FATF Actions to identify ISIL, Al-Qaeda and Affiliates Financing and the adoption of guidance for jurisdictions on assessing terrorist financing risk.
- FATF's efforts to strengthen its standards on Countering the Financing of Proliferation

[2. Mutual Evaluations and Follow-Up Reviews, and Compliance](#)

- Discussion of the mutual evaluation reports of Greece and Hong Kong, China
- Discussion of follow-up reports for the mutual evaluation of Iceland, in which the country achieved technical compliance re-ratings
- Issuing a statement on Brazil's progress in addressing the deficiencies identified in its mutual evaluation report
- Identifying jurisdictions with strategic anti-money laundering and countering the financing of terrorism (AML/CFT) deficiencies:
 - Jurisdiction no longer subject to monitoring: Serbia
 - New jurisdiction subject to monitoring: Panama
 - Monitoring Iran's actions to address deficiencies in its AML/CFT system

[3. Other Initiatives](#)

- Adoption of a report to the G20 Leaders

- Approval of three Risk-Based Approach Guidance papers:
 - Lawyers
 - Accountants
 - Trust and Company Service Providers (TCSPs)

[4. Welcoming the Kingdom of Saudi Arabia as a new member to the FATF](#)

[5. Discussion of the FATF priorities under the Chinese Presidency](#)

1. Major Strategic Initiatives

Mitigating the money laundering and terrorist financing risks of virtual assets.

This Plenary, the FATF delivered on its commitment to member governments and the G20, as well as the private sector, to develop and clarify the FATF's requirement with respect to virtual asset activities and virtual asset service providers. In October 2018, in response to the increasing use of virtual assets for money laundering and terrorist financing, the FATF amended Recommendation 15 and the glossary to clarify to which businesses and activities the FATF requirements apply in the case of virtual assets. Following a public consultation on the measures applicable to virtual asset transfers, the FATF has now finalised the Interpretive Note to Recommendation 15 which sets out in detail the application of the FATF Standards and binding measures for the regulation and supervision of virtual asset activities and service providers. The FATF also finalised guidance to further assist countries and providers in complying with their AML/CFT obligations and guidance for operational authorities to support the effective investigation and confiscation of virtual assets misused for money laundering or terrorist financing.

- [FATF Statement on Virtual Assets and Related Providers](#)

Risk-based Approach Guidance on Virtual Assets and Virtual Asset Service Providers

The FATF adopted updated guidance that clarifies the application of the risk-based approach to implementing the FATF Recommendations in the context of virtual assets. The guidance benefitted from dialogue with the private sector, including the sector itself. It includes examples of national approaches to regulating and supervising virtual asset activities and service providers to prevent their misuse for money laundering and terrorist financing.

The FATF is now working on revising its methodology to assess how countries have implemented the FATF's new requirement for the October 2019 Plenary. During the next 12 months, the FATF will closely monitor the actions that countries are taking and will continue to engage the private sector on its efforts to enhance compliance with the FATF standards.

Strategic Review

With a new, open-ended, mandate, the FATF moves into a new phase. As the FATF continues to lead global action against money laundering, the financing of terrorism and proliferation, it must ensure that its work is timely, targeted and effective. With the support from the G20, the FATF Plenary agreed to launch a strategic review of its own processes. This review will analyse the progress made on effective implementation of AML/CFT measures, review the FATF/FSRB assessment processes, and identify drivers of positive change.

FATF's current action to combat terrorist financing

Combatting the financing of terrorism has remained a priority for the FATF under the U.S. Presidency. Acts of terrorism, whether perpetrated by groups such as ISIL and Al Qaeda, or terrorist groups with other extremist views, continue to pose a threat to our society. Since the February 2019 Plenary there have been a number of serious terrorist attacks. The United Nations recognised the FATF as the global standard-setter to combat terrorist financing when it adopted UN Security Council Resolution 2462(2019). This resolution, focused solely on countering terrorist financing, has embedded the need to implement the FATF Standards for combatting terrorist financing into international law.

During this Plenary meeting, delegates heard an updated assessment of the financing methods employed by ISIL, Al Qaeda and affiliates, and released a public statement on FATF members' actions to identify and disrupt their financing. Despite ISIL's loss of territory, it still has access to significant reserves of funds, while its extremist ideology continues to inspire acts of terror.

The investigation and prosecution of terrorist financing is central to global efforts to counter terrorism. However, FATF and FSRBs' assessments reveal that many countries still face challenges in investigating terrorist financing activity. A global workshop, hosted by the Israeli government in Tel Aviv in March 2019, building on the targeted outreach to judges and prosecutors initiated under the Argentinean Presidency of the FATF, sought to explore common challenges and best practices experienced by jurisdictions when prosecuting terrorist financing. The Plenary decided that the FATF should develop guidance to help countries effectively investigate and prosecute terrorist financing.

- [FATF Actions to Identify ISIL, Al-Qaeda and Affiliates Financing](#)

Guidance on Terrorist Financing Risk Assessment

The FATF requires each country to identify, assess and understand the terrorist financing risks it faces in order to mitigate them and effectively dismantle and disrupt terrorist networks. Assessing terrorist financing risks can be challenging due to the cross-border nature of terrorist financing, and the low value and routine nature of funds and transactions often involved. The FATF finalised a Guidance which will assist countries, in particular low capacity countries with limited terrorist financing expertise, in assessing their risk context. Recognising that there is no one-size-fits-all approach when assessing terrorist financing risk, the Guidance provides relevant information sources and considerations for different country contexts. This report builds on the FATFs 2013 *Guidance on National Money Laundering and Terrorist Financing Risk Assessments* and draws on national experiences and lessons learnt in assessing terrorist financing risk from across the FATF Global Network.

Countering the Financing of Proliferation

Under the U.S. Presidency, in June 2019, the FATF agreed to pursue further work to strengthen the FATF Standards on countering the financing of proliferation by requiring jurisdictions and private sector entities to understand and mitigate their proliferation financing risks, as well as by enhancing requirements for domestic cooperation and coordination on proliferation financing. FATF has conducted extensive analysis on a range of proposals, but has agreed to prioritize this work moving forward. Other options considered included new requirements to use criminal justice measures and financial intelligence, expanded targeted financial sanctions tools, and more effective mechanisms to ensure international information sharing on proliferation financing activity. The FATF agreed to potentially consider these other options at a later date.

2. Mutual Evaluations and Follow-Up Reviews, and Compliance

Discussion of the mutual evaluation reports of Greece and Hong Kong, China

The Plenary discussed the mutual evaluation reports of Greece and Hong Kong, China and the level of effectiveness of each jurisdiction's AML/CFT system and their level of compliance with the FATF Recommendations.

The Plenary concluded that Greece has a sound legal framework to support effective action against money laundering and terrorist financing, but that the country needs to improve its prosecution of these crimes, the supervision of its designated non-financial professions and businesses and NPO sector, and the confiscation of proceeds of crime.

The Plenary discussed the joint APG-FATF assessment of Hong Kong, China and concluded that the jurisdiction has a strong legal foundation to underpin its AML/CFT regime. Hong Kong, China understands its risks, has effective measures to combat terrorist financing and to confiscate the proceeds of crime, and actively cooperates with international partners. However, it needs to prioritise efforts to prosecute ML linked to foreign predicates, increase risk understanding and AML/CFT implementation by smaller institutions, and strengthen supervisory measures for some sectors.

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 jurisdiction's AML/CFT regime. The mutual evaluation reports are expected to be published by September 2019 after the quality and consistency review, in accordance with procedures.

Discussion of the follow-up report for the mutual evaluation of Iceland in which the country achieved technical compliance re-ratings

The Plenary discussed the progress that Iceland has made since its mutual evaluation report was adopted last year. The FATF Plenary agreed to re-rate Iceland a number of FATF Recommendations to reflect the country's current level of technical compliance. After a quality and consistency review, the FATF will publish the follow-up report which sets out the actions that Iceland has taken to strengthen the effectiveness of its measures to combat money laundering and the financing of terrorism and proliferation.

Brazil's progress in addressing the deficiencies identified in its mutual evaluation report

In February 2019, the FATF decided that it would review the Brazil's recently adopted legislation for compliance with FATF Standards at its June Plenary and determine the next steps at that time. The Plenary has issued a statement with regard Brazil.

- [Statement on Brazil's steps toward addressing the deficiencies identified in its mutual evaluation report](#)

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

The FATF maintains its February 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](#)

Jurisdiction no longer subject to monitoring: Serbia

The FATF congratulated Serbia for the significant progress made in addressing the strategic AML/CFT deficiencies identified earlier by the FATF and included in its action plan.

Serbia will no longer be subject to the FATF's monitoring under its on-going global AML/CFT compliance process, and will work with its FATF-Style Regional Bodies MONEYVAL as it continues to further strengthen its AML/CFT regime.

New jurisdiction subject to monitoring: Panama

FATF has identified Panama as a jurisdiction with strategic AML/CFT deficiencies. The country has developed an action plan with the FATF to address the most serious deficiencies. The FATF welcomed the high-level political commitment of Panama to this action plan.

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. Given that Iran provided that political commitment and the relevant steps it has taken, the FATF decided in February 2019 to continue the suspension of counter-measures.

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 June 2019, the FATF noted that there are still items not completed and Iran should fully address: (1) adequately criminalising 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 at its meeting this week to continue the suspension of counter-measures, with the exception of the FATF calling upon members and urging all jurisdictions to require increased supervisory examination for branches and subsidiaries of financial institutions based in Iran, in line with the February 2019 Public Statement.

While acknowledging the progress that Iran made including with the passage of the Anti-Money Laundering Act, 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.

If by October 2019, Iran does not enact the Palermo and Terrorist Financing Conventions in line with the FATF Standards, then the FATF will require introducing enhanced relevant reporting mechanisms or systematic reporting of financial transactions; and increased external audit requirements for financial groups with respect to any of their branches and subsidiaries located in Iran. The FATF also expects Iran to continue to progress with enabling regulations and other amendments.

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

Adoption of a report to the G20 Finance Ministers and Central Bank Governors

The Plenary discussed the FATF's report to the G20 Leaders which highlights FATF's recent work on the regulation of virtual assets. It also sets out other recent developments, including strengthening FATF's institutional basis, governance and capacity of FATF, countering the financing of terrorism and proliferation of weapons of mass destruction terrorist financing, improving transparency and beneficial ownership, de-risking and work on FinTech/RegTech in relation to digital ID.

Publication of three Risk-Based Approach Guidance papers

The risk-based approach is at the core of the FATF Recommendations. It ensures that countries identify and understand the unique risks they are exposed to, allowing them to prioritise resources on areas where risks are highest. Informed by a public consultation in March 2019, the FATF updated three risk-based approach guidance documents that aim to support the implementation of the risk-based approach, taking into account national ML/TF risk assessments and AML/CFT legal and

regulatory frameworks:

- Lawyers
- Accountants
- Trust and Company Service Providers (TCSPs)

4. Welcoming the Kingdom of Saudi Arabia as a member to the FATF

The FATF granted full membership to Saudi Arabia. In 2018, the country underwent a mutual evaluation. Since then, Saudi Arabia has worked according to an action plan to address the key effectiveness issues identified during the evaluation. Based on the country's commitment to complete the items on its action plan and the continuing progress to improve its AML/CFT, the Plenary agreed to grant membership.

5. Discussion of the FATF priorities under the Chinese Presidency

The FATF Plenary discussed and approved the priorities of the FATF under the Presidency of Xiangmin Liu which will commence on 1 July 2019. The main priority is the Strategic Review, but among other priorities, the FATF agreed to continue its important work to mitigate the money laundering and terrorist financing risks of new technologies and at the same time exploit the opportunities to more effectively fight these risks. Under the Chinese Presidency, the FATF will also prioritise work to promote and enable more effective supervision by national authorities.

More on:

- [Public Statement - 21 June 2019](#)
- [Improving Global AML/CFT Compliance: On-going Process - 21 June 2019](#)
- [FATF Statement on Virtual Assets and Related Providers](#)
- [Statement on Brazil's steps toward addressing the deficiencies identified in its mutual evaluation report](#)
- [FATF Actions to Identify ISIL, Al-Qaeda and Affiliates Financing](#)

[Publications](#)