OUTCOMES OF THE JUNE 2019 MEETING OF THE FINANCIAL ACTION TASK FORCE

South Africa participated in the third meeting of the Financial Action Task Force (FATF) session under the United States of America (USA) Presidency in Orlando, United States of America, from 16 to 21 June 2019. At this meeting the FATF took a number of important steps to promote effective implementation of measures against money laundering and the financing of terrorism and proliferation and other threats to the integrity of the international financial system. Key among these are the following:

- **Combating the financing of terrorism**
- **Changes to the FATF Standards on the regulation of crypto assets**
- **Approval of three Risk-Based Approach Guidance papers**
- **Mutual evaluation reports of Greece and Hong Kong, China**
- **Follow-up report for the mutual evaluation of Iceland**
- **Brazil’s progress in addressing the deficiencies identified in its mutual evaluation report**
- **FATF Heads of Financial Intelligence Units**
- **Public documents identifying jurisdictions with deficiencies in their measures against money laundering and terrorist financing**
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### Combating the financing of terrorism

Combating the financing of terrorism remains a top priority for the FATF. 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 focuses solely on countering terrorist financing and has embedded the need to implement the FATF Standards for combatting terrorist financing into international law.
During this meeting, the FATF again considered an update on the financing methods employed by ISIL and Al Qaeda and its affiliates and released a public statement on FATF members’ actions to identify and disrupt their financing.

The FATF recognises that assessing terrorist financing risks can be challenging due to its cross-border nature and the low value of funds often involved. With this in mind the FATF finalised its Guidance on Assessing Terrorist Financing Risk. The objective of the guidance is to assist countries, in particular countries with limited terrorist financing expertise, in assessing their risk context. The guidance does not provide for a one-size-fits-all approach when assessing terrorist financing risk, but provides relevant information sources and considerations for different country contexts.

The investigation and prosecution of terrorist financing is central to global efforts to counter terrorism. Following a series of discussions to explore common challenges and best practices that jurisdictions experience when investigating and prosecuting terrorist financing, the FATF decided to develop guidance that will help countries to be more effective in these types of investigations and prosecutions.

Changes to the FATF Standards on the regulation of crypto assets

The FATF concluded the process of broadening its Standards to require effective regulation of crypto asset service providers. The FATF embarked on this process in October 2018 with amendments to Recommendation 15 to bring crypto asset providers expressly within the scope of the Standards. The FATF has now also adopted an Interpretive Note to Recommendation 15, which clarifies how the FATF standards apply to activities or operations involving crypto assets.

In addition, the FATF has adopted guidance that clarifies the application of the risk-based approach to implementing the FATF Standards in the context of crypto assets. This guidance is aimed at helping countries and crypto asset service providers understand their anti-money laundering and counter-terrorist financing obligations, and effectively implement the FATF’s requirements as they apply to this sector.
The FATF will monitor implementation of the new requirements by countries and service providers and conduct a 12-month review in June 2020. To this end the FATF will establish a contact group to continue the engagement with the industry and monitor industry-led efforts to enhance compliance with the FATF Standards.

Approval of three Risk-Based Approach Guidance papers

The risk-based approach ensures that countries identify and understand the unique risks they are exposed to, allowing them to prioritise resources on areas where risks are highest. The FATF has developed three risk-based approach guidance papers, namely for lawyers, accountants and trust and company service providers. These guidance documents support the implementation of the risk-based approach, taking into account national risk assessments of money laundering and terrorist financing risks and legal and regulatory frameworks against money laundering and terrorist financing.

Mutual Evaluations and Follow-Up Reviews and Compliance

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

The FATF discussed the mutual evaluation reports of Greece and Hong Kong, China, which set out the level of effectiveness of each country’s system to combat money laundering and terrorist financing and their level of compliance with the FATF Standards.

The mutual evaluation report for Greece shows that the country 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 non-profit sector, and the confiscation of proceeds of crime.
The report for Hong Kong, China shows that the jurisdiction has a strong legal foundation to underpin its regime against money laundering and terrorist financing. 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 money laundering linked to foreign predicates, increase risk understanding and implementation of measures against money laundering and terrorist financing by smaller institutions, and strengthen supervisory measures for some sectors.

The mutual evaluation reports are expected to be published by September 2019, after the quality and consistency reviews of the two reports have been completed.

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**Discussion of follow-up report for the mutual evaluation of Iceland**

The FATF discussed the progress that Iceland has made since its mutual evaluation reports was adopted in 2018. The FATF agreed to re-rate a number of Recommendations to reflect the country’s current level of technical compliance. The FATF will publish the follow-up report after a quality and consistency review.

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

In June 2018, the FATF decided that it would initiate discussions on Brazil’s membership if adequate legislation was not adopted by the February 2019 Plenary. Brazil subsequently has passed new legislation towards addressing its deficiencies. The relevant legislation was subsequently passed by the Brazilian legislature and is in the process of issuing the supporting secondary legislation. The FATF will consider the full legislative package in October 2019. The FATF has issued a statement regarding Brazil’s steps toward addressing the deficiencies identified in its mutual evaluation report.

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**FATF Heads of Financial Intelligence Units**
The Heads of a number of financial intelligence units (FIUs) of FATF members met again in the margins of the June 2019 meetings and concluded three collaborative initiatives namely: sharing best practices relating to strategic analysis, FIUs efforts to identify crypto asset entities and the tools available to FIUs to analyse transactional activity relating to crypto assets, and the roles FIUs can play in countering proliferation financing. The results of these efforts will enrich the work on these three issues on the FATF’s work programme.

Public documents identifying jurisdictions with deficiencies in their measures against money laundering and terrorist financing

These are discussed in the Centre’s advisory notes issued on [date], which can be accessed here and here.

Operations of the FATF

Strategic review

Ministers of FATF member jurisdictions, at a Ministerial meeting in March 2019, decided to make the FATF’s mandate and indefinite one. Against this background the FATF decided to launch a strategic review of its own processes. This review will analyse the progress made on effective implementation of measures against money laundering and terrorist financing, review the FATF/FSRB assessment processes, and identify drivers of positive change. This review will determine, among others how the FATF will conduct its peer reviews following the end of the current round of mutual evaluations.

Status of expansion of membership

Saudi Arabia has successfully completed the FATF’s membership process and was granted membership of the FATF. Saudi Arabia will therefore participate in the October 2019 FATF meetings as a full member.
For more information on these and other matters relating to the work of the FATF please visit http://www.fatf-gafi.org/home/.

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