

OUTCOMES OF THE FEBRUARY 2017 MEETING OF THE FINANCIAL ACTION TASK FORCE

South Africa participated in the second meeting of the [Financial Action Task Force](#) (FATF) session XXVIII, under the Spanish Presidency in Paris from 18 to 24 February 2017. The main issues dealt with in this meeting were:

- Work on terrorist financing, which continues to be a priority for the FATF.
- FATF work on improving transparency and beneficial ownership.
- Impact of recent FATF work on de-risking.
- Discussion of the mutual evaluation report of Sweden.
- Two public documents identifying jurisdictions that may pose a risk to the international financial system.
 - Jurisdictions with strategic anti-money laundering and combating the financing of terrorism (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
- Statement on Brazil's progress in addressing the deficiencies identified in its mutual evaluation report, since the FATF's statement of October 2016.
- Forum of the Heads of FATF Financial Intelligence Units.

Efforts to combat terrorist financing

Update information on, and the understanding of ISIL funding

FATF continues to deepen its knowledge and understanding of ISIL/Da'esh' methods to raise, move and use funds. In particular, delegates discussed the methods terrorist organisations and sympathisers use to fund their recruitment efforts, and the use of new payment products and technology (including virtual currencies) to finance terrorism. Up-to-date knowledge and understanding of the financing of ISIL and its affiliates is critical to taking effective actions to disrupt their access to funding and deprive them of the ability to finance terrorist attacks.

Coordination and information sharing

The FATF Strategy on Combatting Terrorist Financing highlights the importance of more effective domestic co-ordination and international co-operation. Delegates discussed progress on two important projects to identify challenges and best practices in the context of domestic Inter-agency information sharing and private-private information sharing respectively. The FATF also considered the results of a survey by the Institute of International Finance to identify obstacles to information sharing by the private sector. These projects will be further developed and discussed at the forthcoming Typologies Experts meeting in Moscow in April (domestic sharing) and the Private Sector Consultative Forum in Vienna in March (private sharing). The final reports are expected to be published later in 2017.

FATF work on improving transparency and beneficial ownership

Improving transparency and beneficial ownership information is 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, and FATF is prioritising work to improve transparency and beneficial ownership. The FATF and the Global Forum on Transparency and Exchange of Information for Tax

Purposes (Global Forum) are working to reinforce each other's work to improve the effective implementation of international standards in this area.

In collaboration with the Egmont Group of Financial Intelligence unit, the FATF is undertaking a research project to identify the risks and the mechanisms used to hide and obscure beneficial ownership of corporate vehicles, the role of professional intermediaries, and the challenges in establishing beneficial ownership and how to overcome them. The discussions of the preliminary findings of this research will feed into the meeting of the Joint Experts Group in Moscow in April, where relevant experts and delegates will continue to work on these issues.

A mapping exercise has identified the areas where FATF and the Global Forum's respective processes coincide. The FATF discussed how to ensure that both bodies' processes result in consistent and mutually reinforcing recommendations to the assessed countries, while respecting the independent nature of the work carried out by each organisation.

Impact of recent FATF work on de-risking

The FATF has continued to monitor the impact of the Guidance on correspondent banking services which was issued in October 2016 to address the issue of de-risking and clarify how the risk-based approach should be applied to correspondent banking activity. 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.

Discussion of the mutual evaluation report of Sweden

The Plenary discussed the mutual evaluation report of Sweden which sets out the level of effectiveness of its AML/CFT systems and its level of compliance with the FATF Recommendations. The report was 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 assessment team's key findings, priority actions, and recommendations regarding Sweden's AML/CFT regime. The FATF expects to publish the mutual evaluation after the quality and consistency review at the end of April, in accordance with its procedures.

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 3 March 2013 [which can be accessed here](#).

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 Financial Action Task Force (FATF), the international standard-setter for combating money laundering, the financing of terrorism and proliferation of weapons of mass destruction, 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. The FATF called for actions to address those deficiencies. The FATF reiterated its concern in October 2016, and again called on Brazil to address these shortcomings.

The FATF recognises that Brazil has taken several significant steps to improve its CFT regime; however deficiencies remain regarding targeted financial sanctions.

The FATF calls on Brazil to fulfil its FATF membership commitment by taking actions that fully address these shortcomings.

South Africa's mutual evaluation follow-up process

The FATF considered the 12th 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. These are considered serious deficiencies and are addressed in the FIC Amendment Bill which was passed by Parliament in May 2016.

The meeting was informed that the delay in the enactment of the FIC Amendment Bill is the result of concerns related to the constitutionality of warrantless searches, and that the President had referred the Bill back to the National Assembly in November 2016. Therefore the FIC Amendment Bill has not yet come into force as had been expected when this matter was last discussed by the FATF Plenary in June 2016.

The Financial Action Task Force (FATF) has deferred a decision on the issuing of a public statement on compliance by South Africa with standards against money laundering and terrorist financing, until its next meeting in June this year.

[The Centre released a media statement on this matter on 28 February 2017.](#)

Forum of the Heads of FATF Financial Intelligence Units

The FATF President chaired a second Forum of Heads of FATF Financial Intelligence Units (FIUs), in the margins of the Plenary, following the success of the first Forum in October 2016.

Every year, FIUs investigate large numbers of suspicious transaction reports submitted by financial institutions in their country. This allows them to identify cases of money laundering and terrorist financing, and report on new methods that terrorist and criminals use to try and circumvent AML/CFT measures. This second forum meeting again highlights the important role of FIUs around the world to protect the financial system from abuse. The discussions focused on the latest terrorist financing developments, particularly ISIL's financing as it loses territory, FIUs' role in identifying small cells and individual terrorists, and the misuse of virtual currencies. Participants discussed how to enhance the effectiveness of FIUs in dealing with the evolving terrorist financing risks.

Industry Roundtable on FinTech and RegTech

In the margins of the Plenary meeting, the FATF organised a Fintech and Regtech Roundtable. This first meeting involved representatives from the banking sector, engaged in Fintech activities. The discussions will feed into future events with representatives from the Fintech and Regtech communities. FATF aims to develop a constructive dialogue with both communities, in order to support a more effective implementation of the FATF Standards and innovation in financial services.

Financial Inclusion

The FATF has re-launched its project on financial inclusion. The objective of this project is to set out how access to financial services can be supported, based on simplified due diligence measures or using new or alternative forms of identity verification, with a specific focus on access for displaced people (migrants, asylum-seekers and refugees) and on access provided through money or value transmittance service providers. The results of this project will be presented as an update to the FATF's previous guidance on financial inclusion in the context of the FATF's Standards to address issues of potential over-compliance with the FATF requirements.

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