

I.42 Financial Action Task Force (FATF)

Fact sheet

- *Abbreviation:* FATF
- *Web address:* www.fatf-gafi.org
- *Seat:* Paris; the FATF Secretariat is hosted by the Organisation for Economic Co-operation and Development (OECD)
- *Legal status:* the FATF is an intergovernmental body. It operates with periodical mandates (current 2012–2020) to be renewed by the Ministers
- *Founding document:* the foundation of the FATF was formalized with Ministerial letters
- *Membership:* the FATF currently (2015) comprises 35 member jurisdictions and two regional organizations, representing most major financial centers in all parts of the globe. Nine associate members and a number of international bodies with Observer Organizations Status participate as well in the FATF activities
- *Governing authority/bodies:* the President is elected for one year. He chairs the FATF's decision-making body, the FATF Plenary. A Steering Group assists the President
- *Head of institution:* an Executive Secretary appointed by the Plenary, following a proposal of the President, heads the Secretariat of the organization
- *Main bodies:* the Plenary is the decision-making body of the organization, to which five main working groups report
- *Voting rights/voting practice:* a consensus decision-making process is foreseen in the Governance Principles of the FATF and operates in practice usually on a consensus minus two basis
- *Areas of activity:* setting standards and promoting effective implementation of legal, regulatory and operational measures for combating money laundering,

terrorist financing, and the financing of the proliferation of weapons of mass destruction

- *Main legal/policy instruments:* international standards called Recommendations, including related Interpretative Notes and Definitions, as well as Guidance and Best Practices papers. The FATF also publishes Typologies Reports
- *Dispute settlement authority:* none

1. Information about the institution

The FATF is the standard-setter for measures to combat money laundering, terrorist financing, and the financing of the proliferation of weapons of mass destruction. The FATF has elaborated a set of Recommendations that are recognized as the international standard for combating these threats to the integrity of the international financial system. With all countries either members of the FATF or of the associated FATF-style regional bodies, the FATF has a universal impact.

(i) Historical background/origin

The FATF was established during the 15th G-7 1989 Paris Meeting to foster a multilateral approach to fighting money laundering. The FATF Secretariat and Presidency were run during the first two years by the Finance Ministry of France. The Secretariat was moved in 1991 to the OECD premises in accordance with a decision of the OECD Council Meeting taken at the G-7 1991 London Summit. The FATF is legally independent from the OECD, which hosts its Secretariat. It granted the OECD observer status in 2004.

(ii) Organizational structure

The Plenary is chaired by the FATF President. The FATF Secretariat is led by an Executive Secretary who supports the President and operates under his leadership. The main responsibilities of the FATF Secretariat include supporting the activities of the Plenary and of its working groups, facilitating cooperation between FATF and its associate members and observers; as well as managing the records and the communication relating to all decisions and publications. Funding for the FATF Secretariat and other services is provided by the FATF

annual budget to which members contribute. Individual member contributions to the FATF budget are in line with OECD scales.

The members of the FATF are: Argentina, Australia, Austria, Belgium, Brazil, Canada, China, Denmark, European Commission, Finland, France, Germany, Greece, Gulf Cooperation Council, Hong Kong China, Iceland, India, Ireland, Italy, Japan, Republic of Korea, Luxembourg, Malaysia, Mexico, Kingdom of the Netherlands, New Zealand, Norway, Portugal, Russian Federation, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, United Kingdom and United States. The FATF includes nine Associated Members, or FATF-style regional bodies (FSRBs), established for the purpose of disseminating the FATF standards in their respective regions.

(iii) *Goals/tasks*

The goal of the FATF is to develop and refine international standards for combating money laundering and the financing of terrorism and proliferation and responding to new threats to the financial system as well as to promote the global implementation of its standards. The main corresponding tasks of the FATF are: (1) elaborating a set of Recommendations intended to be of universal application, and helping ensure a level playing field. First issued in 1990, the FATF Recommendations are revised regularly to ensure their relevance; (2) identifying and analysing threats to the integrity of the international financial system and publishing regular Typologies Reports to help governments and the private sector address the corresponding risks; (3) assessing and monitoring how well members have implemented the FATF Recommendations through periodical mutual evaluations. Starting with its own members, the FATF monitors countries' progress in implementing the FATF Recommendations; reviews money laundering and terrorist financing techniques and counter-measures; and (4) identifying and engaging with high-risk and non-cooperative jurisdictions, and publishes regularly statements presenting the situation of these jurisdictions.

The tasks of the FATF include reviewing voluntary tax compliance repatriation programs that member jurisdictions envisage, in order to ensure that in the context of such programs FATF Recommendations are also fully complied with.

(iv) *Basic documents/principles*

The 40 FATF Recommendations are a key document fine-tuned over 25 years. The FATF issued its first set of *Forty Recommendations* in 1990, intending them to provide a comprehensive plan of action against money laundering. In 2001, standards to fight terrorist financing were added to the mission of the FATF which issued *Eight Special Recommendations* to deal with this area. In 2012 FATF revised its 40 Recommendations to clarify transparency requirements, to integrate the special Recommendations on terrorist financing and expand to new threats such as the financing of proliferation. The 40 Recommendations are completed with numerous Interpretative notes and Definitions. The FATF issues Guidance and Best Practices papers, too.

Finally, Typologies Reports outline new methods and trends in money laundering and terrorist financing.

(v) *Enforcement methods*

The FATF has set up rigorous compliance mechanisms to ensure global adherence to its standards through a country evaluation and monitoring process. This peer review is called mutual evaluation and implies a specific methodology which has inspired numerous international bodies namely in the bribery and tax areas.

Since 2014, evaluations are based on a new two-part methodology, providing an integrated analysis of the technical compliance with the FATF standards and the level of its effectiveness.

The technical compliance assessment addresses the specific requirements of each of the FATF Recommendations, principally as they relate to the relevant legal and institutional framework of the country, and the powers and procedures of competent authorities. The level of compliance for each Recommendation is rated as: compliant, largely compliant, partially compliant or non-compliant.

The effectiveness assessment measures the extent to which a country achieves a defined set of essential Outcomes to an Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) system and analyses the extent to which the legal and institutional framework is producing the expected results. The level of compliance for each Outcome is

rated as: high-level of effectiveness, substantial level of effectiveness, moderate level of effectiveness or low level of effectiveness.

The Mutual Evaluation Reports and Follow-up Reports are published in order to be available to all the stakeholders and render the evaluation process most effective.

(vi) *Cooperation with other IEL organizations*

As global standard-setter in the fight against money laundering, and the financing of terrorism and proliferation of weapons of mass destruction, FATF works with a large number of international organizations having, among other functions, a mission or function in the area. For that purpose, the numerous international organizations have observer status with the FATF, including: the African, European, Inter-American, and Asian regional development banks, the Basel Committee on Banking Supervision (BCBS), the Commonwealth Secretariat, the Egmont Group of Financial Intelligence Units, the European Central Bank (ECB), Eurojust, Europol, the Group of International Finance Centre Supervisors (GIFCS), the International Association of Insurance Supervisors (IAIS), the International Monetary Fund (IMF), the International Organization of Securities Commissions (IOSCO), Interpol, the Organization of American States and the Inter-American Committee Against Terrorism (OAS/CICTE), the Organization of American States/Inter-American Drug Abuse Control Commission (OAS/CICAD), the Organisation for Economic Co-operation and Development (OECD), the Organization for Security and Co-operation in Europe (OSCE), the Task Force on Money Laundering in Central Africa (GABAC), the United Nations Office on Drugs and Crime (UNODC), the United Nations Counter-Terrorism Committee Executive Directorate (UNCTED), the Analytical Support and Sanctions Monitoring Team to the Security Council Committee pursuant to resolutions 1267 (1999) and 1989 (2011) concerning Al-Qaida and associated individuals and entities, the Expert Group to the Security Council Committee established pursuant to resolution 1540 (2004), the Panel of Experts to the Security Council Committee established pursuant to resolution 1718 (2006), the Panel of Experts established pursuant to Security Council resolution 1929, the Al-Qaida and Taliban Sanctions

Committee (1267 Committee), the World Bank, and the World Customs Organization (WCO). The IMF and World Bank are particularly important to the FATF's work, but the private sector (e.g., the Wolfsberg Group) is also a significant partner.

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Selected References

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