

# OUTCOMES OF THE JUNE 2017 MEETING OF THE FINANCIAL ACTION TASK FORCE

South Africa participated in the third meeting of the [Financial Action Task Force](#) (FATF) session XXVIII, under the Spanish Presidency in Valencia from 18 to 23 June 2017. At this meeting the FATF continued work on a number of important initiatives relating to its mandate to promote effective implementation of measures against money laundering, terrorist financing and other related threats to the integrity of the international financial system. Key among these are the following:

- [Combating terrorist financing remains a priority for the FATF](#)
- [Improving transparency and beneficial ownership of corporate vehicles](#)
- [De-risking](#)
- [Mutual evaluations of Denmark and Ireland](#)
- [Brazil and South Africa's recent progress in addressing deficiencies identified in their previous mutual evaluations](#)
- [Public documents identifying jurisdictions with strategic deficiencies in their measures against money laundering and terrorist financing that may pose a risk to the international financial system:](#)
  - Jurisdictions for which a call for action applies, including an update on Iran's engagement with FATF
  - Jurisdictions which have developed an action plan with the FATF, including an update on improvements in the relevant measures in Afghanistan and Lao PDR
- [A revision to the International Standards on targeted financial sanctions related to proliferation financing](#)
- [FATF Forum of Heads of Financial Intelligence Units](#)

- [Proposals to strengthen the FATF's institutional basis, governance and capacity](#)

# Efforts to combat terrorist financing

## Update information on, and the understanding of ISIL funding

The FATF continues to update its knowledge and understanding of changes to terrorists' financial strategies to raise, move and use funds. The FATF also discussed progress in ongoing research on the financing of recruitment for terrorist purposes. This research project will identify how terrorist organisations fund the recruitment of new members, and is expected to be completed in October 2017.

## Coordination and information sharing

The FATF Strategy on Combatting Terrorist Financing highlights the importance of more effective domestic co-ordination and international co-operation. The FATF invites all members of the FATF Global Network to share relevant information which will facilitate the request to foreign countries to freeze terrorism related funds.

Information sharing is critical to effectively counter terrorist financing and terrorism. Recognising and collecting relevant information and sharing it effectively can lead to the detection of terrorist related activities and prevention of attacks. The FATF adopted a paper with examples of good practices and practical tools that may improve domestic inter-agency information sharing. These examples include:

- standardising data formats for similar data collected by multiple agencies,
- using threshold-based reporting such as international funds transfer reports,
- establishing inter-agency centres for strategic terrorist financing threat analysis to produce strategic products that inform policy makers and operational experts of current terrorist financing threats,
- establishing inter-agency law enforcement and intelligence centres and
- using secondment and programmes to co-locate of personnel

The paper is aimed at assisting key agencies involved in tackling terrorism and its financing to become more effective in cooperating and exchanging information within jurisdictions and will therefore not be published.

The FATF also discussed the progress on guidance for private sector information sharing, following the private sector consultative forum in Vienna in March 2017. The guidance will cover information-sharing at group wide level and potentially also between financial institutions not belonging to the same group. Private sector information sharing will improve transparency and access to beneficial ownership but also plays an important part in detecting financial flows in support of terrorism.

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## FATF work on improving transparency and beneficial ownership

Improving transparency and beneficial ownership information remains high on the FATF's agenda. Since it first introduced standards on beneficial ownership in 2003, the FATF has revised and strengthened these standards, and issued guidance to improve their implementation. However, effective implementation of these measures continues to be a challenge. The FATF is therefore continuing with its programme of work to improve transparency and access to beneficial ownership information.

The FATF discussed progress in the FATF-Egmont Group research project on vulnerabilities linked to beneficial ownership which aims to identify the mechanisms used to obscure beneficial ownership of corporate vehicles, among others, as well as the results of a further study on the effective enforcement and supervision of beneficial ownership obligations.

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## Impact of recent FATF work on de-risking

De-risking has been a priority for the FATF since 2014. In October 2016 the FATF issued guidance to clarify how the risk-based approach should be applied to correspondent banking activity as part of this work. The FATF agreed to determine the traction of this guidance and whether was sufficient to address the problems in this area. The FATF will continue this work, in close collaboration with other relevant organisations

such as the Financial Stability Board (FSB), the Committee on Payments and Market Infrastructures (CPMI), the International Monetary Fund (IMF), the World Bank and others.

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## Discussion of the mutual evaluation reports of Denmark and Ireland

The FATF discussed the mutual evaluations of Denmark and Ireland which sets out the level of effectiveness of each country's systems to combat money laundering and terrorist financing and their level of compliance with the FATF Recommendations. The reports were prepared on the basis of the FATF Methodology for assessments. The FATF discussed the respective assessment teams' key findings, priority actions, and recommendations regarding each country's regime to combat money laundering and terrorist financing. The FATF expects to publish the mutual evaluation reports in September, after their quality and consistency review, in accordance with its procedures.

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## Targeted mutual evaluation follow-up process

### **Statement on Brazil's progress in addressing the deficiencies identified in its mutual evaluation report**

In February 2016, the FATF released a statement conveying its deep concerns about Brazil's continued failure to remedy the serious deficiencies identified in its third mutual evaluation report adopted in June 2010, especially those related to terrorism and terrorist financing. FATF members took note of the significant steps that Brazil is continuing to take towards improving its counter-terrorism financing regime. This is

reflected in an update to the FATF's previous public statement in this regard which can be accessed [here](#). FATF members agreed that Brazil would report again on further progress at the next plenary meeting in October 2017.

### **South Africa's mutual evaluation follow-up process**

The FATF considered the 13<sup>th</sup> Mutual Evaluation Follow-up Report on South Africa's process to remedy deficiencies identified in the 2009 mutual evaluation. These deficiencies relate to gaps in legislation on adequate customer due diligence and record-keeping measures. FATF members took note that the President of South Africa has assented to the FIC Amendment Act and that the Minister has announced the commencement dates for certain sections of the Act. Based on the fact that the legislative process to pass the FIC Amendment Act has been concluded and that the process to bring the Amendment into operation is already underway, the members agreed not to increase the pressure on South Africa at this juncture and that South Africa will report again at the next Plenary in October 2017.

[More information relating to the commencement and implementation of the FIC Amendment Act can be accessed here.](#)

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## **Two public documents identifying jurisdictions that may pose a risk to the international financial system**

These are discussed in the Centre's advisory note issued on 29 June 2017 which can be accessed [here](#).

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## **Targeted financial sanctions related to proliferation financing**

The FATF adopted a revision to the International Standards relating to targeted financial sanctions in the context of proliferation financing, which will bring the Standards in line with the requirements of recent United Nations Security Council Resolutions. The revision clarifies the implementation of targeted financial sanctions to comply with the United Nations Security Council resolutions and to prevent and to disrupt the financing of proliferation of weapons of mass destruction.

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## Forum of the Heads of FATF Financial Intelligence Units

FATF Heads of FIUs met with representatives of several international banks and had productive discussions on how to enhance the effectiveness of suspicious transaction reporting regimes, as well as on recent developments concerning public-private partnerships. Heads of FIUs also agreed a paper identifying a number of areas where further work would increase the effectiveness of international efforts against money laundering and terrorist financing.

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## FATF's institutional basis, governance and capacity

FATF members agreed to extend the FATF President's term to two years and enhance the role of the FATF Vice President. These reforms will come into effect after a three-year transition period. The FATF is also reflecting on its legal status and discussions will continue in Buenos Aires in November.

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For more information on these and other matters relating to the work of the FATF please visit <http://www.fatf-gafi.org/home/>.