

Money Laundering

UK government and Financial Action Task Force findings

Chapter 5 of the Money Laundering Sourcebook contains rules that require firms to make use of UK government and Financial Action Task Force (FATF) findings on countries and territories whose anti-money-laundering procedures are below internationally accepted standards.

In line with the guidance given in ML 5.1.4, the list of Non-Co-operative Countries and Territories (NCCTs) as of 14 October 2002 is:

- Cook Islands
- Egypt
- Grenada
- Guatemala
- Indonesia
- Myanmar
- Nauru
- Nigeria
- Philippines
- St Vincent and the Grenadines
- Ukraine

On 20 December 2002, the FATF imposed additional countermeasures against the Ukraine due to its failure to enact anti-money-laundering legislation that meets international standards. Member countries may choose to implement one or more of these actions:

- stringent identification requirements;
- enhanced monitoring of transactions because transactions with such countries are more likely to be suspicious;
- taking into account that a bank is from an NCCT when considering requests to set up a subsidiary, branch or representative office in a FATF member country; and
- warning non-financial sector businesses that transactions with entities in an NCCT are more prone to the risk of money laundering.

We, the FSA, will continue to update our website when appropriate to take account of further UK government or FATF announcements¹.

FATF Background

The FATF is an international inter-governmental body whose Secretariat is housed at the Organisation for Economic Co-operation and Development (OECD). Its membership consists of twenty-nine member countries (including the UK)² and two international organisations³. South Africa and Russia are observer countries.

The G7 countries set up the FATF in 1989. This was in response to the growing international drugs problem and to counter the increasing threat posed by organised crime groups and money laundering. The FATF's purpose is to reduce the vulnerability of the international financial system and increase the effectiveness of anti-money-laundering measures and systems throughout the world.

In 1990, the FATF issued a report containing a set of Forty Recommendations, designed for universal application, that provide a comprehensive blueprint of the action needed to fight against money laundering. These Recommendations have been updated to reflect the changes that have occurred in money laundering and to anticipate potential future threats.

Following the tragic events that took place in the United States on 11 September 2001, the FATF has expanded its mission beyond money laundering to combat terrorist financing.

The policy direction and initiatives of the FATF are discussed during Plenary meetings. Discussions cover issues such as the analysis of money laundering trends and countermeasures, monitoring the implementation of anti-money-laundering measures within the FATF, and activities to help set up a world-wide anti-money-laundering network. Decisions are made based on papers prepared by the Secretariat or on written or oral reports from delegations. The decision-making process within the FATF is consensus-based and so all members actively work to reach agreement on the many issues with which they have to deal.

The FATF has called on its members to request their financial institutions to give special attention to businesses and transactions with persons, including companies and financial institutions, in those

1 The next FATF review of NCCTs will take place at its Plenary meeting in February 2003

2 Argentina, Australia, Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong (China), Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, the Kingdom of the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, Turkey, United Kingdom and the United States.

3 The European Commission and the Gulf Co-operation Council.

countries or territories listed as NCCTs in the international fight against money laundering.

FATF member countries are strongly committed to the discipline of multilateral monitoring and peer review. The FATF uses the self-assessment exercise⁴ and the mutual evaluation procedure⁵ to monitor progress made by member countries in implementing the Forty Recommendations.

More information on money laundering issues is available from the following websites:

- [HM Treasury](#)
- [Financial Action Task Force \(FATF\)](#)
- [Joint Money Laundering Steering Group \(JMSLG\)](#)

4 Each member country provides information on the status of its implementation of the Forty Recommendations by responding each year to a standard questionnaire.

5 Each member country's progress is examined in turn by the FATF on the basis of an on-site visit conducted by a team of three or four selected experts from other member countries. Member countries which are found to be not complying with the Forty Recommendations face a graduated approach of enhanced peer pressure to take action to tighten their anti-money-laundering systems:

- requiring the country to deliver a progress report at plenary meetings; then
- the sending of a letter from the FATF President or a high-level mission to the country; then
- the application of Recommendation 21 (highlighting the country as potentially high-risk for money laundering); and finally
- the suspension of the country's FATF membership.