



Objectives for FATF XXV (2013-2014) Paper by the incoming President

Main tasks for the FATF in 2013-2014, in line with the Ministerial Mandate of 20 April 2012:

- Promoting and facilitating effective implementation of the revised Recommendations.
- Starting the fourth round of mutual evaluations, including the training for the evaluators on the use of the Methodology.
- Further developing the global network of the FATF in collaboration with the FATF-Style Regional Bodies (FSRBs) and the relevant international organisations, especially assisting the FSRBs in their preparations for the new round of their mutual evaluations.
- Working towards better synergy with the Egmont Group of Financial Intelligence Units.
- Enhancing communication and engagement with the private sector and civil society.
- Continuing assessment of risks and new threats to the integrity of the global financial system.
- Assisting in initiatives concerning Financial Inclusion.
- Further engagement with G20 on the issue of corruption.
- Refining the FATF's organisational and working methods to enhance effectiveness and efficiency.

I. INTRODUCTION

As the incoming FATF President, I present in this document my priorities for 2013-2014 and solicit any views and comments from FATF delegations.

In the past year during the Norwegian presidency the FATF has finalised and adopted the new Methodology for Assessing Technical Compliance with FATF Recommendations and the Effectiveness of AML/CFT Systems and developed plans to train experts and FSRBs' secretariats. The FATF will have to have several training sessions for its own evaluators and those in the FSRBs. For that purpose the Russian presidency proposes to organise a set of joint workshops for the FSRBs Secretariats (we propose to host a joint FATF-MONEYVAL-EAG workshop in Russia).

The Russian presidency will build on what has been started in this area under the Norwegian presidency. The plan for the training of experts has to be fulfilled in order to have the fourth round of mutual evaluations going.

II. FATF RECOMMENDATIONS AND THE FOURTH ROUND OF EVALUATIONS

Implementing the revised Recommendations in an effective and efficient manner is a challenging task for all members of the FATF Global network. The changes require states, to various degrees, to amend legislation and rules, as well as the practical organisation of work in this area. Informing and training in relation to the revised standards and the new Methodology will be important tasks in the year to come. Moreover, it becomes to be vitally important to have a set of assessors within the FATF and other assessing bodies, able to properly apply the new Methodology to ensure consistent and coherent evaluations and mutual evaluation reports. In close co-operation with the FSRBs consideration will need to be given to the various types of training, *e.g.* FSRBs' Secretariat staff, assessors and assessed countries.

Plenary discussion is a very important part in the mutual evaluation process. The fourth round process seems to be more complicated than the previous ones. The Russian presidency proposes to develop a process for having the pre-plenary and plenary discussions of draft mutual evaluation reports more streamlined and addressing the important issues of the draft report. In order to ensure the overall quality and consistency of reports, the FATF will have to develop procedures to work with FSRBs. The involvement of experienced assessors and experts, as well as the procedures for the preparation and discussion of the reports should aim to produce the highest possible quality of mutual evaluation reports of FATF and other assessing bodies.

The revised Recommendations underscore the importance of risk-based approach in the fight against money laundering and terrorist financing. Firstly, this means that countries will have to have effective risk assessment processes in order to identify, assess and understand their money laundering and terrorist financing risks and to ensure that operational, administrative and supervisory resources can be channelled to areas where the risks for money laundering (ML) and terrorist financing (TF) are higher. Secondly, it means that financial institutions and designated non-financial businesses or professions (DNFBPs) will have to make ML and TF risk assessments in relation to different categories of customers, products and countries. Co-operation and co-ordination with the private sector and between components of the private sector is an important element of this work. Practical guidance on how various risk analyses could be carried out will be an important task for the FATF, including practical suggestions that will allow for an appropriate exchange of information between competent authorities and the private sector. In February this year FATF adopted the *Guidance on National Money Laundering and Terrorist Financing Risk Assessment* which is intended to assist in the conduct of risk assessment at the country or national level and help them establish effective risk assessment procedures. The first national risk assessment workshops and discussions that were held in a number of FSRBs demonstrate the need for further work in this area. That work should be done in close co-operation with the World Bank and the IMF which have practical experience in this field. Part of the work should be done together with or aimed at the main stakeholders in the private sector.

Identifying and following up jurisdictions with strategic Anti-Money Laundering / Countering the Financing of Terrorism (AML/CFT) deficiencies is an important role of the FATF. The new Standards and Methodology as well as the beginning of the new round of mutual evaluations mean we need review the methods and procedures in order to reflect the new realities.

With the beginning of the fourth round of mutual evaluations the FATF will end the third round follow-up process and will have to develop a process to work with countries that remained on the regular or expedited follow-up. To that aim the FATF will find the right balance between that process and the new fourth round mutual evaluations.

III. ASSISTING IN INITIATIVES FOR FINANCIAL INCLUSION

The international community, including FATF, is interested in promoting financial inclusion. FATF can add value to financial inclusion initiatives of the UN, G20 and other bodies. Because the main effect of the financial inclusion is to capture sectors of the informal economy that are outside AML/CFT controls, the financial inclusion and AML/CFT measures are mutually reinforcing.

Introduction of the risk-based approach promotes the supply of financial services among low-income sectors of the population that pose a low risk to ML/FT. Moreover, due to decreasing cash circulation and increased transparency, countries can be more successful in fighting ML/FT.

The Russian presidency will encourage the FATF and FSRBs to take into consideration factors related to financial inclusion in the assessment process. Measures which are taken to promote financial inclusion are among the specific factors in assessing the effectiveness of AML/CFT systems. The issues of financial inclusion should become part of national risk assessments. Through these steps financial inclusion will be integrated into FATF work.

FATF will encourage FSRBs to continue to pay specific attention to the financial inclusion issues in their activities. The Russian presidency proposes that these issues be on the agenda of the FATF Global Network Coordination Group.

IV. DEVELOPING THE GLOBAL NETWORK TO COMBAT MONEY LAUNDERING AND FINANCING OF TERRORISM

The overarching goal should be that all jurisdictions have effective and efficient means to combat money laundering and the financing of terrorism and proliferation.

The capacity and the competence of the FATF and the FSRBs are decisive factors for the efficacy of the global network to combat ML and TF. The work of the Task Force on Money Laundering in Central Africa (*Groupe d'Action Contre le Blanchiment d'Argent en Afrique Centrale* [GABAC]) to achieve the status of an FSRB for the central part of Africa is a welcome development. The *High-Level Principles and Objectives for FATF and FATF-Style Regional Bodies* adopted in October 2012 establish the framework for the collaborative activities of the FATF and FSRBs. Through the Global Network Co-ordination Group (GNCG) the continued co-operation in measures to reinforce capacity and capability in FSRBs will be contemplated where need be.

Joint FATF-FSRB plenary meetings and other events were always important for the FATF Global network. This practice seems to have a great impact on the activities of the FSRBs and provides a

serious feedback from FSRB member-countries to the FATF. Now that the resource consuming work on the new Standards and Methodology has come to an end, the Russian presidency proposes to resume this practice on a new level of “real” joint plenaries. This might prove to be especially effective in case of the adoption of mutual evaluation reports of countries that are both FATF and FSRB members. The Russian presidency proposes to have the joint FATF-Eurasian Group (EAG) plenary in June 2014 in Moscow, Russia.

Co-operation with the United Nations, IMF, World Bank and other international organisations is fundamental for the overall work within the international network to fight ML and TF. In relation to preventing and uncovering the laundering of proceeds of corruption, it is important to maintain close co-operation with other international organisations, as well as with the civil society and the private sector.

The FATF should continue to co-ordinate, inter alia, with the Egmont Group of Financial Intelligence Units. It is widely known that Financial Intelligence Units (FIUs), as countries’ key bodies in the AML/CFT sphere, play a prominent role heading the member delegations in many FSRBs, and providing experts for their mutual evaluations. Sometimes FSRBs have meetings of FIUs or Heads of FIUs on the margins of their plenaries. The Russian presidency considers that FATF, FSRBs and the Egmont Group should use this leading position of FIUs in FSRBs to find the right balance between the regional and global components of this work and a mechanism for closer synergy between the FATF and the Egmont Group without any negative effect on the global FIU and AML/CFT system in general.

One aspect of the global AML/CFT covering is far from being solved. That is – the breakaway territories or self-declared or partially declared states or even parts of states where central authorities have limited or no control. These territories remain outside any or almost any monitoring processes. Without any political consequences the issue has to be looked into and a form of interaction should be sought. The FATF would like to see financial institution and DNFBPs in these territories to be obliged to implement AML/CFT Standards with a possibility of obtaining information from those territories.

V. REINFORCING COMMUNICATION AND ENGAGEMENT WITH THE PRIVATE SECTOR AND CIVIL SOCIETY

Financial institutions and other private businesses are in the frontline in detecting money laundering and the financing of terrorism. It is very important that they are well informed about current rules and efficient methods to detect and report suspicious transactions and to conduct risk assessments. The media and the public in general should also have easy access to information about the work of the FATF. The FATF should provide up to date and clear information on its website and use other means as well to ensure that all our stakeholders are fully aware of the FATF’s work and requirements

In the implementation of the revised standards there will be a continuing need for dialogue and consultation with the private sector and representatives of civil society. Private institutions are vital parts in the fight against money laundering and terrorist financing and it is important to maintain and improve efficient measures in close co-operation with the private sector especially in

formulating new guidance and researching typologies. The FATF will convene another Consultative Forum meeting during the year to discuss further work. The FATF will continue its dialogue with the NPOs.

VI. CONTINUOUS ASSESSMENT OF RISK AND NEW THREATS

The FATF will study developments in markets and economies and assess risks and new threats to financial integrity. Assessments of individual countries, co-operation with other international organisations and regular reporting and discussions in working groups and plenary play important roles in this work. Of special importance are general or special typology projects. Strategic surveillance based on questionnaires will both identify topics for further in-depth research projects and generate information that will be useful in future global ML/TF assessment work. The FATF adopted its first Global Money Laundering / Terrorist Financing Assessment in June 2010. We should start discussing on an appropriate moment to launch another, similar global assessment and on how to integrate national risk assessments' results into that work.

After adoption of the second-phase typologies report on corruption in June 2012 and holding the joint workshop with G20 Anti-Corruption Working Group in October 2012 we should start additional consultations with it on further steps in this area. We will continue to co-operate with the IMF and World Bank on that issue. The Russian presidency suggests holding the third meeting of anti-corruption experts of the G20, FATF, and OECD in October 2013 in Paris.

The FATF adopted guidance on financial investigations two years ago. This proved to be a well-accepted paper. This type of approach seems to strengthen a link between FATF policy-making and the work carried out by competent authorities at the national level in combating money laundering and terrorist financing. Work in developing guidance or best practices on other operational issues should be considered, including on financial analysis – as a direct follow-on to the work on financial investigation. Of special interest there will be joint efforts of the FSRBs, World Bank and the Egmont Group on Strategic Analysis for the FIUs. The FATF will take part in those efforts.

As tax crimes have been included as predicate offences for money laundering in the revised Recommendations, it would be useful to build up on the comparison of experiences from some of the countries where tax crimes have been a predicate offence for some time and start a typologies exercise.

With regard to other typologies work, the Russian presidency believes that there is a need for additional emphasis on the ML/TF risks associated with the illicit opiates production and trafficking. The proposal of the Russian delegation approved in February 2013 would have as a primary objective detection of related financial flows crossing the territory of many states, which will require co-ordinated action.

Taking into account the fact that the issue of “shadow banking” is being discussed in different forums it would be useful if the FATF considers this problem to see if it impacts any supervision or operational aspects in the AML/CFT sphere. This should be done in communication with the Financial Stability Board and other players.

VII. REFINE ORGANISATION AND WORKING METHODS

The FATF has significantly developed its organisational and working methods since its creation, and included an increasing number of countries and international organisations as members, associates, and observers. By their Declaration and Mandate of 20 April 2012, Ministers have laid down the foundations for FATF's work for the coming eight years. Within this framework the members themselves are in charge of allocating resources and carrying out the work in an efficient way.

Under the Norwegian presidency the work on the avoidance of duplication and better use of human resources in the work of the FATF has already started. The working group structure and delimitation of competences should help better streamline the work and more actively involve member delegations. To improve the planning process and prepare for the mid-term review of the FATF-mandate in 2016, it will be important that the plenary at regular intervals discuss issues of strategic importance. The plenary agenda should be flexible in order to let members discuss topical issues in the fight against money laundering and terrorist financing. Another aspect that the Steering group should be concerned with and develop proposals to the plenary is a more equal distribution of participation in the FATF work and discussion among members (to avoid the situation when not all delegations participate in formulation of policy matters and all other efforts). That process has been started by the Norwegian presidency in consultation with and with full support of the Russian vice-presidency so the Russian presidency is looking forward to finishing the process and implementing the decisions of the FATF members on this issue.

The FATF is also reviewing its membership policy consisting of two parts: policy towards possible or desirable expansion of membership and updated criteria for membership taking into account the regional and other aspects mentioned in its Mandate. To further strengthen its role the FATF will, during the Russian presidency, update and finalise a membership policy and will decide whether certain countries should be invited to join the FATF. This work will have to be done with regard to keeping the strength of FSRBs, as well as the overall effectiveness of the FATF.

The FATF should rely more and more on the exchange of opinions and proposals through the use of electronic communication which proved to be quite effective. That might take some of the burden from the secretariat and create a possibility for delegations for wider participation in different working groups meetings.

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