Paris, 19 October 2018 - FATF President Marshall Billingslea of the United States, chaired the first Plenary meeting of FATF-XXX in Paris on 17-19 October 2018.

The main issues dealt with by this Plenary were:

1. Operations and Streamlining the FATF

- Strengthening the governance and accountability of the FATF
- Status of expansion of membership

2. Major Strategic Initiatives

- Combating the financing of terrorism, including a public statement on FATF Monitoring of Terrorist Financing Risks and Actions Taken to Combat ISIL, Al-Qaeda and Affiliates Financing Public Statement
- Amendments to the FATF Recommendations to address the regulation of virtual assets
- Future work on proliferation financing

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

- Discussion of the mutual evaluation reports of Israel and the United Kingdom.
- Discussion of follow-up reports for the mutual evaluations of Austria, Denmark and Malaysia in which all three countries achieved technical compliance re-ratings
- Identifying jurisdictions with strategic anti-money laundering and countering the financing of terrorism (AML/CFT) deficiencies
    - New jurisdictions subject to monitoring
    - Monitoring Iran’s actions to address deficiencies in its AML/CFT system

4. Other Strategic Initiatives

- Adoption of a report to the G20 Leaders’ Summit
- Adoption of two Risk-Based Approach Guidance papers
    - the Life Insurance Sector
    - the Securities Sector
- Update on FinTech & RegTech Initiatives
- Future work on Digital IDs
- Outcomes of the meeting of the FATF Forum of Heads of Financial Intelligence Units (FIUs), which was held in the margins of the Plenary
- Activities of the FATF Training and Research Institute in Busan, Korea

1. Operations and Streamlining the FATF

Strengthening the governance and accountability of the FATF

FATF Members agreed to strengthen FATF governance and accountability through increasing the engagement of ministers and senior officials of FATF members. This will support a more cohesive view of the various issues related to anti-money laundering and counter terrorist and proliferation financing, provide greater political awareness of the FATF’s work, reinforce member’s commitment to implement effective strong regimes and help direct global resources in more risk-based and results oriented ways.

Status of expansion of membership

The FATF adopted the assessment of the Kingdom of Saudi Arabia’s AML/CFT framework in June 2018. Saudi Arabia will continue the membership accession process to fulfil the requirements to be

granted membership status as set out in the FATF's Membership process and criteria. Saudi Arabia has provided a high-level political commitment to reach the expected results within a reasonable timeframe and prepared an action plan that will be reviewed by FATF.

Following the discussion of Israel's mutual evaluation, the report needs to undergo a quality and consistency review before publication. If Israel's assessment meets the FATF's membership requirement, the country will become an official member of the FATF at the publication of this report. If the country's assessment does not meet the membership criteria then the FATF Plenary will discuss the next steps in the country's membership process in February 2019.

2. Major Strategic Initiatives

Combating the financing of terrorism

During this Plenary meeting, delegates heard an update of the financing methods employed by ISIL, Al Qaeda and affiliates, and released a public statement on the evolution of these terrorist financing strategies since the FATF's 2015 report.

The Plenary also approved a report on disruption of the financial flows on which terrorists rely. Understanding these financial flows is important not only from an investigative standpoint, but also to ensure that authorities are able to take decisive, preventative measures to disrupt terrorist activity before a terrorist attack takes places.

Building on contributions from 33 Members and Observers from across the FATF Global Network, this internal report provides authorities with a toolkit of disruption tools and comprehensive strategies that will assist them to improve domestic CFT actions and identify novel ways in which competent authorities can effectively work together to disrupt TF activity. The report also highlights the need for all countries to remain vigilant in countering TF in any and all forms.

Combating the financing of terrorism remains a top priority for the FATF under the US Presidency, and the Plenary agreed to focus its work on three areas:

- **Implementation**, to ensure that countries can prosecute and convict terrorist financiers, FATF will prioritise work on the effective investigation and prosecution of this crime.
- **Guidance**, to help countries better identify and understand the terrorist financing risks they face so that they can appropriately resource counter terrorist financing efforts.
- **Training**, to build knowledge across the Global Network on terrorist financing risks, asset freezing, information sharing and disrupting terrorist financing.

Amendments to the FATF Recommendations to address the regulation of virtual assets

The FATF Plenary discussed and adopted amendments to the FATF Standards to respond to the increasing use of virtual assets for money laundering and terrorist financing and at the request of the G20 Ministers. This includes an amendment to the FATF Recommendations and glossary to clarify to which businesses and activities the FATF requirements apply in the case of virtual assets. Exchanges and wallet providers will be required to implement AML/CFT controls, and to be licensed or registered and supervised or monitored by national authorities. Strengthening the standards is part of a comprehensive approach that the FATF has developed to prevent the misuse of virtual asset activities for money laundering and terrorist financing.

As a next step, the FATF will update its Guidance to assist countries with the full and effective implementation of these requirements of the FATF Standards. All countries are encouraged to swiftly take the necessary steps to prevent the misuse of virtual assets. Given the speed of innovation, and to ensure that the FATF Standards remain relevant, the FATF will review its standards as they apply to the virtual asset sector in 12 months.

- Statement on regulating virtual assets

Future work on proliferation financing

The FATF has started a project that will consider the feasibility of expanding the FATF Recommendations applicable to proliferation financing as well as enhancing implementation of existing obligations. There is no presumption that the FATF will adopt any amendments to the Recommendations at this time. The project will explore the degree to which there is support for revisions and will develop and consider detailed proposals for amendments in these areas within the framework of FATF and UN mandates. The project will also consider developing best practices on combating proliferation financing, and consider how such best practices can help countries strengthen implementation of the existing FATF requirements.

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

Discussion of the mutual evaluation reports of Israel and the United Kingdom

The Plenary discussed the mutual evaluation reports of Israel and the United Kingdom which set out the level of effectiveness of each country's AML/CFT system and their level of compliance with the FATF Recommendations. 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 country's AML/CFT regime. The mutual evaluation reports are expected to be published by December 2018 after the quality and consistency review, in accordance with procedures.

Discussion of follow-up reports for the mutual evaluations of Austria, Denmark and Malaysia in which all three countries achieved technical compliance re-ratings

The Plenary discussed the progress that Austria, Denmark and Malaysia have made since their mutual evaluation reports were adopted (in 2015 for Austria and Malaysia, and in 2017 for Denmark). All three countries have made progress since the publication of their mutual evaluation report. For each country, the FATF Plenary agreed to re-rate 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 reports which set out the actions that these countries have taken to strengthen the effectiveness of their measures to combat money laundering and the financing of terrorism and proliferation.

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

The FATF maintains its June 2018 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

New Jurisdictions subject to monitoring

FATF has identified the Bahamas, Botswana and Ghana as jurisdictions with strategic AML/CFT deficiencies. Each country has developed an action plan with the FATF to address the most serious deficiencies. The FATF welcomed the high level political commitment of each country to their respective action plans.

Monitoring Iran's actions to address deficiencies in its AML/CFT measures

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 June 2018 to continue the suspension of counter-measures.

In December 2017, Iran established a cash declaration regime. Since June 2018, Iran has enacted amendments to its Counter-Terrorist Financing Act and Parliament has passed amendments to its AML law and bills to ratify the Palermo and TF Conventions. The FATF notes the progress of the legislative efforts. As with any country, the FATF can only consider fully enacted legislation. Once the remaining legislation is fully in force, the FATF will review this alongside existing 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 October 2018, the FATF noted that the following items are still not completed and Iran should fully address its remaining items, including: (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) ensuring the full independence of the Financial Intelligence Unit and requiring the submission of STRs for attempted transactions; (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; (7) ensuring that financial institutions verify that wire transfers contain complete originator and beneficiary information; (8) establishing a broader range of penalties for violations of the ML offense; and (9) ensuring adequate legislation and procedures to provide for confiscation of property of corresponding value.

The FATF decided at its meeting this week to continue the suspension of counter-measures. However, the FATF expresses its disappointment that the majority of the Action Plan remains outstanding and 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. By February 2019, the FATF expects Iran to have brought into force the necessary legislation in line with FATF standards, or the FATF will take further steps to protect against the risks emanating from deficiencies in Iran's AML/CFT regime. 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 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, including obtaining information on the reasons for intended transactions, to business relationships and transactions with natural and legal persons from Iran, consistent with FATF Recommendation 19.

4. Other Strategic Initiatives.

Adoption of a report to the G20 Leaders' Summit

The Plenary discussed the FATF's report to the G20 Leaders. This report sets out FATF's progress, since its last update to G20 in July 2018, on its work programme to respond to the increasing use of virtual assets for money laundering and terrorist financing, including the adoption of revisions to its standards to clarify how they apply to virtual assets.

The report also includes an update on FATF's work to counter the financing of terrorism and proliferation, improve transparency and the availability of beneficial ownership information, FATF engagement with judges and prosecutors, digital identity and de-risking.

Adoption of two 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. The FATF adopted risk-based approach (RBA) guidance for the life insurance and the securities sector. These guidance documents aim to support the implementation of the RBA, taking into account national ML/TF risk assessments and AML/CFT legal and regulatory frameworks. They include specific guidance for the life insurance sector and securities providers as well as their supervisors. The guidance documents were developed in close partnership with the private sector to reflect a more practical approach to RBA.

- Risk-Based Approach Guidance for the Life Insurance Sector *[to be published shortly]*
- Risk-Based Approach Guidance for the Securities Sector *[to be published shortly]*

Update on FinTech & RegTech Initiatives

The Plenary heard an update on FATFs ongoing work concerning FinTech and RegTech, including the outcomes from the joint FATF-EAG FinTech and RegTech Forum which was held in Hangzhou, China on 4-5 September 2018, and presentations by the European Commission and the United Kingdom on their ongoing initiatives in this area.

Future work on Digital Id

The FATF will develop guidance on digital identity. The guidance will consider endorsement by national authorities as a key test for the acceptability of digital ID. It will focus mainly on the reliability and independence features of digital IDs that are not issued on the basis of a process that is agreed, regulated or supervised by a national authority. Further, the guidance will consider and describe potential risks as well as opportunities for their mitigation in the context of digital IDs. The FATF will consider a first draft of this guidance in February with a planned completion of the project in June following further consultation with private sector experts.

Outcomes of the meeting of the FATF Forum of Heads of Financial Intelligence Units (FIUs), which was held in the margins of the Plenary

FATF Heads of FIUs met in the margins of the FATF Plenary to discuss how to enhance the effectiveness of suspicious transaction reporting and the quality of financial intelligence, with participation from private sector participants. The Forum agreed two reports, one addressing how large international financial institutions identify suspicious activity, and the other describing the practical considerations in setting up public-private partnerships. These reports will be disseminated through the FATF Global Network.

The Plenary also agreed that the Forum take on new projects relating to virtual asset risks and effective approaches to detection and analysis, and on enhancing FIU strategic analysis.

Fonte: FATF