

# Outcomes FATF Plenary, 22-24 February 2023

*Paris, 24 February 2023* - The second Plenary of the FATF under the Presidency of T. Raja Kumar of Singapore concluded today. Delegates from over 200 jurisdictions of the Global Network participated in these discussions at the FATF headquarters in Paris.

One year after the Russian Federation's illegal, unprovoked and unjustified full-scale military invasion of Ukraine the FATF reiterates its deepest sympathies to the people of Ukraine for the needless loss of life and destruction of Ukrainian infrastructure and society.

The Russian Federation's continuing and intensifying war of aggression against Ukraine runs counter to FATF's principles of promoting security, safety and the integrity of the global financial system and the commitment to international cooperation and mutual respect upon which FATF Members have agreed to implement and support the FATF Standards. As a result, the FATF Plenary has today suspended the membership of the Russian Federation.

Following the statements issued since March 2022, the FATF reiterates that all jurisdictions should be vigilant to current and emerging risks from the circumvention of measures taken against the Russian Federation in order to protect the international financial system.

FATF members took important steps to enhance the transparency of beneficial ownership and prevent criminals from hiding illicit activity behind opaque corporate structures. In a major milestone, the FATF agreed on revisions to Recommendation 25 on transparency and beneficial ownership of legal arrangements. Delegates also agreed on new guidance which will help countries and the private sector implement FATF's strengthened requirements on Recommendation 24 on transparency and beneficial ownership of legal persons. Delegates further agreed on an action plan to drive timely global implementation of FATF standards relating to virtual assets (also termed crypto assets) globally, including on the transmission of originator and beneficiary information.

FATF members approved a report on disrupting the financial flows relating to ransomware, and were updated on other ongoing work, including a project on the misuse of citizenship and residency by investment schemes, as well as work to strengthen asset recovery and potential revisions of Recommendations 4 and 38 relating to confiscation and provisional measures and on mutual legal assistance: freezing and confiscation, respectively. The Plenary also agreed on publication of the report on money laundering and terrorist financing in the art and antiquities market. The Plenary also

agreed to undertake new projects on money laundering and terrorist financing related to cyber-enabled fraud and on the use of crowdfunding for terrorist financing.

# Compliance with the FATF Standards

## Mutual Evaluations

The FATF discussed and adopted the mutual evaluation report of Indonesia, an observer to the FATF since June 2018, and Gulf Cooperation Council Member Qatar.

### *Indonesia*

The FATF assessed Indonesia in the context of its request for FATF Membership. The mutual evaluation concluded that Indonesia has a strong legal, regulatory and institutional framework, resulting in robust technical compliance in a number of areas. Indonesia is also achieving good results in fighting terrorist financing, using financial intelligence and domestic and international cooperation, but needs to focus more on pursuing larger scale money launderers and enhancing asset confiscation. Indonesian authorities are called on to improve risk-based supervision of designated non-financial businesses and professions and use effective and dissuasive sanctions in both the financial and non-financial sectors for non-compliance with preventive measures. Indonesia will continue its work to fulfil the FATF's membership requirements.

### *Qatar*

The Plenary also discussed the assessment of Qatar and concluded that Qatar has made a range of improvements to its AML/CFT regime in recent years, and Qatar's technical compliance with the FATF Standards is very strong. Qatar has also taken positive steps to develop a stronger national understanding of money laundering and terrorist financing risks, confiscate criminal assets, supervise the financial and non-financial sector and implement targeted financial sanctions for terrorism financing. Qatar needs to make important improvements in certain areas, including in its law enforcement response to money laundering and terrorism financing in particular and its use of financial intelligence. Qatar should also improve the availability and access to beneficial ownership information by law enforcement and competent authorities and strengthen the implementation of targeted financial sanctions for proliferation financing.

The FATF will publish the Indonesia and Qatar reports by May after the FATF's quality and consistency review is completed.

## **High-risk and other monitored jurisdictions**

### ***Jurisdictions under Increased Monitoring***

Jurisdictions under increased monitoring are actively working with the FATF to address the strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing. When the FATF places a jurisdiction under increased monitoring, it means the country has committed to resolve swiftly the identified strategic deficiencies within agreed timeframes. New jurisdictions subject to increased monitoring are South Africa and Nigeria.

### ***Jurisdictions subject to a call for action***

FATF identifies countries or jurisdictions with serious strategic deficiencies to counter money laundering, terrorist financing, and proliferation financing. These jurisdictions are subject to a call for action to protect the international financial system. No new countries/jurisdictions have been added to this list.

### ***Jurisdictions No longer under Increased Monitoring – Morocco and Cambodia***

The FATF notes Cambodia and Morocco's progress in improving their respective AML/CFT regimes covered by their individual action plans. Each country has addressed its technical deficiencies to meet the commitments of its action plan on strategic deficiencies that the FATF identified in February 2019 and 2021 respectively. Both countries are no longer subject to the FATF's increased monitoring process, but will continue to work with the FATF-style regional body (FSRB) of which they are a member to further strengthen their AML/CFT regimes.

### ***5th Round of FATF Mutual Evaluations***

In preparation for the next round of mutual evaluations that will commence in 2024, FATF delegations agreed on the sequence of countries to be assessed during the first year of the assessment cycle. In March 2022, when the FATF approved the Methodology and Procedures for the 5th round of mutual evaluations, delegates agreed that the 5th Round would take six years. This requires the FATF to assess approximately seven countries each year. The Methodology and Procedures for the 5th round of mutual

evaluations were published in March 2022 but are not yet in effect and remain subject to change until the start of the next round.

The FATF also discussed the preparation by the FSRBs for the next round of mutual evaluations.

## **Strategic initiatives**

### **Beneficial ownership**

The FATF has made it a priority to improve the transparency of beneficial ownership, and to prevent criminals, the corrupt and sanctions evaders from hiding their illegal activities and assets behind anonymous shell companies, other businesses or legal arrangements.

#### ***Beneficial Ownership of legal persons***

In March 2022, the FATF agreed on tougher global beneficial ownership standards by requiring countries to ensure that competent authorities have access to adequate, accurate and up-to-date information on the true owners of companies. As a result, FATF's revised Recommendation 24 requires countries to ensure that beneficial ownership information is held by a public authority or body functioning as a beneficial ownership registry, or an alternative mechanism they will use to enable efficient access.

The FATF Plenary has now finalised a guidance document which will help countries implement the revised requirements of Recommendation 24. This also includes assessing and mitigating the money laundering and terrorist financing risks associated with foreign companies to which their countries are exposed. This guidance is the result of several months of intense consultation with external stakeholders and the private sector to ensure that the guidance is clear and addresses the questions that stakeholders in the public and private sectors may have. The guidance aims to facilitate the implementation of the necessary measures so that shell companies can no longer be a safe haven for illicit proceeds with links to crime or terrorism.

The guidance will be published in March 2023.

#### ***Beneficial Ownership of legal arrangements***

The Plenary also agreed on enhancements to Recommendation 25 on legal arrangements to bring its requirements broadly in line with those for Recommendation 24 on legal persons to ensure a balanced and coherent set of FATF standards on beneficial ownership. In doing so, the FATF sought input from relevant stakeholders, including through a White Paper consultation and a public consultation on proposed

changes. FATF will start working on a guidance document to help countries implement the revised requirements of Recommendation 25.

## **Disrupting the financial flows from ransomware**

The FATF has noted that the scale and number of ransomware attacks has increased significantly in recent years. Criminals are exploiting the latest technologies to develop increasingly powerful tools to carry out their attacks. These attacks target individuals, businesses and government agencies, across the world. They can have a crippling impact on business activity and lead to disruptions of essential infrastructure and services. At the same time, the criminals responsible are getting away undetected with large amounts of money, predominantly using virtual assets. The FATF completed research that analyses the methods that criminals use to carry out their ransomware attacks and how they launder ransom payments. Criminals have easy access to virtual asset service providers around the world and jurisdictions with weak or non-existent AML/CFT controls are of concern. Given the transnational nature of ransomware attacks, it is essential that authorities in each country build on and leverage existing international cooperation mechanisms to successfully tackle the laundering of ransomware payments. Authorities also need to develop the necessary skills and tools to quickly collect key information, trace the nearly instantaneous virtual transactions and recover virtual assets before they dissipate. This means that authorities must extend their collaboration beyond their traditional counterparts to include cyber-security and data protection agencies.

This report will be published in March 2023 and includes a list of risk indicators that can help public and private sector entities identify suspicious activities related to ransomware.

## ***Improving implementation of FATF requirements for virtual assets and virtual asset service providers***

As the report on disrupting the financial flows from ransomware demonstrates, the lack of regulation of virtual assets in many countries creates opportunities that criminals and terrorist financiers exploit. Since the FATF strengthened its Recommendation 15 in October 2018 to address virtual assets and virtual asset service providers, many countries have failed to implement these revised requirements, including the 'travel rule' which requires obtaining, holding and transmitting originator and beneficiary information relating to virtual assets transactions. The Plenary thus agreed on a roadmap to strengthen implementation of FATF Standards on virtual assets and virtual asset service providers, which will include a stocktake of current levels of implementation

across the global network. In the first half of 2024, the FATF will report on steps FATF members and FSRB countries with materially important virtual asset activity have taken to regulate and supervise virtual asset service providers.

## ***Money Laundering and Terrorist Financing in the Art and Antiquities Markets***

The FATF finalised a [report](#) that explores the link between money laundering and art and antiquities. The trade in high value works of art and antiquities can attract criminals who seek to exploit the sector's history of privacy and the use of third-party intermediaries to launder the proceeds from drug trafficking, corruption and other crimes. The report also explores how terrorist groups can use cultural objects from areas where they are active to finance their operations. Many jurisdictions do not have sufficient awareness and understanding of the risks associated with these markets. This results in a lack of investigative resources and expertise, and difficulties with pursuing cross-border investigations. The report includes a list of risk indicators that can help public and private sector entities identify suspicious activities in the art and antiquities markets, and also highlights the importance of rapidly identifying and tracing cultural objects involved in money laundering or terrorist financing. The report includes some good practices that countries have taken to address the challenges they face, including the establishment of specialised units and access to relevant databases and cooperation with experts and archaeologists to help identify, trace, investigate and repatriate cultural objects. This report was published on 27 February 2023.

## ***FATF Vice Presidency (2023-2025)***

The Plenary selected Mr. Jeremy Weil, from Canada to be the next FATF Vice President. He will succeed Ms Elisa de Anda Madrazo from Mexico, who has served in this role since 1 July 2020 and will step down on 30 June 2023. Mr. Weil will hold this position for two years from 1 July 2023. Mr Weil is currently Head of the Canadian delegation to the FATF.