

## MEDIA RELEASE

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### OUTCOMES OF THE FEBRUARY 2018 MEETING OF THE FINANCIAL ACTION TASK FORCE

**Monday, 26 February 2018:** South Africa participated in the second meeting of the [Financial Action Task Force](#) (FATF) session under the Argentinian Presidency in Paris, France, from 18 to 23 February 2018. 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:

- [Combatting terrorist financing](#)
- [Updated FATF Guidance on Counter Proliferation Financing](#)
- [National cooperation and coordination](#)
- [Discussion of the mutual evaluation report of Iceland](#)
- [Brazil's progress in addressing the deficiencies identified in its mutual evaluation report since it agreed an action plan in November 2017](#)
- [Two public documents identifying jurisdictions that may pose a risk to the international financial system:](#)
  - Jurisdictions with strategic anti-money laundering and countering 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.
- [Recent developments on de-risking.](#)
- [Update on FinTech & RegTech Initiatives.](#)
- [Improving the effectiveness of the Criminal Justice System: FATF global engagement with judges and prosecutors.](#)
- [Outcomes of the meeting of the FATF Forum of Heads of Financial Intelligence Units \(FIUs\), which was held in the margins of the Plenary.](#)

# Efforts to combat terrorist financing

The FATF is continuing to give effect to its [consolidated strategy to combat terrorist financing](#), adopted in February 2016. At its February 2018 meeting the FATF adopted a new operational plan of action. This operational plan provides a framework for a flexible and dynamic response to terrorist financing threats. It builds on the results of the previous (2016 – 2018) operational plan and focuses on new areas which will increase understanding of terrorist financing risks and the effectiveness of measures to address these risks. It is a living document that is flexible enough to address the continuous evolution of this threat. Areas of focus include:

- Further improving the identification and understanding of terrorist financing risks, both at country level and more broadly, which will have an impact on the effectiveness of international efforts to tackle terrorist financing.
- Continuing the FATF's work to enhance information-sharing, which will build on the work that the FATF has already completed on domestic inter-agency information sharing and information sharing within the private sector.
- Ensuring that efforts to detect terrorist financing lead to successful investigations, prosecutions and convictions including the President's initiative on increased engagement with the criminal justice system and prosecution services.
- Ensuring a better global implementation of effective counter-terrorist financing measures through closer coordination with FATF's regional bodies and the actions they are taking.

The FATF also continued the expanded update on the financing of ISIL, Al-Qaeda and affiliates.

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## Guidance on Counter Proliferation Financing

The FATF has updated its guidance on the implementation of financial provisions of United Nations Security Council Resolutions to counter the proliferation of weapons of mass destruction. This guidance will help countries understand and implement the financial provisions of United Nations Security Council Resolutions on proliferation, to ensure that

targeted financial sanctions are implemented and each country has effective mechanisms in place to prevent breaches. (Report to be published shortly)

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## National cooperation and coordination

The FATF adopted revisions to its Standards on national cooperation and coordination. These revisions expand the Standards to include information sharing between competent authorities. They emphasise that cooperation and coordination should include coordination with the relevant authorities to ensure the compatibility of requirements aimed at combating money laundering and terrorist financing with data protection and privacy rules. Improving the compatibility of measures to combat money laundering and terrorist financing and data protection and privacy rules will facilitate exchange of information within the private sector.

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## Mutual evaluation report of Iceland

The FATF discussed and adopted the mutual evaluation report of Iceland, which set out the level of effectiveness of Iceland's system to combat money laundering and terrorist financing 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 measures to combat money laundering and terrorist financing are implemented, as well as technical compliance for each of the FATF Recommendations.

The FATF discussed the key findings, priority actions, and recommendations regarding Iceland's regime against money laundering and terrorist financing. The mutual evaluation report is expected to be published by April 2018 after the quality and consistency review, in accordance with procedures.

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## Targeted mutual evaluation follow-up process

## Brazil

In November 2017 FATF members recognised that Brazil has taken several significant steps to improve its CFT regime, however, deficiencies remain regarding targeted financial sanctions. These remaining deficiencies will be addressed in accordance with an agreed action plan. The FATF continues to monitor the progress that Brazil has is making in line with this action plan.

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## 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 26 February 2018 which can be accessed [here](#).

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## De-risking

De-risking has been a concern for the FATF since October 2014. Inappropriate de-risking undermines financial resilience and inclusion and promotes underground financial channels that can be misused by criminals and terrorists. The FATF discussed recent international developments and engagement on de-risking, including through the Remittance Task Force of the Financial Stability Board. Delegates discussed ongoing work to further enhance traction of FATF guidance on correspondent banking and risk-based approach for money and value transfer services, which clarify regulatory expectations under the risk-based approach. The FATF received a presentation from the Wolfsberg Group on their Correspondent Banking Due Diligence Questionnaire.

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## FinTech & RegTech Initiatives

In November 2017, the FATF expressed its strong support for responsible financial innovation in line with the FATF Standards and its intention to explore the opportunities

that new financial and regulatory technologies present for improving the effective implementation of measures to combat money laundering and terrorist financing. Various work streams on FinTech and RegTech are currently underway as the FATF considers how its standards apply in this context. The FATF Plenary heard presentations from some of its member countries concerning the FinTech and RegTech initiatives they were implementing. The FATF is also working to improve its understanding of the misuse and potential risks which may be posed by virtual currencies.

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## Outreach to Prosecutorial Services and Criminal Justice Systems

The Argentinean FATF Presidency has made it a priority to enhance engagement with national prosecution services and other experts in criminal justice systems. The FATF President updated the Members on the outcomes of the second workshop with judges and prosecutors, organised in collaboration with FATF-Style Regional Bodies the Asia Pacific Group on Money Laundering and the Eurasian Group and hosted by China. Prosecutors and the judiciary are an important component of efforts to combat money laundering and terrorist financing and this event provided a venue to gather and share experiences and views from practitioners on the challenges and good practices in investigating and prosecuting money laundering and terrorist financing cases, and seizing and confiscating criminal proceeds and instrumentalities. The workshop is the second in a series of events that will contribute to improve the effectiveness of prosecution action against those who abuse the financial system, and to confiscate their criminal proceeds.

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## Forum of the Heads of FATF Financial Intelligence Units

FATF Heads of financial intelligence units discussed how to enhance the effectiveness of suspicious transaction reporting regimes and the quality of financial intelligence.

Participants shared their views on the importance of the autonomy and independence of financial intelligence units and its impact on their strategic and operational work. The private sector plays an important role in detecting and reporting suspicious transactions, and participants discussed the practical/operational considerations in further developing public/private partnerships and the application of IT tools to improve the quality of financial intelligence.

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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/>.

Issued by the FIC on 26 February 2018

**Note to editors:** The Financial Intelligence Centre (FIC) is South Africa's national centre for the gathering, analysis and dissemination of financial intelligence. The FIC was established in 2002 through the promulgation of the Financial Intelligence Centre Act 2001 (38 of 2001) (FIC Act), to identify proceeds of crime, combat money laundering and the financing of terrorism. The FIC reports to the Minister of Finance and to Parliament.

In protecting the financial system, the FIC's primary activities as set out in its founding legislation, are to: process, analyse, interpret and retain information disclosed to and obtained by the FIC; to inform, advise, co-operate with and make its financial intelligence products available to investigating authorities, supervisory bodies, intelligence services, the South African Revenue Service and other competent authorities to facilitate the country's administration and enforcement of law; to supervise and enforce compliance with the FIC Act in affected institutions and by individuals not regulated or supervised by a supervisory body, or where the supervisory body is unable to act; to exchange information with similar bodies in other countries; to monitor and give guidance to accountable and reporting institutions, supervisory bodies and individuals regarding their compliance with the FIC Act; to implement a registration system for all affected institutions and individuals; to annually review the implementation of the FIC Act and to report on this to the Minister of Finance.

The FIC Act establishes a regulatory framework of compliance control measures, which requires certain categories of business (defined as accountable institutions and listed in Schedule 1 to the FIC Act) to take steps regarding: registration with the FIC; client identification, verification and record-keeping; appointment of compliance officers; training employees on compliance; and filing statutory reports with the FIC. The Act also requires all businesses to report suspicious and unusual financial transactions.

Statutory reports submitted to the FIC provide the FIC with the information from which it develops its financial intelligence. This is important for law enforcement, the South African Revenue Service, prosecutors and others to support their investigations and forfeiture processes.

#### KEY STATISTICS FOR 2015/16

180 363	Number of suspicious transaction reports received
9 314 339	Number of cash threshold reports received
34 255	Number of institutions registered with the FIC
R184.6 million	Blocked as suspected proceeds of crime