



Regulatory Newsflash

Outcome FATF Plenary of 24 February 2017

Introduction

On 24 February the Financial Action Task Force (FATF) published a [statement](#) on the outcome of its plenary meeting in Paris.

Overview

The main issues addressed at the plenary meeting were:

Efforts to combat terrorist financing

Triggered by the recent evolutions in terrorism, a discussion was held on how to strengthen the role of both FATF and FATF-Style Regional Bodies (FSRBs) and on how to ensure that all countries of the FATF Global Network can implement effective measures to prevent, detect and counter all sources and methods of terrorist financing.

The FATF will continue to deepen its knowledge and understanding of IS / ISIL / Da'esh methods to raise, move and use funds, as well as on the methods used to fund their recruitment efforts and the use of new payment products and technologies (including virtual currencies). This knowledge is essential for taking effective actions to disrupt and deprive terrorism financing. Using this knowledge, the FATF has adopted a revision to its Methodology for assessing how countries criminalise terrorist financing.

Transparency and beneficial ownership

The first standards on transparency and beneficial ownership were launched in 2003 and were continuously revised and strengthened ever since. However, the effective implementation of these measures

continues to be a challenge. To further improve the effective implementation, FATF works together with the Global Forum on Transparency and Exchange of Information for Tax Purposes ('Global Forum').

At the recent plenary, the following initiatives have been discussed:

- Undertake a research project to identify the risks and 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. Delegates also discussed a preliminary analysis of the information gathered in the horizontal study on the effective supervision and enforcement of beneficial ownership obligations;
- How to ensure that the FATF and the Global Forums' processes result in consistent and mutual reinforcing recommendations to the assessed countries, while respecting the independent nature of the work carried out by each organization.

The importance of transparency and beneficial ownership is also part of [the proposal for amending the fourth money laundering directive \(AMLD V\)](#). Whereas the fourth AML Directive introduced a register on beneficial ownership, AMLD V proposes to provide public access for essential beneficial ownership information. These measures can also be linked to further tax transparency initiatives such as included in the [Anti-Tax Avoidance Directive](#).

Impact of recent work on de-risking

The FATF will continue to address the issue of de-risking and provide clarification on how the risk-based approach should be applied to the correspondent banking activity. Therefore the FATF will work closely together with the Financial Stability Board (FSB), the Committee on Payments and Market Infrastructures (CPMI), the International Monetary Fund (IMF), the World Bank and other relevant organisations.

Jurisdictions that may pose a risk

The plenary has also revised the list of jurisdictions that may pose a ML/TF risk. The FATF decided not to make changes to the list, but it does rephrase its call for action against North-Korea. Further, the FATF will continue to work with jurisdictions with strategic deficiencies, to get them up to international standards.

The countries posing a risk, are the following: North Korea, Iran, Afghanistan, Bosnia and Herzegovina, Ethiopia, Iraq, Laos, Syria, Uganda, Vanuatu and Yemen. As for Iran, the FATF has welcomed its Action Plan, but will consider it as a risk until the Action Plan has been completed.

Geographical risks are an important element of the Money Laundering / Terrorism Financing Risk Assessments that need to be performed at enterprise level (Enterprise Wide risk Assessment – 'EWRA') as well as at the level of the individual client.

If you are interested in a further discussion on the impact of geographical risks or in a specific training on the management of sanctions and embargoes, you can contact us (contact details – see below).

FinTech and RegTech roundtable

Technology-based innovations are starting to radically change the financial industry. Therefore the FATF is undertaking work to understand the risks and vulnerabilities of new payment products and services, to ensure that AML/CFT measures remain up-to-date as new technologies emerge. The FATF is also building partnerships with the FinTech and RegTech community to become more proactive

in the development of standards, guidance and best practices, anticipating and being involved in these new developments rather than responding to them.

If you are interested in more insights on the impact of FinTech and RegTech on ML/FT risks or the use of new technologies and methodologies to make your AML/CFT processes more efficient, you can contact us (contact details – see below).

Contact

For further information with respect to this subject, please contact [Caroline Veris](#) , [Edwin Somers](#), [Inneke Geyskens-Borgions](#) or [Debbie Van Waes](#).

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