



# **ANNUAL REPORT**

**2020**

**2021**

## ABOUT THE FATF

The Financial Action Task Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction.

The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CFT) standard. For more information about the FATF, please visit [www.fatf-gafi.org](http://www.fatf-gafi.org)

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# ACRONYMS

AML	Anti-money laundering
APG	Asia-Pacific Group on Money Laundering
CFATF	Caribbean Financial Action Task Force
CFT	Countering the financing of terrorism
COVID-19	Corona Virus Disease 2019
Digital ID	Digital Identification
DNFBP	Designated Non-Financial Businesses and Professions
DPRK	Democratic Republic of Korea
EAG	Eurasian Group
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
FATF	Financial Action Task Force
FSRB	FATF-Style Regional Body
FT	Financing of Terrorism
FUA	Follow-Up Assessment
FUR	Follow-Up Report
GABAC	Task Force on Money Laundering in Central Africa
GAFILAT	Financial Action Task Force of Latin America
GIABA	Inter Governmental Action Group against Money Laundering in West Africa
GPFI	Global Partnership for Financial Inclusion
ICRG	International Co-operation Review Group
IMF	International Monetary Fund
ISIL	Islamic State of Iraq and the Levant
MENAFATF	Middle East and North Africa Financial Action Task Force
MONEYVAL	Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
OECD	Organisation for Economic Cooperation and Development
PF	Proliferation Financing
SSB	Standard-Setting Bodies
TF	Terrorist Financing
UN	United Nations
UNSCR	United Nations Security Council Resolutions
VA	Virtual Asset
VASP	Virtual Asset Service Provider
WMD	Weapons of mass destruction

## **DR MARCUS PLEYER**

### **FATF PRESIDENT**

Dr. Marcus Pleyer of Germany assumed the position of President of the FATF on 1 July 2020. Dr. Marcus Pleyer serves as Deputy Director General in Germany's Federal Ministry of Finance with responsibilities for policy development and international engagement pertaining to International Financial Markets (including FSB, G7, G20 matters), Anti-Money Laundering and Counter-Terrorism Financing (AML/CFT), Financial Sanctions Policy, Digital Finance including Payment Services and Cyber Security and national and international development banks.

Dr. Pleyer is the first FATF President with a two-year mandate.



## **MESSAGE FROM THE FATF PRESIDENT**

I am pleased to introduce the annual report of the Financial Action Task Force for 2020-2021, outlining the FATF's achievements under the first year of its German Presidency. This Plenary year, we have continued to face the unprecedented challenges of the COVID-19 pandemic. As millions struggle to cope with its devastating impact, I am proud that the FATF has carried out crucial work, including highlighting how criminals are exploiting the crisis for their own gain and informing governments about how to prevent this.

While most of the FATF's work has been virtual, I am glad to report that the mutual evaluation and follow-up processes have continued in both a hybrid and in-person format. Despite the difficult circumstances, the FATF has continued to prioritise its key work of evaluating countries' ability to combat money laundering and terrorist financing and I pay tribute to all those involved in the reports.

We have completed or reached major milestones for many of the FATF's priorities under the German Presidency, including the publication of two reports analysing the opportunities and challenges of new technologies. It is an exciting time for technology with artificial intelligence, machine learning and big data analytics being developed and deployed in many fields. I truly believe new tech has the potential to be a game-changer in the fight against money laundering and terrorist financing. In the coming years, the two papers will benefit supervisors, financial institutions and technical developers who want to improve effectiveness and efficiency in this area.

The FATF also completed a landmark report into money laundering from environmental crime, which concluded that most countries are failing to assess this area as part of national or money laundering risk assessments. Partly due to this inaction, criminals launder up to USD 281 billion in environmental crimes each year, often through the use of trade-based fraud and shell and front companies. If governments are serious about tackling this growing problem then anti-money laundering authorities need to collaborate with environmental crime investigators, environmental agencies and other non-traditional partners and foreign counterparts.

I am pleased the FATF also concluded a report on ethnically or racially motivated terrorist financing, often referred to as extreme right wing terrorism financing. Few countries have designated extreme right wing groups or individuals as terrorists. This allows them to exploit differences between countries' legal systems to raise funds and organise events. The report included numerous case studies and examples for operational agencies and other stakeholders to learn from.

The FATF's e-learning platform for the Global Network membership has been a great success. The FATF Training Institute in Busan, Korea has completed a number of virtual courses, including with experts from FATF-style regional bodies (FSRBs) GIABA, ESAAMLG, the Eurasian Group and others. The FATF has aimed to enhance cooperation with FSRBs to support and strengthen the Global Network in our common goals. The FATF also continued work on its Strategic Review, to make evaluations more timely, targeted and risk-based.

The second year of the German Presidency will include a focus on improving beneficial ownership transparency. Every year hundreds of billions of dollars are laundered through fake companies and the money is used to facilitate crime. It is clear current beneficial ownership rules are not working. The FATF is reviewing the rules and I hope to see a consensus for a new global standard later this year. We will also focus on money laundering and migrant smuggling, a serious transnational crime that generates significant illicit profits, as well as the real estate sector, art and antiquities and asset recovery.

Dr. Marcus Pleyer  
FATF President

# **PRIORITIES DURING THE GERMAN PRESIDENCY**

1 July 2020 - 30 June 2021

## **COVID-19**

### **THE IMPACT OF THE GLOBAL PANDEMIC ON ANTI-MONEY LAUNDERING AND COUNTER-TERRORIST FINANCING MEASURES**

The COVID-19 pandemic continued to have a profound impact on societies. Criminals were quick to exploit the pandemic, from mounting cases across the globe of counterfeiting of medical goods, investment fraud, adapted cyber-crime scams to exploitation of economic stimulus measures put in place by governments.

At the same time, governments around the world have had to focus their resources on crucial health services and economic recovery

initiatives. It impacted their ability to detect, investigate, prosecute or disrupt money laundering activity.

The FATF President issued a statement in October 2020, to urge jurisdictions to continue to actively identify, assess, and understand how criminals and terrorists can exploit the COVID-19 pandemic. The FATF has also encouraged the use of technology, including FinTech, RegTech and SupTech to the fullest extent possible to ensure the continuation of essential financial services and the payment



of government benefits to vulnerable populations.

In December 2020, the FATF updated its report on *COVID-19 Related Money Laundering and Terrorist Financing Risks*.

The report highlights how the risks have evolved as the pandemic has progressed. These include changing financial behaviours, such as online purchases and bank interactions, and increased financial volatility from millions of job losses, and company closures.

For many countries, the COVID-19 pandemic is now entering a new phase, with some countries preparing a return to normal. This pandemic did not only provide opportunities for criminals. Many governments have

exploited it to reform and make better use of technology.

We need to do the same for AML/CFT through the use of technology and the application of a smart, intelligence-led and risk-based approach. This year, the FATF completed two important reports that set out the opportunities and challenges of new technologies (see page 12).

**SEE ALSO**

**FATF FOCUS ON COVID-19**

[fatf-gafi.org/publications/covid-19/covid-19.html](https://fatf-gafi.org/publications/covid-19/covid-19.html)

**“Ensuring citizens remain safe from harm caused by criminal activity including money laundering and terrorist financing should remain a priority for all governments around the world.”**

**Dr. Marcus Pleyer, FATF President**

## **ENVIRONMENTAL CRIME**

### **TAKING THE PROFIT OUT OF ILLEGAL LOGGING, MINING, WASTE TRAFFICKING AND WILDLIFE TRADE**

The FATF has been focussing on the illegal trade in wildlife, forestry crime, illegal mining and waste trafficking. These crimes generate hundreds of billions annually and are destroying the environment, creating massive health and financial costs, and exacerbating climate change. According to available studies, criminals are making up to USD 152 billion annually from illegal logging alone.

Recognising the far-reaching implications for our planet, the economy, and public health when environmental crimes go unchecked, the German Presidency has sought to expand on FATF's previous work to prevent illegal wildlife trade. The current project focuses on the wider issue of environmental crime and its connections with money laundering (ML) and terrorist financing (TF) risks. The work draws on analysis of the financial flows linked to relevant forms of environmental crime in order to raise awareness of relevant ML/TF risks, and to inform possible further work on potential policy implications.

The first phase of the project from June 2020 primarily sought to take stock of the current methods that criminals use to launder gains from environmental crimes, and to raise awareness among the public, private and civil society sectors on the scale and nature of ML risks from environmental crimes. In June 2021, the FATF published its report on *Money Laundering from Environmental Crime*. The report highlights that:

- All countries of the FATF Global Network should consider money launder risks from environmental crimes. This includes countries without domestic natural resources.
- Countries should strengthen their interagency coordination and operational capacity to pursue financial investigations into environmental crimes. This includes strengthening policy and operational coordination between financial investigators and environmental crime



experts, as well as working with foreign counterparts to share information, and trace and confiscate assets that are moved and held abroad.

- Countries should fully implement the FATF standards as an effective tool to combat money laundering from environmental crime. This includes ensuring AML outreach to relevant intermediaries covered by the FATF Standards, such as dealers in precious metals and stones and trust and company service providers.

**... environmental crimes generate hundreds of billions annually and are destroying the environment, creating massive health and financial costs, and exacerbating climate change.**



Money Laundering from Environmental  
Crime, July 2021  
Available at [www.fatf-gafi.org](http://www.fatf-gafi.org)

The FATF President, Executive Secretary, and Deputy Executive Secretary have raised awareness of this work at high-level events and meetings such as the G20 and G7.

Notably, the FATF President has spoken about the importance of addressing the link between money laundering and environmental crimes in a number of G20 Finance Ministers and Central Bank Governors meetings in 2021. These interventions have contributed to recognition of the FATF's work on combating money laundering and environmental crimes in both G7 and G20 communiqués.

This work has strengthened the FATF's understanding of money laundering risks from illegal logging, illegal mining and waste trafficking. However, it also highlights the fact that there are still considerable knowledge gaps. This especially includes better

understanding the financial flows specific to waste trafficking, due in part to the scarcity of existing money laundering cases for this specific crime. In addition, the outcomes highlight the importance and opportunities for further regulatory and policy work. For example, the FATF will consider whether further clarification is needed on the scope of environmental crimes within the FATF Standards.

Countries must now take action and strengthen financial investigations so that they can become more effective in tackling environmental crime. In the second part of 2021, countries will be reporting back to the FATF on what they have done to strengthen their understanding of wildlife trafficking and tackle its financing.

The FATF President will also host a high-level event in Leipzig in December 2021 with key stakeholders to further raise awareness about money laundering from environmental crime, and how to stop it.



FATF President Marcus Pleyer during his message to the G7, May 2021

**SEE ALSO**

**FATF FOCUS ON ENVIRONMENTAL CRIME**  
including FATF President Marcus Pleyer's message to the G7

[fatf-gafi.org/publications/environmentalcrime/environmental-crime.html](https://fatf-gafi.org/publications/environmentalcrime/environmental-crime.html)

# PUBLIC AND PRIVATE SECTOR ACTION TO TACKLE MONEY LAUNDERING FROM ENVIRONMENTAL CRIME

The FATF Standards already provide a useful framework to help authorities combat laundering from environmental crimes. Combatting financial flows from environmental crime requires an inter-agency response. The private sector also has a crucial role to play in combatting financial flows from environmental crimes. This includes strengthening awareness of key environmental crime threats, and understanding customer profiles, particularly those operating in key resource supply chains.



Money Laundering from Environmental Crime  
- Public and Private Sectors, July 2021  
Available at [www.fatf-gafi.org](http://www.fatf-gafi.org)

## THE FATF STANDARDS



Criminalise money laundering for a range of environmental offences (Recommendations 1)



Identify and assess their money laundering and terrorist financing risks across crime areas, and to take steps to mitigate these risks (Recommendations 1)



Establish a framework for the private sector to be aware of their risks, and report suspicious financial transactions (Recommendations 29-31)



Of particular relevance in the context of environmental crime, these obligations extend to, among others: banks, dealers in precious metals and stones, lawyers and trust and company service providers when carrying out financial transactions. From the law enforcement perspective, countries should have sufficient powers to investigate, trace and confiscate criminal assets across crime areas. (Recommendations 9-23)

## **DIGITAL TRANSFORMATION**

### **EXPLORING THE CHALLENGES AND OPPORTUNITIES OF NEW TECHNOLOGY TO MAKE THE FIGHT AGAINST MONEY LAUNDERING AND TERRORIST FINANCING MORE EFFECTIVE**

Technology is transforming the way we work and live. In many fields, it offers considerable efficiencies and cost savings. Supervisors and operational agencies across the FATF Global Network, as well as the private sector have been incorporating different digital tools to assist their anti-money laundering and counter-terrorist financing (AML/CFT) efforts. Under the German Presidency, the FATF has launched a series of projects to take stock of the landscape, opportunities, and challenges of digital adoption across the FATF Global Network. They also aim to provide guidance to public and private sectors on harnessing the opportunities that technology can offer to enhance AML/CFT efficiency and effectiveness. New technologies for AML/CFT refer to:

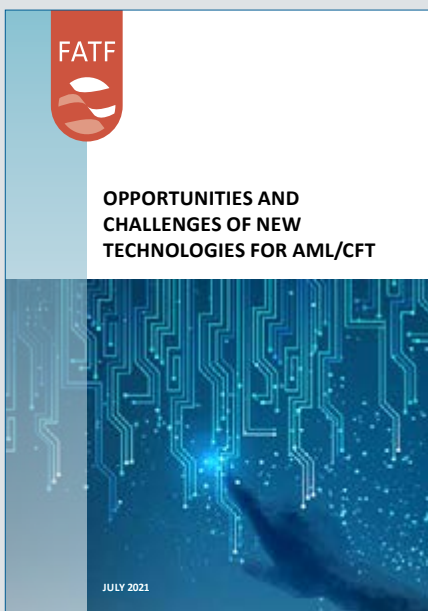
- Innovative skills, methods, and processes that are used to achieve goals relating to the effective implementation of AML/CFT requirements.

- Innovative ways to use established technology-based processes to comply with AML/CFT obligation.

FATF's work focused on the following three distinct areas.

- Opportunities and Challenges of New Technologies
- Data Pooling, Collaborative Analytics and Data Protection
- Digital Transformation of AML/CFT for Operational Agencies - Detection of Suspicious Activities and Analysis of Financial Intelligence

**...when used responsibly and proportionally, the use of technologies can help focus on existing and emerging challenges.**



Opportunities and Challenges of New Technologies for AML/CFT, July 2021  
Available at [www.fatf-gafi.org](http://www.fatf-gafi.org)

## OPPORTUNITIES AND CHALLENGES OF NEW TECHNOLOGIES

This project identified new technologies for AML/CFT in order to raise awareness, further discuss existing and emerging opportunities, and identify any persistent obstacles or challenges to its implementation. The project included the review and analysis of regulatory technology (RegTech) and supervisory technology (SupTech), both of which complement the effectiveness of FATF Standards.

The final report on *Opportunities and Challenges of New Technologies for AML/CFT*, approved by the FATF Plenary in June 2021, found that innovative skills, methods, and processes, as well as innovative ways to use established technology-based processes can help regulators, supervisors and regulated entities overcome many of the identified AML/CFT challenges. The increased use of digital solutions for AML/CFT based on Artificial Intelligence (AI) and its different subsets also help to better identify risks, and better respond to, communicate, and monitor suspicious activity.

However, there are challenges related to the development, adoption and

application of these innovative solutions or practices, which are often due to outstanding regulatory and operational constraints such as legacy regulatory frameworks and systems.

While new technologies for AML/CFT offer great potential, manual review and human input remains very important. The main advantage of innovation for AML/CFT is that, when used responsibly and proportionally, the use of technologies can help focus on existing and emerging challenges.

The development, adoption and implementation of these technologies must reflect threats as well as opportunities, and ensure its use is compatible with international standards of data protection and privacy, and cybersecurity.

**While new technologies for AML/CFT offer great potential, manual review and human input remains very important.**

# SUGGESTED ACTIONS TO SUPPORT THE USE OF NEW TECHNOLOGIES FOR AML/CFT

Based on the findings of the project on identifying opportunities and challenges, FATF member's agreed a set of suggested actions for government authorities to advance the responsible development and use of new technologies for AML/CFT.

These principles advance the San Jose Principle to pursue positive and responsible innovation endorsed by FATF in 2017.



Suggested actions to support the use of new technologies for AML/CFT, July 2021, available at [www.fatf-gafi.org](http://www.fatf-gafi.org)



Create an enabling environment by both government and the private sector for responsible innovation to enhance AML/CFT effectiveness.



Ensure Privacy and Data Protection when implementing new technologies.



Promote AML/CFT innovation which supports financial inclusion by design.



Develop and communicate policies and regulatory approaches to innovation that are flexible, technology-neutral, outcomes-based and in line with the risk-based approach.

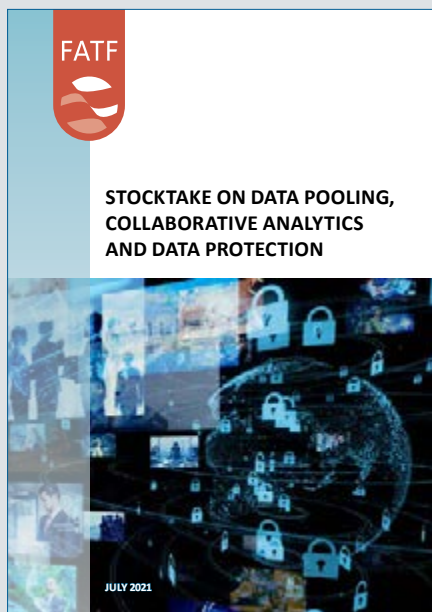


Exercise informed oversight.



Promote and facilitate cooperation.

**AML/CFT and data privacy and protection are both significant public interests that serve important objectives, and they are neither in opposition nor inherently mutually exclusive.**



Stocktake on Data Pooling, Collaborative Analytics and Data Protection, July 2021  
Available at [www.fatf-gafi.org](http://www.fatf-gafi.org)

## **DATA POOLING, COLLABORATIVE ANALYTICS AND DATA PROTECTION**

Plenary approved in June 2021 a stocktake report that examines commercially available and emerging technologies that facilitate advanced AML/CFT analytics within individual regulated entities and collaborative analytics between them.

The *Stocktake on Data Pooling, Collaborative Analytics and Data Protection*, also provides an analysis of the intended objectives, drivers and challenges for the use of these new technologies.

The report finds that new and emerging privacy-enhancing technologies offer promising ways to protect information in specific use cases and in line with national and international data protection and privacy frameworks. Privacy-enhancing technologies rely on a range of different cryptographic tools to enable privacy in various applications.

While there are no technical standards, there is a growing field of research and discussion on this subject, and much work remains to develop standards and open source references that will clarify the specific



use-cases where privacy-enhancing technologies can protect data privacy.

AML/CFT and data privacy and protection are both significant public interests that serve important objectives, and they are neither in opposition nor inherently mutually exclusive. Data protection principles and rules through international and domestic legal instruments aim to protect human rights and fundamental freedoms, notably the right to privacy. The report notes that it is essential that legal regimes facilitate both of these objectives, in order to prevent ML, TF, proliferation financing (PF), and other financial crimes, in a way that respects individuals' fundamental rights to privacy and data protection.



SEE ALSO

**DIGITAL TRANSFORMATION OF AML/CFT**

<https://bit.ly/3CGR75V>

## **DIGITAL TRANSFORMATION OF AML/CFT FOR OPERATIONAL AGENCIES - DETECTION OF SUSPICIOUS ACTIVITIES AND ANALYSIS OF FINANCIAL INTELLIGENCE**

In February 2021, the FATF started a new project to help operational agencies, especially financial intelligence units, to make better use of technology to strengthen their operational capability, effectiveness, and resilience in **detecting suspicious activities and analysing financial intelligence**.

Following a close collaborating between the Egmont Group of Financial Intelligence Units and the FATF, this project identifies examples of how financial intelligence units across the FATF Global Network apply and optimise advanced analytics and other technologies at different

stages of the AML/CFT workflows, and the benefits these initiatives could achieve. Through these examples, the FATF provides guidance to financial intelligence units on how to launch digital transformation initiatives to align with overall national AML/CFT strategies, and how to overcome challenges that may arise during the implementation.

The FATF Plenary and Egmont Group will consider the adoption of this confidential report in October 2021. The findings of this project will also inform the Digital Transformation Conference in Leipzig, in December 2021.

## **DIGITAL TRANSFORMATION OF AML/CFT FOR OPERATIONAL AGENCIES - USE OF TECHNOLOGY FOR ML/TF INVESTIGATION, RISK ANALYSIS, AND INFORMATION EXCHANGE**

In June 2021, the FATF began a new project to explore how law enforcement agencies can leverage technology and advanced analytics to facilitate ML/TF investigation, as well as information exchange within the public sector and with private sector.

Through sharing case examples of specific digital applications across the FATF Global Network, this report will identify how such use can be conducted in an effective, efficient, and a secured manner. This project is scheduled for completion in June 2022.

## **HIGH-LEVEL ROUNDTABLES ON DIGITAL TRANSFORMATION**

These projects build on earlier work by the FATF, including *Guidance on Digital ID*, *Guidance on Virtual Assets*, *Virtual Assets - Red Flag Indicators of Money Laundering and Terrorist Financing*, *Guidance on Private Sector Information Sharing*, and extensive engagement with the private sector through public-private workshops and the FATF Private Sector Consultative Forums (PSCF)

The FATF also hosted two High-Level Roundtables on Digital Transformation in March 2021 for a candid and informed dialogue with key groups, including data protection authorities, financial institutions and technology developers.

## **TACKLING ILLICIT ARMS TRAFFICKING AND TERRORIST FINANCING**

During the first year of its German Presidency, the FATF completed important work to strengthen understanding of the links between arms trafficking and terrorist financing. Terrorist attacks often use illegally trafficked weapons, and the illicit arms trade is a predicate offense for money laundering.

But the impact of this dangerous trade doesn't end there. Illicit arms trafficking also provides a lucrative source of funding for terrorists and terrorist groups. It allows them to strengthen their operations and increases their threat to societies and innocent lives. Illicit arms trafficking is a dangerous crime that fuels conflicts all over the world, including past and current tensions in different regions.

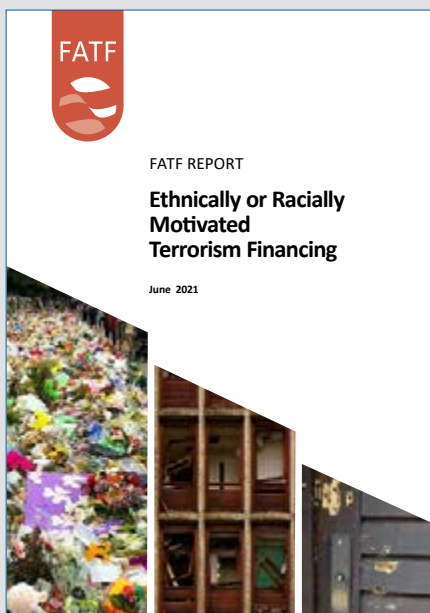
Building on a number of previous initiatives within the FATF Global Network, the FATF completed a confidential report that will raise awareness about this criminal activity, particularly in the context of national risk assessments. The report will help

countries understand the risks they face and strengthen their response to investigate, prosecute and disrupt the financing of terrorist activities using illicit arms trafficking.

A better understanding of this criminal activity will also help achieve one of the UN's Sustainable Development Goals of reducing illicit arms flows.

This confidential report, which includes input from across the Global Network, is available for use by relevant government authorities. Government officials should contact their FATF national contacts for further details.

**Few countries have designated extreme right-wing groups as terrorists.**



Ethnically or Racially Motivated Terrorism Financing, July 2021  
Available at [www.fatf-gafi.org](http://www.fatf-gafi.org)

## ETHNICALLY OR RACIALLY MOTIVATED TERRORISM FINANCING

Ethnically or racially motivated terrorism (EoRMT) is a complex phenomenon that encompasses a wide range of actors. These range from individuals, operating alone, to small and medium organisations, as well as transnational movements which span borders, and sometimes even continents. The increase in EoRMT attacks in recent years tragically highlights the importance of raising awareness and improving understanding in the international community of financial flows and cross-border linkages between these terrorist groups and individuals.

In June 2021, the FATF published a report on the funding behind EoRMTF. The *Ethnically or Racially Motivated Terrorism Financing* report identifies common structural characteristics and patterns, and notes that most extreme right-wing groups obtain funding from legal sources, such as donations, membership fees and commercial activities.

Drawing on inputs from delegations across the FATF Global network, the report also highlights the challenges in tackling EoRMTF and preventing attacks. Few countries have designated extreme right-wing groups as terrorists and there are differences in the countries' legal regimes for addressing the activities of these groups.

This report encourages countries to continue to develop their understanding of EoRMTF, recommending for public, private and international partners to work together to identify threats and exchange best practices on combating this increasingly complex and transnational phenomenon. Committed to addressing this growing threat, the FATF is developing risk indicators to be shared with operational agencies, and will organise a high-level event in late 2021 to raise public awareness of EoRMTF and draw attention to the best ways of countering it.



## UNINTENDED CONSEQUENCES OF THE FATF STANDARDS

**The FATF has also clarified that the implementation of these measures should not disrupt or discourage legitimate non-profit activities.**

Strong and effective measures to combat money laundering and terrorist financing are important. Over the years, the FATF has continuously refined its Standards to make sure they address evolving threats and are in line with the risk-based approach. For example, the FATF has refined its measures to protect NPOs from being abused for terrorist financing.

The FATF has also clarified that the implementation of these measures should not disrupt or discourage legitimate non-profit activities. The FATF has also promoted a proportionate approach in implementation of its standards, in order to avoid contributing to de-risking and financial exclusion.

Despite these efforts, the FATF Standards are sometimes misinterpreted or misapplied in ways that can lead to social, economic and political challenges, resulting in unintended consequences.

In February 2021, the FATF started a new project to study and mitigate these unintended consequences. This work focuses on four key areas.

- De-risking, or the loss or limitation of access to financial services. This practice has affected non-profit organisations (NPOs), money value transfer service providers, and correspondent banking relationships, in particular;
- Financial exclusion, a phenomenon whereby individuals are excluded from the formal financial system and denied access to basic financial services;
- Undue targeting of NPOs through non-implementation of the FATF's risk-based approach;
- The curtailment of human rights (with a focus on due process and procedural rights) stemming from the misuse of the FATF Standards or AML/CFT assessment processes to enact, justify, or implement laws, which may violate rights such as due process or the right to a fair trial.

In June 2021, the FATF discussed these unintended consequences resulting from the misuse of the FATF's Standards. Significant contributions were received from the private sector, civil society, academics and other stakeholders in identifying and analysing these challenges.

The project is ongoing and will continue during the next Plenary year to identify options to mitigate these unintended consequences, in consultation with relevant stakeholders.



## **STRENGTHENING THE GLOBAL NETWORK**

The nine FATF-Style Regional Bodies (FSRBs) oversee most of the world's AML and CFT efforts. They support their member jurisdictions to implement the FATF Standards and assess their members' AML/CFT regime. The FATF President has underlined the importance of enhancing cooperation with the FSRBs with a view to strengthening the Global Network. This has involved three strategic goals: high-level engagement with FSRBs and their members, strengthening capacity to prioritize and address FSRBs internal challenges and increased involvement of FATF members in support activities for FSRBs.

High-level dialogue between the FATF President and FSRBs, including at Ministerial level, contributed to raising awareness on the FATF's work and the importance of AML/CFT issues, and shed light on specific challenges and needs of FSRBs. The participation of the President and of the Vice-President to Ministerial FSRB meetings and Plenary meetings, as well as bilateral and group discussions with FSRB Chairs and Executive Secretaries<sup>1</sup>

highlighted the importance of a global response to ML, terrorist financing (TF) and proliferation financing (PF) and the interest to have strategic discussions about the future of the Global Network. FSRBs have also conducted high-level engagement activities with national/regional authorities, in particular to secure support for the preparation and coordination of mutual evaluations.

In line with the Presidency's priorities, most FSRBs are also taking actions to enhance their internal functioning and ability to promote the implementation of FATF Standards and deliver on their mutual evaluation programme. The FATF has assisted them to target their structural internal challenges by producing tailored roadmaps and monitoring effectiveness improvement plans for priority FSRBs.

Finally, FATF has followed-up on FATF members' commitment to further support FSRBs, especially for the completion of their ME round. New tools and processes have been developed to help FATF members better target their contributions to the Global Network, and specifically to priority FSRBs.

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<sup>1</sup> The FATF President addressed the GAFILAT Plenary in August 2020 and December 2020 (20th anniversary), the Council of Europe Committee of Ministers (MONEYVAL) in September 2020, the Council of Arab Central Banks and Monetary Authorities' Governors (MENAFATF) in September 2020, CFATF Plenary in October 2020 and May 2021, GABAC Ministerial in December 2020, GIABA Plenary and Ministerial (20th anniversary)

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in December 2020. The FATF Vice-President addressed the CFATF Plenary in December 2020. The President also convened two high-level meetings with FSRB Chairs in August 2020 and May 2021 and held a series of bilateral discussions with some FSRB Chairs.

## **FATF ENGAGEMENT WITH OTHER INTERNATIONAL BODIES**

While the FATF remains a technical body, engagements with international fora have resulted in a stronger presence at the political level. The FATF President and Executive Secretary have continued to participate in meetings of the G20 Finance Track and achieve important commitments, as stated in a number of communiqués.

The FATF President participated in the Riyadh Summit in November 2020, where G20 Leaders welcomed the FATF report on so-called stablecoins and reiterated their commitment to strengthen the FATF Global Network.

The G7 echoed their support for the FATF Global Network in their June 2021 statement and committed to provide additional expertise and funding to support the FSRB's assessment programmes.

FATF achieved these commitments by communicating the needs of FSRBs to the G20, and underlining the importance of supporting these bodies in order to strengthen the global AML/CFT system.

As a result of FATF interventions, the G20 communiqués have made explicit references to the relevance of the FATF's work on the digital transformation of AML/CFT and the need to improve virtual assets regulation and supervision.

G20 members have committed to fully implement and strengthen the global standard on beneficial ownership transparency, with the July 2021 communiqué reaffirming G20 support for the revision of Recommendation 24.

**“We commit to provide additional expertise and funding to support the FSRB's assessment programmes by at least US\$17 million and 46 assessors over 2021-24.”**

**G7 Finance Ministers and Central Bank Governors'  
Communiqué, 5 June 2021**



**G20 LEADERS' SUMMIT, NOVEMBER 21 - 22, 2020**



Participants at the G20 Leaders' Summit, including FATF President Dr Marcus Pleyer (bottom row, far left)

The communiqué also includes recognition of the FATF's work on money laundering risks resulting from environmental crimes.

FATF continues to engage with the G20 Anti-Corruption Working Group (ACWG), which recognises the importance of FATF standards to combat money laundering and as a basis for international efforts to tackle corruption.

In March 2021, FATF and the G20 ACWG hosted a joint meeting on beneficial ownership transparency and asset recovery, which demonstrated the high level of interest in improving beneficial ownership transparency across sectors, and the need for a multilateral approach to tackling concealment of beneficial ownership.

## **STRATEGIC REVIEW**

After three decades of operation, the FATF received an open-ended mandate at its 2019 Ministerial meeting. That same year, the FATF launched a strategic review of its assessment procedures, to ensure that the next cycle of mutual evaluations results in jurisdictions taking effective measures to mitigate, prevent and prosecute money laundering and terrorist financing.

The strategic review is focusing on three core areas:

- the components, scope and timing of the mutual evaluation process, including how to select jurisdictions, scope evaluations, and how ML/TF risks should feed into the assessment process;
- the FATF International Cooperation Review Group process and follow-ups; and
- the FATF Methodology.

Despite the COVID-19 pandemic which prevented the members of the Ad Hoc Group on the Strategic Review (AGSR) from holding regular, face-to-face meetings, the AGSR was able to advance in these key areas. Delegates agreed on the underlying principles to strengthen each of these core areas. The AGSR is now moving into the next stage of this review, and work on formulating detailed proposals, including on the sequence of mutual evaluations across the global network, the follow-up and ICRG procedures and cross-cutting issues such as the unintended consequences and data collection.

The results of the Strategic Review will shape the next round of mutual evaluations, and will be presented to the FATF Ministerial in 2021.

## UPCOMING LANDMARK TOPICS DURING THE GERMAN PRESIDENCY

1 July 2021 - 30 June 2022

### BENEFICIAL OWNERSHIP

Complex corporate structures such as foundations and partnerships with limited liability continue to enable criminals to hide their identity and their illicit profits. They provide an effective way for criminals to hide their illicit activities, from drug trade, human trafficking to bribery, corruption and misappropriation of public funds, and launder the proceeds.

The FATF first introduced a global standard in 2003 to prevent the concealment of company beneficial ownership information to launder funds. Almost two decades have passed since then. During this time we have seen governments commit to the full and effective implementation of the FATF Standards, including the

requirement to make up-to-date beneficial ownership information available. However, despite these public commitments, the country assessments demonstrate the disappointing results of what is happening in practice. They show that only one-third of countries have implemented the FATF's measures in their national laws and regulations. Only 10% of the assessed countries are taking effective action in improving transparency of corporate structures.

This has allowed widespread misuse of company and trust ownership to grow. It has resulted in elaborate networks of anonymous shell companies and trusts where criminals, corrupt officials and rogue states can launder the proceeds of crime and corruption.

## UPCOMING LANDMARK TOPICS DURING THE GERMAN PRESIDENCY

The FATF is considering strengthening its standards on transparency and beneficial ownership of legal persons (Recommendation 24). This work aims to ensure greater transparency about the ultimate ownership and control of companies and legal persons. It will also provide financial intelligence units, law enforcement and other competent authorities timely and efficient access to adequate, accurate and up-to-date information about the beneficial owner of companies and other legal persons.

In June 2021, the FATF issued a white paper for public consultation, which highlighted a number of areas for potential changes. In particular, the FATF is implementing a multi-pronged

approach for countries to collect and share beneficial ownership information, and is exploring the benefits of using a registry approach to hold beneficial ownership information. Potential changes also include whether countries need to understand and manage the risk posed by all types of legal persons, including those created abroad. Besides, the FATF is considering how to ensure that beneficial ownership information is up-to-date and who should access it.

The FATF will discuss potential revisions to the text of its standard on transparency of beneficial ownership information at its October 2021 meeting.



## SMUGGLING OF MIGRANTS

Migrant smuggling is a transnational organised crime that continues to generate significant revenue for criminal networks, at a terrible human cost.

Thousands, often the most vulnerable individuals in search of a better life or simply to survive, die on perilous journeys, or fall into the hands of

criminal smugglers. There is also evidence that terrorist organisations are exploiting smuggling networks to fund and support their activities. FATF's ISIL, Al-Qaeda and Affiliate updates find that terrorist groups have relied on human smuggling activities to generate proceeds. Similarly, terrorist supporters have relied on migrant smuggling networks to travel to and from conflict zones.

Since the FATF last researched the money laundering and terrorist financing risks from migrant smuggling in 2011, there have been significant changes in the risk environment. Under its German Presidency, the FATF has made it a priority to focus on financial flows and ML/TF linked to migrant smuggling networks and their transnational routes. This project, which is expected to be completed in June 2022, will help countries and the private sector understand how

criminals and terrorist benefit from the smuggling of migrants so that they can align their national and institutional controls and strategies. Laundering from migrant smuggling is a global issue, which impacts most countries in the world. FATF's work will complement other high-level initiatives to address migrant smuggling, such as the 2023 UN Sustainable Development Goals (SDG 10) on reducing inequality and target 10.7 on facilitating orderly, safe, regular and responsible migration.



The driver behind most crimes, is money. By removing its financial reward, authorities can take away the incentives for criminal activity and compensate the victims of crime. Asset recovery is one of the most effective actions against money laundering and terrorist financing. It disrupts criminal activity, protects our society and strengthens trust in a fair society and rule of law.

While asset recovery is at the heart of the FATF's mandate, the current cycle of mutual evaluations shows that most countries are not effectively

confiscating the proceeds of crime. The majority of assessed countries are achieving only a low or moderate rating on the recovery of criminal proceeds and instrumentalities (IO8).

This year, the FATF finalised a report for government authorities that analyses the key obstacles to asset recovery and how to overcome them.

At its October 2021 meeting the FATF will discuss potential follow-up to improve asset recovery in the global network.



**THE USE OF ART AND ANTIQUITIES FOR MONEY  
LAUNDERING AND TERRORIST FINANCING**

Of the approximate USD 67.4 billion global art market, UNODC estimates that as much as USD 6.3 billion are linked to some form of transnational crime. Money laundering and other financial crimes account for approximately USD 3 billion.

The art market presents the ideal properties to make it attractive to launder proceeds of crime. There is a veil of secrecy on transactions in the art market: there is no stable or predictable pricing, buyers and sellers often seek to maintain their privacy, relying on intermediaries and shell companies. The goods can be easily transported, but are harder for law enforcement to trace.

Separately, terrorist groups have plundered and sold cultural heritage items and artefacts from conflicts zones. The proceeds have helped strengthen their capability to carry out terrorist attacks and recruitment efforts.

The FATF has started a project to help countries, competent authorities and the private sector, better understand how criminals and terrorists can abuse trade in art, antiquities, and cultural property and develop best practices and recommendations to mitigate these risks.

The FATF expects to complete this project in June 2022.



# **ONGOING WORK**

1 July 2020 - 30 June 2021

## RISKS, TRENDS AND METHODS

As countries implement the FATF Standards, they become more effective in detecting, investigating, prosecuting and preventing financial crime.

Criminals and terrorists continuously explore new ways to raise and move funds while avoiding detection.

FATF's research into existing or emerging money laundering and terrorist financing trends and methods will help countries better understand the risks they are exposed to. Once these risks are properly understood, countries will be able to implement anti-money laundering and counter terrorist financing measures that mitigate these risks.

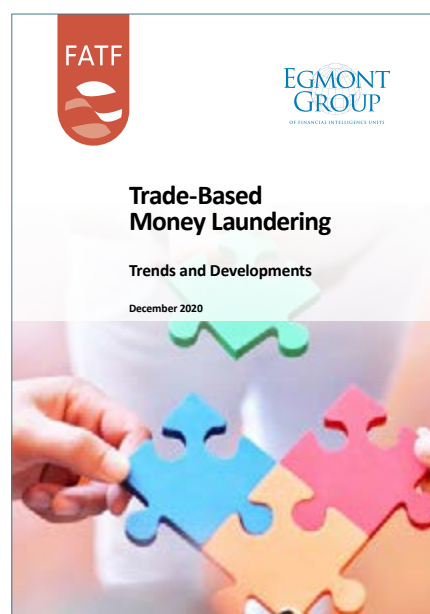
## TRADE-BASED MONEY LAUNDERING

Trade-based money laundering (TBML) is one of the most frequently used methods of money laundering. It is also one of the most difficult methods to detect. TBML is hidden among the trillions of dollars of international trade each year. It often involves criminals falsifying trade documents to disguise illicit proceeds as seemingly legitimate revenue. In December 2020, the FATF and Egmont Group of Financial Intelligence Units finalised a report that aims to help public and private sector with the challenges of detecting TBML.

Using numerous case studies from around the FATF's Global Network, it explains the ways in which criminals exploit trade transactions to move money, rather than goods. It explains the most common methods used, such as over-invoicing, under-invoicing and phantom shipments.

The *Trade-Based Money Laundering - Trends and Developments* report also highlights the actions that countries can take to detect and stop TBML. These include better private-public

**Trade-based money laundering is hidden among the trillions of dollars of international trade each year**



Trade-Based Money Laundering - Trends and Developments, December 2020  
Available at [www.fatf-gafi.org](http://www.fatf-gafi.org)

### SEE ALSO

#### METHODS AND TRENDS

[fatf-gafi.org/publications/methodsandtrends/](http://fatf-gafi.org/publications/methodsandtrends/)

## ONGOING WORK

Risks, Trends and Methods



Clockwise from bottom right: FATF President Marcus Pleyer, Zhen Cai, FIU Germany, Kevin Neue, HM Revenue and Customs and Egmont Co-chair Hennie Verbeek-Kusters, during the launch of the Trade-Based Money Laundering report on 9 December 2020.

### WATCH

The press conference and the **Webinar on Trade-Based Money Laundering** on 24 March 2021 at [www.youtube.com/user/TheFATF](https://www.youtube.com/user/TheFATF)



Trade-Based Money Laundering - Risk Indicators, March 2021  
Available at [www.fatf-gafi.org](http://www.fatf-gafi.org)

partnerships and communication, to build an understanding of how these schemes work and how the trade data that is held by shipping companies and import agencies can help detect suspicious activity.

During the report launch press conference on 9 December, FATF President Marcus Pleyer emphasised that countries need to recognise the importance of this issue. Tackling TBML entails removing the economic motives for serious crime, drugs and arms trafficking, environmental crime and much more. If countries take action, it can make money laundering through trade too risky, too complicated, and ultimately unprofitable.

Following up on the report, the FATF and Egmont Group issued additional key indicators in March 2021 to help authorities and the private sector identify possible TBML.

Alongside this, the FATF organised a public webinar in March 2021 with experts with various professional backgrounds. Representing both public and private sector, they shared their experience and discussed challenges they faced with countering this threat.

Almost 2 000 participants took part in this event, which was aimed at experts with practical experience in tackling TBML, e.g. law enforcement officers, financial intelligence unit analysts, customs services officers, and compliance officers of financial institutions and non-financial professions, and businesses.

## VIRTUAL ASSETS

The FATF published a second red flag indicators report, focusing on suspicious transactions using virtual assets. The technology behind virtual assets has many potential benefits, including making payments faster and cheaper. But the anonymity associated with them also attracts criminals, who have used virtual assets to launder proceeds from a range of offences such as the drugs trade, illegal arms smuggling, fraud, tax evasion, cyber-attacks, sanctions evasion, child exploitation and human trafficking.

The FATF report will help virtual asset service providers, financial institutions, and designated non-financial businesses and professions, detect and report suspicious transactions.

See page 43 for more information.

### SEE ALSO

#### **FATF FOCUS ON VIRTUAL ASSETS**

[fatf-gafi.org/publications/virtualassets/documents/virtual-assets.html](https://fatf-gafi.org/publications/virtualassets/documents/virtual-assets.html)

## **VIRTUAL JOINT EXPERTS' MEETING**

This year's Joint Experts' Meeting brought together over 400 participants from 95 jurisdictions across the FATF Global Network for a series of virtual meetings from 23 to 26 November 2020.

The annual meeting provides an important opportunity for operational experts, including private sector and civil society, to deliberate high-level strategic issues and provide input into FATF's ongoing work and to discuss emerging money laundering and terrorist financing risks, and cooperation issues. In November, participants shared insights on the emerging risk landscape and how to promote timely and seamless cooperation in cross-border money laundering investigations.

Additionally, participants developed ideas for the projects on Money Laundering and Digital Transformation, Environmental Crime, Financing of Ethnically or Racially Motivated Terrorism, and Illicit Arms Trafficking and Terrorist Financing, which have all been subsequently finalised.



400 participants participated in the November 2020 Virtual Joint Experts meeting, from 23 to 26 November 2020.

## TERRORIST FINANCING

In addition to its focus on ethnically and racially motivated terrorist financing (see page 21), the FATF also issued a confidential report that aims to improve terrorist financing investigations and prosecutions. Many countries have major or fundamental weaknesses in investigating or prosecuting terrorist financing, even though this is a fundamental part of any effective CFT regime. This is echoed in United Nations Security Council Resolution 2462 (2019), which calls for more effective investigation and prosecution of terrorism financing.

The FATF guidance will help national authorities improve the effectiveness of their legal actions against terrorist financing. It covers detection, investigative strategies for common types of terrorist financing activity, proving intent and knowledge, and confiscation of assets as a tool to disrupt terrorist financing.

### SEE ALSO

#### TERRORIST FINANCING

[fatf-gafi.org/publications/fatfgeneral/documents/terroristfinancing.html](https://fatf-gafi.org/publications/fatfgeneral/documents/terroristfinancing.html)

## SETTING THE INTERNATIONAL STANDARDS

The FATF continuously refines and strengthens its Recommendations to respond to the evolving money threats to the financial system.

This work ensures that these international standards remain powerful and effective tools to take the profit out of crime and disrupt the financial flows that drive terrorism and the proliferation of weapons of mass destruction.



## PROLIFERATION FINANCING

The FATF completed work to strengthen the international standards to counter the financing of proliferation of weapons of mass destruction, a serious threat to international peace and security. In June 2019, the Plenary agreed to pursue further work on strengthening FATF Standards for counter proliferation measures. At the same time, the G20 in Fukuoka called on the FATF to strengthen the global response to proliferation financing.

Following a public consultation in June 2020, the FATF finalised revisions to its standards that require countries and the private sector to identify, and assess the risks of potential breaches, non-implementation or evasion of the targeted financial sanctions related to proliferation financing. The revisions also require them to take action to mitigate these risks, and to enhance domestic co-ordination. The new requirements seek to

ensure that financial institutions, designated non-financial institutions and virtual asset service providers are aware of the risks involved in their businesses and professions, and do not unwittingly support or become part of the proliferation financing networks or schemes. The revised standards require countries and the private sector to allocate appropriate resources to their counter proliferation financing efforts, in line with the level of risks they face.

The FATF encourages countries to implement the new requirements in a manner that is consistent with financial inclusion goals and apply measures that are proportionate to the risks. Ensuring that financially excluded or under-served groups have access to regulated financial or non-financial services without compromising the AML/CFT/CPF measures is a key policy priority.

### SEE ALSO

#### FATF RECOMMENDATIONS

[www.fatf-gafi.org/publications/fatfrecommendations](http://www.fatf-gafi.org/publications/fatfrecommendations)



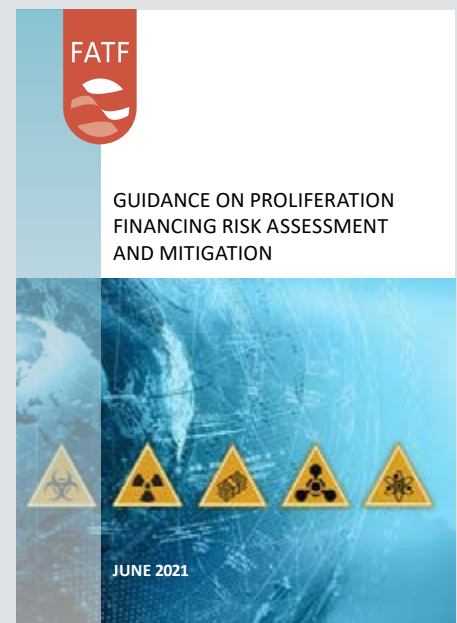
In June 2021, the FATF finalised *Guidance on Proliferation Financing Risk Assessment and Mitigation*, to help countries, financial institutions, designated financial institutions and virtual asset service providers effectively implement the new mandatory FATF requirements. The guidance reflects input from a public consultation in March 2021. It explains how both public and private sectors should assess the proliferation financing risks they face, and how they can mitigate the risks they identify. The Guidance emphasises the need for supervisors, financial institutions, DNFBPs and VASPs to apply the new obligations in a manner that is proportionate to the risks identified.

The FATF expects all countries and the private sector to implement these revised Standards, noting that it will take time to put the necessary domestic measures in place. The FATF will assess compliance with the new requirements at the start of the next (fifth) round of mutual evaluations.

SEE ALSO

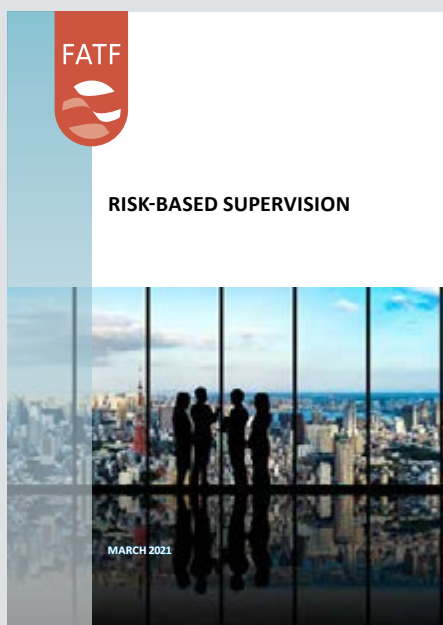
**PROLIFERATION FINANCING**

[www.fatf-gafi.org/publications/proliferationfinancing](http://www.fatf-gafi.org/publications/proliferationfinancing)



Guidance on Proliferation Financing Risk  
Assessment and Mitigation  
June 2021  
Available at [www.fatf-gafi.org](http://www.fatf-gafi.org)

**transitioning from  
rules-based supervision  
to risk-based  
supervision takes time  
and can be challenging**



Guidance on Risk-Based Supervision  
March 2021  
Available at [www.fatf-gafi.org](http://www.fatf-gafi.org)

## RISK-BASED SUPERVISION

Preventing money laundering or terrorist financing is more effective in protecting communities from harm than pursuing prosecution after the crime has occurred. Supervisors play a crucial role in preventing criminals or terrorists from moving funds through the financial system.

In March, 2021, the FATF published *Risk-Based Supervision* guidance to help supervisors assess risks in the sectors they oversee and adapt their resources to the areas where the risks are highest.

The FATF's assessments demonstrate that transitioning from rules-based supervision to risk-based supervision takes time and can be challenging. It requires a change in supervisory culture.

Supervisors need to work across government and with the private sector to develop an in-depth understanding of the risks that their regulated entities face. This is important because every business operates differently and faces different risks.

Supervisors need to have appropriate powers, skills and resources as well as political and organisational support. They need to continuously update their understanding of risk and adjust and improve their supervisory approach.

## ONGOING WORK

### Setting the International Standards



Clockwise from bottom right: Valery Tay, Monetary Authority Singapore; Christopher Calabia, Gates Foundation; Hamish Armstrong, Jersey Financial Services Commission; John Cusack, GCFCC; Philippe Bertho, ACPR and Shana Krishnan, FATF Secretariat during the Risk-Based Supervision Webinar on 6 May 2021

#### WATCH

The **Webinar on Risk-Based Supervision** at  
[www.youtube.com/user/TheFATF](https://www.youtube.com/user/TheFATF)

Ultimately, a risk-based approach is less burdensome on lower risk sectors or activities, which is critical for maintaining or increasing financial inclusion.

The guidance builds on work carried out under the Chinese presidency of the FATF (2019-2020) and incorporates extensive input from across the FATF Global Network, and informal consultation with private sector representative bodies and financial inclusion stakeholders.

The authors of the guidance, as well as representatives from the private sector and the financial inclusion community, took part in a successful webinar on risk-based supervision in May 2021. They discussed their experience in assessing risks and applying that understanding to prioritise supervisors' day-to-day work.

The risk-based approach will make supervisors efforts to detect and prevent the financial flows that fuel crime and terrorism more effective.

## VIRTUAL ASSETS

Cryptocurrency, or virtual assets, are rapidly gaining in popularity, edging closer to mainstream adoption. They promise cheaper, more efficient and more accessible payments, and offer potential for financial inclusion. But they are equally appealing to criminals and terrorists looking to move funds in complete anonymity. The FATF has seen cases of money laundering and terrorist financing using virtual assets.

The FATF has made it a priority to ensure that virtual assets do not become a virtual safe haven for the financial flows that fuel crime and terrorism. In September 2020, the FATF finalised a report on Virtual Assets: Red flag indicators of Money Laundering and Terrorist Financing that will help private sector detect and report suspicious transactions using virtual assets. It highlights the most important red flag indicators that could suggest criminal behaviour:

- Technological features that increase anonymity - such as the use of peer-to-peer exchanges websites, mixing or tumbling services or anonymity-enhanced cryptocurrencies
- Geographical risks - criminals can exploit countries with weak, or absent, national measures for virtual assets



Virtual Assets - Red Flag Indicators of Money Laundering and Terrorist Financing, September 2020  
Available at [www.fatf-gafi.org](http://www.fatf-gafi.org)

- Transaction patterns - that are irregular, unusual or uncommon which can suggest criminal activity
- Transaction size – if the amount and frequency has no logical business explanation
- Sender or recipient profiles - unusual behaviour can suggest criminal activity
- Source of funds or wealth - which can relate to criminal activity

This report will also help financial intelligence units, law enforcement agencies, prosecutors and regulators analyse suspicious transaction reports or monitor compliance with anti-money laundering and counter-terrorist financing controls.

This year, the FATF also initiated work to revise its guidance on the implementation of the risk-based approach to virtual assets and virtual asset service providers, originally published in June 2019. The revisions to the guidance will help maintain a level playing field for VASPs, based on the financial services they provide in line with existing standards applicable to financial institutions and other AML/CFT-obliged entities. The revisions aim to minimize the opportunity for regulatory arbitrage between sectors and countries.

The proposed revisions aim to clarify the definitions of VA and VASP to ensure that financial assets are always covered by the FATF Standards (either as a VA or as a traditional financial

asset). The revised guidance will also provide guidance on applying the FATF’s requirements to so-called stablecoins, on peer-to-peer transactions, and on the licensing and registration of VASPs. It will also provide additional guidance for the public and private sectors on the implementation of the ‘travel rule’ and include Principles of Information-Sharing and Co-operation Amongst VASP Supervisors. The FATF will finalise the Guidance on virtual assets and VASPs in October 2021.

The FATF also closely monitors how countries and private sector are implementing the FATF’s requirements on virtual assets, including ‘so-called stablecoins’. In June 2020, the FATF completed a review of the implementation of its revised Standards on virtual assets and virtual asset service providers, 12 months after the FATF finalized these amendments. The June 2019 revisions to the FATF Standards clearly placed AML/CFT requirements on virtual assets and virtual asset service providers. As the virtual asset sector is fast-moving and technologically dynamic, the FATF agreed to continue its focus on virtual assets and undertake a second 12-month review of the implementation of the revised FATF Standards on virtual assets and VASPs by June 2021.

FATF President Marcus Pleyer urged G20 countries at the October 2020 G20 Finance Ministers and Central Bank Governors meeting to lead by example by implementing our standards, and spurring other countries into action. G20 Leaders acknowledged the significant benefits of responsible

technological innovations but stated that “no so-called ‘global stablecoins’ should commence operation until all relevant legal, regulatory and oversight requirements are adequately addressed through appropriate design and by adhering to applicable standards.”

In June 2021, the FATF completed the *Second 12-Month Review of Revised FATF Standards - Virtual Assets and Virtual Asset Service Providers*. The report finds that while there is progress, fifty-eight out of 128 reporting jurisdictions advised that they have now implemented the revised FATF Standards, the other 70 jurisdictions have not yet taken any action.

Two years ago, when the FATF finalised its revisions, there was a significant focus on the technological and compliance challenges associated with the ‘travel rule’. The travel rule requires virtual asset service providers to securely and confidentially transmit customer information when sending a payment to another virtual asset service provider. Since then, there has been progress in the development of technological solutions, but most jurisdictions are not yet implementing the travel rule requirements. This discourages private sector and VASPs in particular, to invest in the necessary technology solutions and compliance infrastructure to comply with the ‘travel rule’.

These gaps in implementation leave loopholes for regulatory arbitrage that criminals can exploit. Without a global response by all jurisdictions VASPs can move quickly between jurisdictions.



Second 12-Month Review of the Revised Standards on Virtual Assets and Virtual Asset Service Providers  
Available at [www.fatf-gafi.org](http://www.fatf-gafi.org)



## **MUTUAL EVALUATIONS**

All member countries of the FATF Global Network have committed to implementing the FATF Recommendations.

The Mutual Evaluation process involves extensive peer reviews that assess countries on their compliance with the Recommendations and the strength of their AML/CFT systems. These reviews result in Mutual Evaluation Reports (MERs) that identify a country's strengths and areas for improvement, as well as priority actions for the country to enhance its AML/CFT measures. Countries receive ratings on technical compliance with each of the 40 Recommendations and effectiveness in key areas categorised under 11 Immediate Outcomes (the expected results).



As a peer review process, a mutual evaluation assessment team consists of experts from member countries representing legal, financial, law enforcement and other relevant backgrounds. Their first step is to understand the risks of money laundering and terrorist financing that the country faces and the context of the country, taking into account a range of factors from geographic location to the size and diversity of its financial sector, its criminal activity and its exposure to international flows of illicit money.

This is a crucial step because each country is unique in its risks and context. The team assesses a country's Technical Compliance (TC) with the FATF Recommendations to ensure that the country has laws and regulations in place to prevent criminals and terrorists from misusing the financial system, and that the country detects and punishes those that do or attempt to do so. The assessment team follows this analysis with an on-site visit to assess the implementation of the laws and regulations and to determine the extent to which the country's actions achieve the outcomes expected of an effective system.

This year, the COVID-19 pandemic heavily impacted the FATF's mutual evaluation schedule. Restrictions related to COVID-19, including lockdowns, quarantines and travel restrictions, prevented stakeholders from actively participating in the mutual evaluation processes. Under these conditions, and to avoid any potential impact on the quality of its mutual evaluation reports, the FATF paused its assessment programme temporarily and eventually postponed several mutual evaluations until there is more certainty surrounding the COVID situation.

Despite these challenges, the FATF was able to publish one mutual evaluation report this year: New Zealand (jointly with APG). New Zealand was the first FATF assessment to be discussed and adopted at a virtual Plenary in February 2021. The Japan and South Africa reports followed with virtual discussions and adoption in June 2021. These mutual evaluation reports will be published later in 2021.

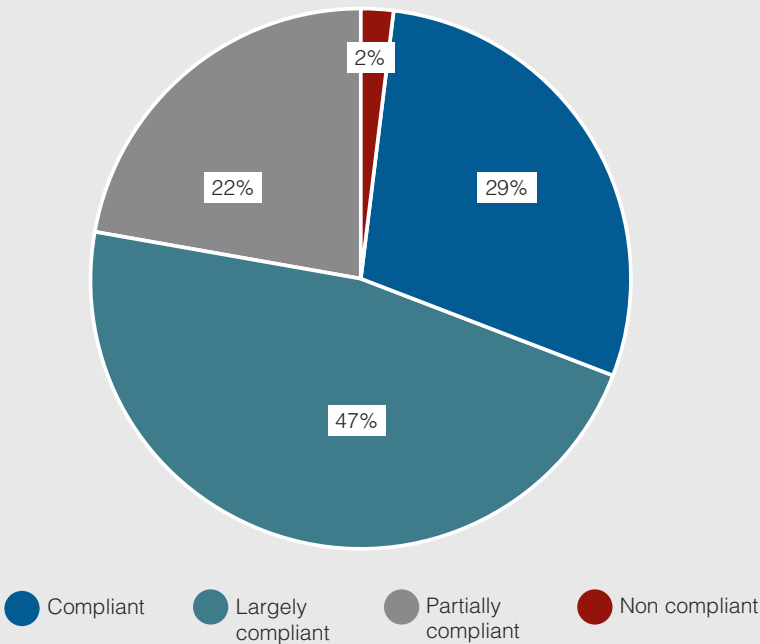
#### SEE ALSO

##### MUTUAL EVALUATIONS

[fatf-gafi.org/publications/mutualevaluations/](https://fatf-gafi.org/publications/mutualevaluations/)

**EFFECTIVENESS AND TECHNICAL COMPLIANCE OF FATF MEMBERS**

**TECHNICAL COMPLIANCE  
OF FATF MEMBERS' AML/CFT REGIMES**

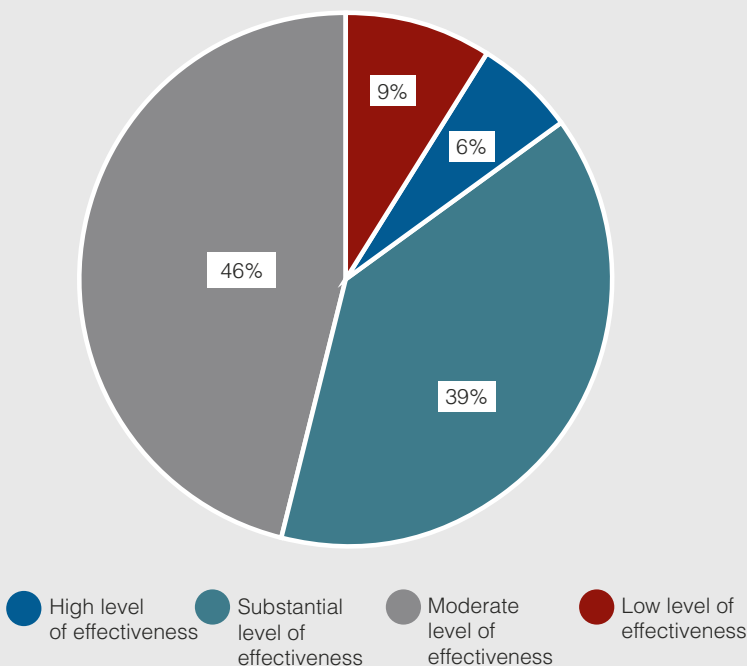


By the end of the 2020-2021 Plenary year, the FATF published the mutual evaluation reports of 28 of its 37 member countries; 75% of FATF members have now been evaluated.

Each report shows a snapshot of the situation in the country at the time of the on-site visit. Reports demonstrate that commitment to technical compliance with the FATF standards is high.

The countries evaluated so far rated largely compliant (LC) or compliant (C) on 76% of the Recommendations in their mutual evaluation report. This percentage increases through the follow-up process, as discussed below. In terms of effectiveness, 45% of immediate outcomes are achieved to a high or substantial extent.

**EFFECTIVENESS  
OF FATF MEMBERS' AML/CFT REGIMES**



However, countries are rated only moderately effective in 46% of immediate outcomes, indicating that continuing work is needed to demonstrate effective implementation overall.

## FOLLOW-UP PROCESS

The FATF closely monitors countries' progress in improving compliance with the FATF 40 Recommendations using the follow-up process. As part of that process, FATF members regularly report their progress toward addressing identified deficiencies.

Countries can request a re-rating of their technical compliance with any Recommendation rated non-compliant (NC) or partially compliant (PC) in the mutual evaluation. FATF considers these requests and whether the country has made sufficient progress to merit a re-rating.

During 2020-2021, Plenary adopted and published five follow-up reports in which FATF members received between 1 and 10 upgrades on their ratings for technical compliance with the FATF 40 Recommendations .

These countries (China, Denmark, Iceland, Mexico and Sweden) improved their technical compliance by 26%

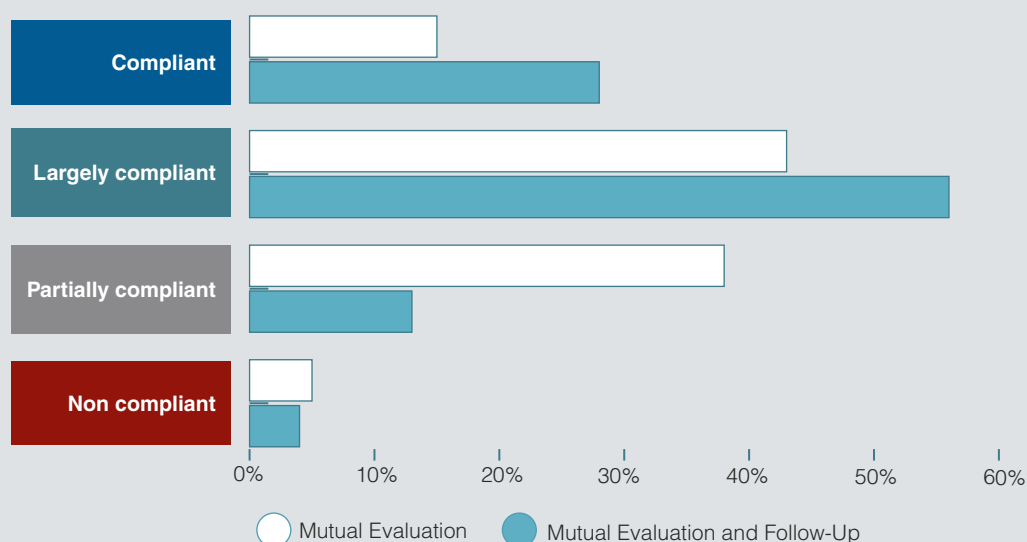
since their mutual evaluation as reflected in detail in the table below.

Follow-up reports involving technical compliance re-rating requests also look at whether countries' measures meet the requirements of any FATF Recommendations that have changed since their mutual evaluation on-site visit.

China, Denmark, Iceland, Mexico and Sweden were assessed for technical compliance with the new requirements on virtual assets and virtual asset service providers (R.15).

China, Mexico and Sweden were also re-rated on the new requirements on countering proliferation financing in the context of national co-operation and co-ordination (R.2). Mexico was re-rated on R.21 (tipping off and confidentiality) and R.7 (targeted financial sanctions related to proliferation) due to changes in the Standards.

### 2020-2021 TECHNICAL COMPLIANCE RATINGS AFTER RE-ASSESSMENT COMPARED TO MUTUAL EVALUATION REPORT



## ONGOING WORK

### Mutual Evaluations

Finland, Ireland, the Kingdom of Saudi Arabia, Portugal and the United States reported to Plenary on the progress made toward addressing remaining deficiencies outlined in their respective mutual evaluations, but did not seek technical compliance re-ratings. Finland, Saudi Arabia and the United States remain in enhanced follow-up and report again in a year.

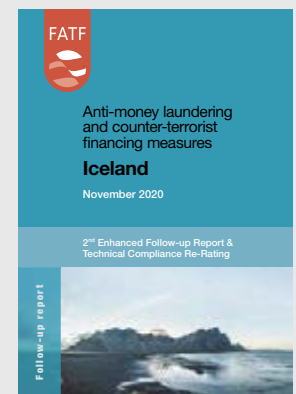
Ireland and Portugal remain in regular follow-up, and will report to Plenary in February 2022 and June 2023 respectively.

## REVISIONS TO METHODOLOGY AND PROCEDURES

The FATF periodically reviews the procedures and methodology that form the basis for the assessments conducted in the Global Network. This Plenary year, the FATF amended the assessment methodology to clarify that Recommendation 17 does not apply to third party outsourcing and agency relationships, as set out in the Interpretative Note to R.17.

The FATF regularly reviews its assessment procedures to ensure that all assessment bodies in the global network are taking a consistent and robust approach to assessing countries for their compliance with the FATF Recommendations.

## PUBLISHED MUTUAL EVALUATION AND FOLLOW-UP REPORTS



# RATINGS FOLLOWING THE MUTUAL EVALUATION AND FOLLOW-UP REPORTS PUBLISHED DURING 2020-2021

China	Denmark	Iceland	Mexico	New Zealand	Sweden

mutual evaluation report follow-up report  
 (shaded cell) not reassessed during follow-up

**Effectiveness**

● High ● Substantial ● Moderate ● Low

	China	Denmark	Iceland	Mexico	New Zealand	Sweden
Risk, policy and coordination (IO.1)	●	●	●	●	●	●
International co-operation (IO.2)	●	●	●	●	●	●
Supervision (IO.3)	●	●	●	●	●	●
Preventive measures (IO.4)	●	●	●	●	●	●
Legal persons & arrangements (IO.5)	●	●	●	●	●	●
Financial intelligence (IO.6)	●	●	●	●	●	●
ML investigation & prosecution (IO.7)	●	●	●	●	●	●
Confiscation (IO.8)	●	●	●	●	●	●
TF investigation & prosecution (IO.9)	●	●	●	●	●	●
TF preventive measures & financial sanctions (IO.10)	●	●	●	●	●	●
PF financial sanctions (IO.11)	●	●	●	●	●	●

**Technical Compliance**

● Compliant ● Largely compliant ● Partially compliant ● Non compliant

	China	Denmark	Iceland	Mexico	New Zealand	Sweden
Assessing risk & applying risk-based approach (R.1)	●	●	●	●	●	●
National cooperation & coordination (R.2)	●	●	●	●	●	●
Money laundering offence (R.3)	●	●	●	●	●	●
Confiscation & provisional measures (R.4)	●	●	●	●	●	●
Terrorist financing offence (R.5)	●	●	●	●	●	●
Targeted financial sanctions - terrorism & TF (R.6)	●	●	●	●	●	●
Targeted financial sanctions - proliferation (R.7)	●	●	●	●	●	●
Non-profit organisations (R.8)	●	●	●	●	●	●
Financial institutions secrecy laws (R.9)	●	●	●	●	●	●
Customer due diligence (R.10)	●	●	●	●	●	●
Record keeping (R.11)	●	●	●	●	●	●
Politically exposed persons (R.12)	●	●	●	●	●	●
Correspondent banking (R.13)	●	●	●	●	●	●
Money or value transfer services (R.14)	●	●	●	●	●	●
New technologies (R.15)	●	●	●	●	●	●
Wire transfers (R.16)	●	●	●	●	●	●
Reliance on third parties (R.17)	●	●	●	●	●	●
Internal controls & foreign branches /subsidiaries (R.18)	●	●	●	●	●	●
Higher risk countries (R.19)	●	●	●	●	●	●
Reporting of suspicious transactions (R.20)	●	●	●	●	●	●
Tipping-of and confidentiality (R.21)	●	●	●	●	●	●
DNFBPs - customer due diligence (R.22)	●	●	●	●	●	●
DNFBPs - other measures (R.23)	●	●	●	●	●	●
Transparency & BO of legal persons (R.24)	●	●	●	●	●	●
Transparency & BO of legal arrangements (R.25)	●	●	●	●	●	●
Regulation & supervision of financial institutions (R.26)	●	●	●	●	●	●
Powers of supervision (R. 27)	●	●	●	●	●	●
Regulation & supervision of DNFBPs (R.28)	●	●	●	●	●	●
Financial intelligence units (R.29)	●	●	●	●	●	●
Responsibilities law enforcement / investigative authorities (R.30)	●	●	●	●	●	●
Powers law enforcement / investigative authorities (R.31)	●	●	●	●	●	●
Cash couriers (R.32)	●	●	●	●	●	●
Statistics (R.33)	●	●	●	●	●	●
Guidance and feedback (R.34)	●	●	●	●	●	●
Sanctions (R.35)	●	●	●	●	●	●
International instruments (R. 36)	●	●	●	●	●	●
Mutual legal assistance (R.37)	●	●	●	●	●	●
Mutual legal assistance: freezing and confiscation (R.38)	●	●	●	●	●	●
Extradition (R.39)	●	●	●	●	●	●
Other forms of international cooperation (R.40)	●	●	●	●	●	●



## HIGH RISK AND OTHER MONITORED JURISDICTIONS

Illicit finance harms societies by enabling a wide range of criminal activity such as drugs and arms trafficking, human trafficking and terrorist attacks. That is why it is so important for all countries to crackdown on illicit finance, and for the FATF to call out the countries that fail to take the necessary action.

The FATF's process to publicly identify high-risk and other monitored jurisdictions ensures that every country in the FATF Global Network upholds its commitment to implement the FATF's international standards, so that there are no safe havens where criminals and terrorists can hide their activities. If one country has a weaker financial system than other countries, then it is a threat to everybody.

This process is a powerful tool in preventing criminals and terrorists from abusing the financial system. On the one hand, the public statements provide information about the specific risks emanating from each of the jurisdictions, so that potential business partners, financial institutions and regulators can take the necessary precautions. This limits the possibility of unwitting involvement in criminal transactions and keeps illicit financial flows out of the financial system.

On the other hand, the public identification is a powerful and effective tool to generate the necessary political commitment to drive through the required reforms. Through the International Co-operation Review Group (ICRG),

the FATF works with each of the jurisdictions to address the identified weaknesses in both technical compliance and effectiveness and develops an action plan and timelines. It closely monitors their progress and reflects this in FATF's public statements at the end of each Plenary meeting. The FATF publishes two statements:

- Jurisdictions under Increased Monitoring - this list is often externally referred to as the 'grey list'
- High-Risk Jurisdictions subject to a Call for Action - this is often externally referred to as the "black list"

#### SEE ALSO

##### HIGH RISK AND OTHER MONITORED JURISDICTIONS

[fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/](https://fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/)

## JURISDICTIONS UNDER INCREASED MONITORING

During the COVID-19 pandemic, governments around the world focused on managing the urgent health crisis, from strained medical services, lockdown measures, mass loss of employment and struggling businesses to vaccine rollouts. This significantly impacted jurisdictions' ability to report back on the progress they were making on their respective action plans.

To address this issue, the FATF extended the reporting timelines for monitored jurisdictions and, for the October 2020 Plenary, gave them the option not to report on their progress, given their focus on addressing the impact of the COVID-19 pandemic. Seven countries chose to report: Albania, Botswana, Cambodia, Ghana, Mauritius, Pakistan, and Zimbabwe.

The FATF updated the statements for these countries only. The FATF also adopted flexible procedures to allow its monitoring programme to continue in light of the COVID-19 pandemic. It allowed FATF to resume its work on reviewing and identifying jurisdictions with serious deficiencies in their measures to combat money laundering and terrorist financing. In February 2021, the FATF identified Burkina Faso, the Cayman Islands, Morocco and Senegal. In June 2021, the FATF added Haiti, Malta, the Philippines and South Sudan to its list of jurisdictions under increased monitoring.

The FATF also reflected the second action plan for Pakistan in its statement. The country had made significant progress in strengthening counter-terrorist financing measures, as per its original action plan. However, the APG's 2019 mutual evaluation identified additional deficiencies with the country's anti-money laundering measures. The FATF worked with Pakistan's authorities to develop a new action plan, which includes demonstrating that financial supervisors conduct on-site and off-site checks on non-financial sector businesses and demonstrating an increase in money laundering investigations and prosecutions, including cases involving overseas financing.

Each of the jurisdictions under increased monitoring has provided a high-level commitment to resolve the deficiencies and has agreed an action plan and timeframes to complete the necessary reforms. It is not a punitive process. The FATF and FATF-style regional bodies will work with the jurisdictions as they report on the progress achieved.



## REMOVAL FROM INCREASED MONITORING

This year, four jurisdictions followed through on their high level political commitment to strengthen their capabilities to fight money laundering and terrorist financing. Thanks to the dedication and hard work of the government officials involved in this process, each carried out the necessary major reforms.

As a result, in October 2020, the FATF removed Iceland and Mongolia from its monitoring process. Both countries were placed under increased monitoring following their October 2019 mutual evaluation.



**Iceland** made a number of improvements, including an increase in its FIU staff to address the volume of suspicious transaction reports and strengthen strategic analysis.

It also ensured effective supervision for targeted financial sanctions compliance and established sufficient

resources and supervisory procedures to assess terrorist financing risks in the NPO sector.

Iceland has ensured accurate beneficial ownership information and demonstrated that it has appropriate sanctions for non-compliance.



**Mongolia** also made a range of improvements to strengthen its AML/CFT framework. Among these are an improved understanding by designated non-financial businesses and professions' of the ML/TF risk they face and increased investigations and prosecutions of money laundering activity in line with these risks. Mongolia is now better able to seize

and confiscate falsely/non-declared currency and is applying effective, proportionate and dissuasive sanctions. Mongolian authorities are now cooperating and coordinating to prevent sanctions evasion.



The FATF also removed The Bahamas from its increased monitoring process in December 2020. In February 2020, the FATF concluded that the Bahamas had substantially completed its action plan. However, Covid-19 related lockdown measures and travel restrictions prevented the on-site assessment to verify the implementation of The Bahamas' reforms, as required by the FATF's procedures before the removal of a jurisdiction from its monitoring process.

The flexible procedures agreed by the FATF Plenary in October 2020, allowed the FATF to use an expedited process for the on-site assessment when

travel to The Bahamas was once again possible.

The on-site visit confirmed the reforms were being implemented. Among others, the country has improved access to beneficial ownership information and the risk-based supervision of non-bank financial institutions. Financial intelligence is of a higher quality, assisting authorities investigate and prosecute money laundering, including standalone and complex cases. As a result, the FATF removed The Bahamas from its monitoring process.



In June 2021, following an on-site visit, the FATF also removed Ghana from its increased monitoring.

The country had been publicly identified following its October 2018 mutual evaluation, conducted by FATF regional partner, GIABA. Since then, Ghana successfully implemented key reforms, including developing

a comprehensive national AML/CFT policy based on risk identified in the national risk assessment. The country also developed measures to prevent the misuse of legal persons and improved risk based supervision and ensured that beneficial ownership information is available and up to date.

## HIGH-RISK JURISDICTIONS SUBJECT TO A CALL FOR ACTION

Since February 2020, in light of the COVID-19 pandemic, the FATF has paused the review process for countries in the list of High-Risk Jurisdictions subject to a Call for Action, given that they are already subject to the FATF's call for countermeasures.

The FATF's call for action on Iran and the Democratic People's Republic of Korea, adopted in February 2020, remains in effect, even if the statement may not necessarily reflect the most recent status of these countries' AML/CFT regimes.



## THE GLOBAL NETWORK

The FATF Global Network of over 205 jurisdictions around the world is a cornerstone in the international fight against money laundering and terrorist financing. Effective national, regional and global responses are essential to fight global threats and ensure there are no loopholes for criminals and terrorists to exploit.

The active participation of the FATF-Style Regional Bodies (FSRBs) in the work of the FATF, is crucial to ensure a global implementation of effective measures to combat money laundering and terrorist financing.

Despite the ongoing challenges posed by the COVID-19 pandemic, FSRBs have been working hard to meet expectations regarding the agenda of their mutual evaluation round and the adoption of quality reports.

In order to provide them with tailored support to complete their round, FATF adopted individual roadmaps and prioritised its support to FSRBs - with CFATF, GIABA and MENAFATF as higher priority FSRBs, ESAAMLG and GABAC as medium priority FSRBs and APG, EAG, GAFILAT and MONEYVAL as lower priority FSRBs. FATF members and observers have committed to also provide support to FSRBs, mainly by providing assessors, reviewers or experts for follow-up reports.

The FATF has also helped FSRBs target their structural internal challenges, and developed monitoring effectiveness improvement plans for relevant priority FSRBs.

The FATF Secretariat has continued providing different forms of support to meet the needs of FSRBs – from attendance to FSRB meetings to workshops for FSRB Secretariats on some aspects of the mutual evaluation process, experience-sharing sessions between FSRB Secretariats and mentoring some mutual evaluations. A critical part of this support is the rigorous review of all FSRB draft mutual evaluation and follow-up reports with a view to ensure the accuracy and consistency of those assessments and strengthen recommended actions that will guide assessed countries for the follow-up steps.

This engagement resulted in improving the quality of FSRB products and ensure the correct interpretation of the FATF Standards and processes.

## **ASSESSOR TRAINING**

This year, the FATF conducted five virtual assessor training events jointly with FSRBs, during which 110 FSRB representatives were trained to become assessors. These events are crucial to ensure that future assessors develop their understanding of the FATF Recommendations, and how to measure the effectiveness of a jurisdiction's actions to tackle money laundering and terrorist financing.

## **MUTUAL EVALUATIONS AND FOLLOW-UP REPORTS**

Each FSRB is responsible for evaluating whether its own members are taking effective action to tackle these crimes, in compliance with the FATF Recommendations. Common assessment procedures, the Universal Procedures, ensure that every assessment is of a high quality and that the conclusions and ratings are consistent across evaluations. As such, the evaluations conducted by the FATF and the FSRBs are equivalent.

Following their plenary discussion and approval, each report is subject to a quality and consistency review. During this rigorous review, the FATF Secretariat and all 205 members

of the FATF Global Network have the opportunity to review the draft reports and raise any issues before publication. This review ensures that all reports across the Global Network are of a high quality and are consistent with the FATF Recommendations and Universal Procedures.

This year, the FSRBs completed the mutual evaluations of 8 of their members, including 1 jointly assessed with the FATF.

The FSRBs also completed 25 follow-up reports to measure the progress their members had made following the adoption of the mutual evaluations<sup>1</sup>.

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<sup>1</sup> These figures include mutual evaluation and follow-up reports adopted after 30 June 2020. The table on page 61 includes some reports adopted before 30 June 2020 but published at a later date, after completion of the quality and consistency review.

## MUTUAL EVALUATION AND FOLLOW-UP REPORTS PUBLISHED ON THE FATF WEBSITE DURING THE FIRST YEAR OF THE GERMAN PRESIDENCY (JULY 2020- END OF JUNE 2021)

	Assessing Body	Date
<b>Mutual Evaluations</b>		
Democratic Republic Congo	GABAC	Apr 2021
Georgia	MONEYVAL	Sep 2020
Mozambique	ESAAMLG	Jun 2021
Saint Lucia	CFATF	Jan 2021
Sierra Leone	GIABA	Dec 2020
Slovak Republic	MONEYVAL	Sep 2020
Tanzania	ESAAMLG	Jun 2021

	Assessing Body	Date
<b>Follow-up Reports</b>		
Bangladesh	APG	Dec 2020
Barbados	CFATF	Feb 2021
Bhutan	APG	May 2021
Botswana	ESAAMLG	Dec 2020
Cayman Islands	CFATF	Feb 2021
Cuba	GAFILAT	Jan 2021
Czech Republic	MONEYVAL	Sep 2020
Ethiopia	ESAAMLG	Dec 2020
Fiji	APG	Jan 2021
Jamaica	CFATF	Sep 2020
Lithuania	MONEYVAL	Sep 2020
Madagascar	ESAAMLG	Dec 2020
Mauritania	MENAFATF	Dec 2020
Mauritius	ESAAMLG	Dec 2020
Mongolia	APG	Sep 2020
Morocco	MENAFATF	Dec 2020
Myanmar	APG	Sep 2020
Nicaragua	GAFILAT	Jan 2021
Pakistan	APG	Sep 2020
Philippines	APG	Sep 2020
Seychelles	ESAAMLG	Dec 2020
Sri Lanka	APG	Dec 2020
Tajikistan	EAG	Jun 2021
Uganda	ESAAMLG	Dec 2020
Ukraine	MONEYVAL	Sep 2020



## TRAINING

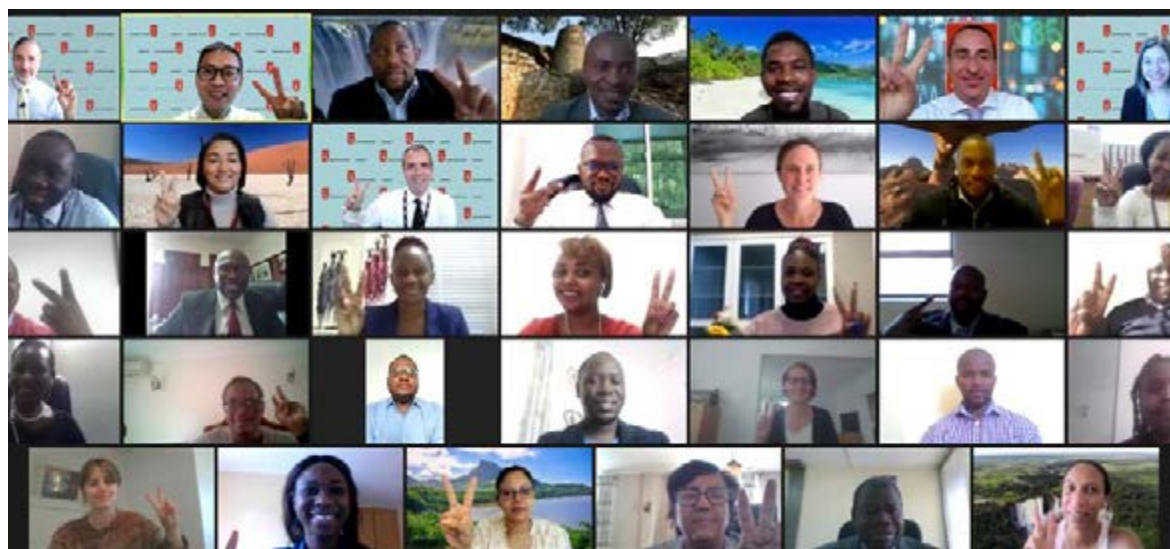
The FATF conducts training activities to strengthen countries' understanding of the FATF Standards and how they help combat money laundering, terrorist financing and proliferation financing (funding for weapons of mass destruction), and to assist FATF-style regional bodies in the conduct of mutual evaluations. The FATF delivers these activities worldwide, including at the FATF Training Institute in Busan, Korea, and often in partnership with FATF members, FATF-Style Regional Bodies (FSRBs) and other international organisations such as the International Monetary Fund and the World Bank.



During this year, the FATF opened its second office, the FATF Training Institute in Busan, Korea as a result of the generous voluntary contributions of the Government of Korea and the Metropolitan City of Busan. This office expands the FATF's geographical footprint to the Asia Pacific and houses a group of FATF Secretariat staff that provide a purpose-driven space to instruct officials across the FATF Global Network.

The FATF Training Institute regularly held training activities designed to provide insight on the FATF Standards and good practices into implementing them into national regimes.

The FATF Training Institute's flagship course, the Standards Training Course, aims to enhance participants' understanding of the FATF Standards on AML/CFT and the implementation of effective measures to combat ML/TF. It is an intermediate-level training, designed for AML/CFT practitioners with prior experience with the FATF Standards, and is delivered through a series of presentations, group discussions and small group activities. This course is designed specifically for practitioners looking to improve their countries' AML/CFT measures.



Participants at the Second Standards Training Course, held virtually due to the COVID-19 pandemic.

#### SEE ALSO

##### FATF TRAINING AND SUPPORT ACTIVITIES

[fatf-gafi.org/publications/fatfgeneral/documents/fatf-training.html](https://fatf-gafi.org/publications/fatfgeneral/documents/fatf-training.html)

## ONGOING WORK

### Training

This year also saw the FATF move its training into an online environment through the introduction of the FATF @cademy, a learning management system that allows for all officials across the FATF Global Network to access multimedia content to assist them in understanding the FATF Standards and Methodology, and other work of the FATF.

The FATF @cademy was introduced with the FATF's introductory e-learning course, designed to provide the basics about the FATF, its work to combat money laundering and terrorist financing and to clarify the technical terms and concepts that are often used.

The course highlights the FATF's Recommendations and Immediate Outcomes, how to understand the Mutual Evaluation process, and much more, and is an ideal place for individuals to start their FATF learning journey.

**78%**  
**of participants to the introductory course gained a good amount (or more!) of knowledge**



@cademy

Featuring:



### E-learning

To provide self-paced learning, from introductory-level to in-depth issues, concluding with a written test to assess the knowledge acquired.



### Instructional videos

To provide insight into the major Methodological questions that were faced during the course of recent mutual evaluations.



### Recent FATF webinar recordings

To provide new learners with a better view of the entirety of the FATF's work across all portfolios.

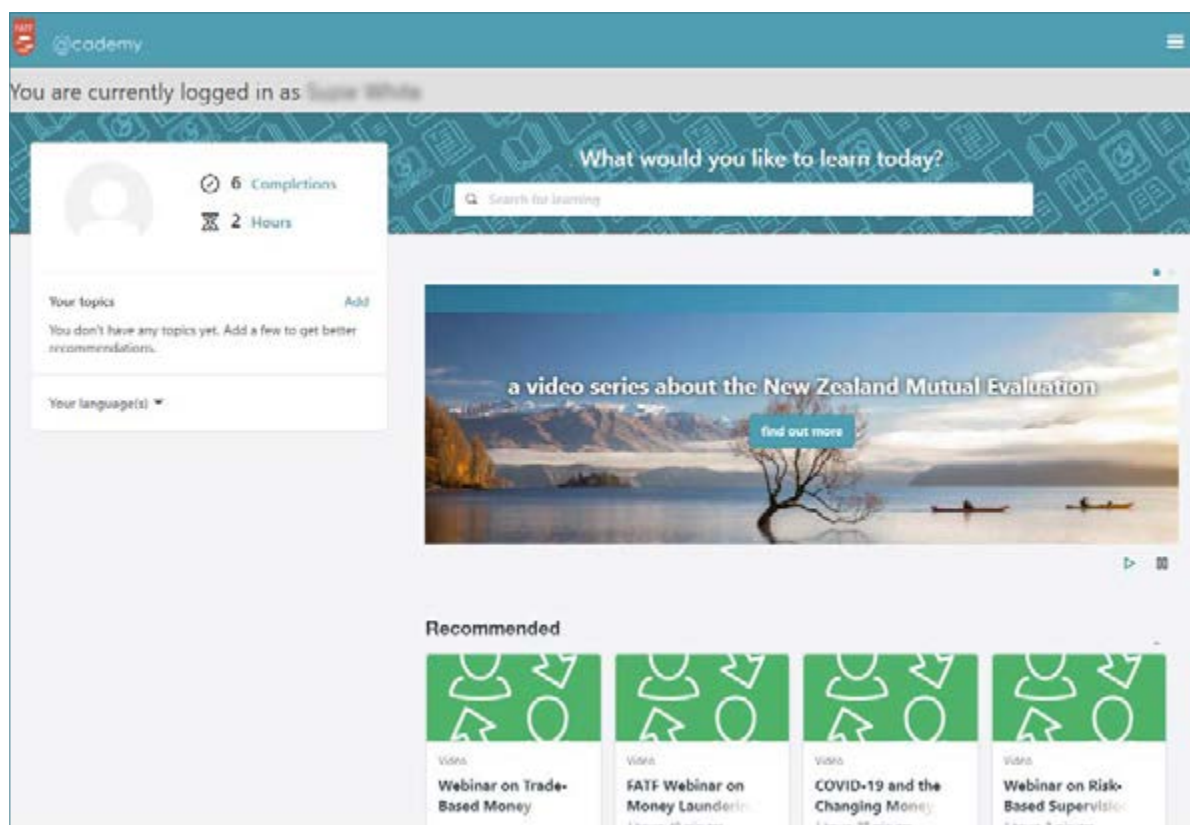
The FATF @cademy was key in the FATF's transition to entirely online training activities throughout the year. Reacting to the COVID-19 pandemic, the FATF was able to deliver modified versions of its existing courses, such as Joint Assessor Training, through leveraging the FATF @cademy.

The FATF @cademy was used for participants to watch videos of top experts delivering recorded sessions so that they could learn when most convenient for them and fit around their work requirements.

These online training courses were met with great feedback and collectively met assessor training needs of the FATF Global Network.

# 4097

registrants to the  
FATF @cademy



Screenshot of @cademy, to help official across the FATF Global Network better understand the work of the FATF

## PRIVATE SECTOR AND CIVIL SOCIETY

The private sector is at the forefront of the fight against money laundering and terrorist financing. Their engagement in FATF's activities is essential, as well as that of the civil society organisations that represent the many stakeholders in the global fight against the financing of crime and terrorism.

Private sector engagement ensures that FATF standards are informed by the experience of those who must put them into practice on a daily basis. It provides an opportunity for both sides to discuss issues of concern, share new developments and work together in ensuring that the FATF Standards are powerful tools to stop the financial flows that fuel crime and terrorism.

While the annual private sector consultative forum was cancelled due to COVID, engagement with the private sector continued on a range of thematic issues through virtual platforms and the written consultation process.

These engagements have ensured that valuable contributions from the private sector were suitably considered by the FATF in its work program.

This year, the FATF finalised revisions to its standards<sup>1</sup> that require countries and the private sector to identify, and assess the risks of potential breaches, non-implementation or evasion of the targeted financial sanctions related to proliferation financing (see page 40).

They also require them to take action to mitigate these risks, and to enhance domestic co-ordination. The FATF also developed a guidance that will help countries, financial institutions, designated non-financial businesses and professions (DNFBPs) and virtual asset service providers effectively implement these new requirements (see page 42). The FATF sought private sector input in this work, both as part of the private sector consultative forum and a public consultation on the FATF website.

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1 Revisions to Recommendation 1, 2 and their Interpretive Notes finalised in October 2020

The FATF specifically sought confirmation whether the guidance provided sufficient clarity on the mandatory and additional requirements. The consultation ensured that the guidance sets clear expectations for financial institutions and DNFBPs in case of high-risk and low-risk customers and business relationships, including likely impact on de-risking and financial inclusion.

The private sector and civil society are also involved in FATF's ongoing work to strengthen Standards on beneficial ownership. Up-to-date information about the true beneficial owners behind trusts or other complex corporate structures starts with the professionals on the frontline, such as banks or notaries. Any changes to the FATF Standard will directly impact how they collect and share information, and what information they collect. The FATF held a number of meetings in the context of the private sector consultative forum and also issued a white paper on the revisions to the FATF standard on transparency of beneficial ownership of legal persons for public consultation.

The FATF is also reaching out to the private sector in the context of its work on revising its guidance on the implementation of the risk-based approach to virtual assets (VAs) and virtual asset service providers (VASPs). The input on both of these projects will inform further Plenary discussions in October 2021.

Recently published reports often directly benefitted from private sector input and highlight the important role of the private sector as well as public-private partnerships. The FATF's report *Money Laundering from*

*Environmental Crime* highlights that the private sector can detect financial flows from environmental crimes by strengthening awareness of key environmental crime threats and customer profiles, particularly those operating in key resource supply chains. By stopping the laundering of proceeds from environmental crime, they remove the drivers for this crime that generates billions in criminal proceeds every year, and help save our environment.

The FATF-Egmont report on Trade-Based Money Laundering – Trends and Methods explains the ways in which criminals exploit trade transactions to move money, rather than goods. The project received input from national and international private sector institutions. The report highlights the challenges of the private sector to detect trade-based money laundering. The subsequently released Risk Indicators report will help private sector identify suspicious activity in international trade.

This year, the FATF also launched a new project to study and mitigate the unintended consequences resulting from the incorrect implementation of the FATF Standards. The input of private sector and civil society throughout this process is crucial to help the FATF identify possible options to mitigate these unintended consequences.

The FATF is also involved in other international initiatives to ensure that efforts to stop the financing of terrorism do not unnecessarily discourage legitimate activities. These include the Global Counterterrorism Forum, which brings together counterterrorism and countering the financing of terrorism (CFT) practitioners, policymakers, civil society and NPOs, humanitarian actors, private sector representatives, the United Nations, and the FATF.



The FATF regularly releases short documents for the private sector with the key takeaways of its recent work.

## FINANCIAL STATEMENT

At the close of this Plenary year, the first under the FATF's two-year German Presidency, there are 65 staff members at the FATF Secretariat:

- an executive secretary
- a deputy executive secretary
- two senior counsellors
- four senior policy analysts
- a head of training institute
- thirty-one policy analysts
- an executive office coordinator
- five training specialists
- a communications and IT manager
- a media relations manager
- a learning and design officer
- a resource management advisor
- an events coordinator
- 3 researchers, and
- 10 assistants.

In addition, the FATF occasionally also hosts short-term interns and consultants.

The FATF Secretariat provides support to the FATF, including

- co-ordinating of and participating in mutual evaluation missions and drafting the related assessment reports,
- preparing and producing policy papers to be discussed in working groups and/or the Plenary,
- organising Plenary and working groups meetings,
- providing support to the FATF President, the Steering Group and FATF delegations.

The FATF Secretariat liaises on an ongoing basis with the numerous FATF partners, undertakes a representational role at professional events and provides information to the public and the media.



The budget of the FATF is funded by annual membership fees paid by FATF Members and the two member organisations (Gulf Co-operation Council and European Commission) as well as additional cash voluntary contributions provided by some Members for specific projects.

The scale used to calculate the membership fees is based on the OECD's calculation method, which is a formula related to the size of the country's economy.

<b>BUDGET ITEMS</b>	<b>FY 2020</b>	<b>FY 2021</b>
Staff costs (salaries and indemnities)	8 217 852	8 348 119
Travel	1 641 873	1 266 000
Operating costs (incl. office rental)	782 034	841 725
OECD overhead charges	525 214	635 000
Meeting costs, translation, interpretation	230 000	284 000
IT: investments and maintenance costs	417 287	450 000
Total	11 814 260	11 824 844

## MEMBERS AND OBSERVERS

### MEMBERS

Argentina	Korea
Australia	Luxembourg
Austria	Malaysia
Belgium	Mexico
Brazil	Netherlands, Kingdom of
Canada	New Zealand
China	Norway
Denmark	Portugal
European Commission	Russian Federation
Finland	Saudi Arabia
France	Singapore
Germany	South Africa
Greece	Spain
Gulf Co-operation Council	Sweden
Hong Kong, China	Switzerland
Iceland	Turkey
India	United Kingdom
Ireland	United States
Israel	
Italy	
Japan	

### FATF OBSERVER

Indonesia

### FATF ASSOCIATE MEMBERS

Asia/Pacific Group on Money Laundering (APG)  
 Caribbean Financial Action Task Force (CFATF)  
 Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL)  
 Eurasian Group (EAG)  
 Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)  
 Financial Action Task Force of Latin America (GAFILAT)  
 Inter Governmental Action Group against Money Laundering in West Africa (GIABA)  
 Middle East and North Africa Financial Action Task Force (MENAFATF)  
 Task Force on Money Laundering in Central Africa (GABAC)

## THE GLOBAL NETWORK

COUNTRY	FSRB
Afghanistan	APG
Albania	MONEYVAL
Algeria	MENAFATF
Andorra	MONEYVAL
Angola	ESAAMLG
Anguilla	CFATF
Antigua and Barbuda	CFATF
Argentina	FATF/GAFILAT
Armenia	MONEYVAL
Aruba	CFATF
Australia	FATF-APG
Austria	FATF
Azerbaijan	MONEYVAL
Bahrain	MENAFATF
Bangladesh	APG
Barbados	CFATF
Belarus	EAG
Belgium	FATF
Belize	CFATF
Benin	GIABA
Bermuda	CFATF
Bhutan, Kingdom of	APG
Bolivia	GAFILAT
Bosnia and Herzegovina	MONEYVAL
Botswana	ESAAMLG
Brazil	FATF/GAFILAT
Brunei Darussalam	APG
Bulgaria	MONEYVAL
Burkina Faso	GIABA
Cambodia	APG
Cameroon	GABAC
Canada	FATF-APG

COUNTRY	FSRB
Cape Verde	GIABA
Cayman Islands	CFATF
Central African Republic	GABAC
Chad	GABAC
Chile	GAFILAT
China, People's Republic of	FATF-APG-EAG
Chinese Taipei	APG
Colombia	GAFILAT
Comoros	GIABA
Cook Islands	APG
Costa Rica	GAFILAT
Côte d'Ivoire	GIABA
Croatia	MONEYVAL
Cuba	GAFILAT
Curacao	CFATF
Cyprus	MONEYVAL
Czech Republic	MONEYVAL
Democratic Republic of Congo	GABAC
Denmark	FATF
Djibouti	MENAFATF
Dominica	CFATF
Dominican Republic	GAFILAT
Ecuador	GAFILAT
Egypt	MENAFATF
El Salvador	CFATF
Equatorial Guinea	GABAC
Estonia	MONEYVAL
Ethiopia	ESAAMLG
Fiji	APG
Finland	FATF
France	FATF-MONEYVAL

<b>COUNTRY</b>	<b>FSRB</b>
Gabon	GABAC
Gambia	GIABA
Georgia	MONEYVAL
Germany	FATF
Ghana	GIABA
Gibraltar	MONEYVAL
Greece	FATF
Grenada	CFATF
Guatemala	GAFILAT
Guernsey	MONEYVAL
Guinea	GIABA
Guinea-Bissau	GIABA
Guyana	CFATF
Haiti	CFATF
Holy See	MONEYVAL
Honduras	GAFILAT
Hong Kong, China	FATF-APG
Hungary	MONEYVAL
Iceland	FATF
India	FATF-APG-EAG
Indonesia	APG
Iraq	MENAFATF
Ireland	FATF
Isle of Man	MONEYVAL
Israel	MONEYVAL
Italy	FATF-MONEYVAL
Jamaica	CFATF
Japan	FATF-APG
Jersey	MONEYVAL
Jordan	MENAFATF
Kazakhstan	EAG
Kenya	ESAAMLG-
Kingdom of Saudi Arabia	MENAFATF
Korea, Republic of Korea (South Korea)	FATF-APG
Kuwait	MENAFATF
Kyrgyzstan	EAG
Lao People's Democratic Republic	APG
Latvia	MONEYVAL
Lebanon	MENAFATF

<b>COUNTRY</b>	<b>FSRB</b>
Lesotho	ESAAMLG
Liberia	GIABA
Libya	MENAFATF
Liechtenstein	MONEYVAL
Lithuania	MONEYVAL
Luxembourg	FATF
Macao, China	APG
Madagascar	ESAAMLG
Malawi	ESAAMLG
Malaysia	FATF-APG
Maldives	APG
Mali	GIABA
Malta	MONEYVAL
Marshall Islands, Republic of	APG
Mauritania	MENAFATF
Mauritius	ESAAMLG
Mexico	FATF/GAFILAT
Moldova	MONEYVAL
Monaco	MONEYVAL
Mongolia	APG
Montenegro	MONEYVAL
Montserrat	CFATF
Morocco	MENAFATF
Mozambique	ESAAMLG
Myanmar	APG
Namibia	ESAAMLG
Nauru	APG
Nepal	APG
Netherlands Kingdom of	FATF
New Zealand	FATF-APG
Nicaragua	GAFILAT
Niger	GIABA
Nigeria	GIABA
Niue	APG
Norway	FATF
Oman	MENAFATF
Pakistan	APG
Palau	APG
Palestine	MENAFATF
Panama	GAFILAT
Papua New Guinea	APG

<b>COUNTRY</b>	<b>FSRB</b>
Paraguay	GAFILAT
Peru	GAFILAT
Philippines	APG
Poland	MONEYVAL
Portugal	FATF
Qatar	MENAFATF
Republic of Congo	GABAC
Romania	MONEYVAL
Russian Federation	FATF-EAG-MONEYVAL
Rwanda	ESAAMLG
Saint Kitts and Nevis	CFATF
Saint Lucia	CFATF
Saint Vincent and the Grenadines	CFATF
Samoa	APG
San Marino	MONEYVAL
Sao Tome and Principe	GIABA
Senegal	GIABA
Serbia	MONEYVAL
Seychelles	ESAAMLG
Sierra Leone	GIABA
Singapore	CATF-APG
Sint Maarten	CFATF
Slovak Republic	MONEYVAL
Slovenia	MONEYVAL
Solomon Islands	APG
Somalia	MENAFATF
South Africa	FATF-ESAAMLG
Spain	FATF
Sri Lanka	APG
Sudan	MENAFATF
Suriname	CFATF
Swaziland	ESAAMLG
Sweden	FATF
Switzerland	FATF
Syrian Arab Republic	MENAFATF
Tajikistan	EAG
Tanzania	ESAAMLG
Thailand	APG

<b>COUNTRY</b>	<b>FSRB</b>
The Bahamas	CFATF
The Former Yugoslav Republic of Macedonia	MONEYVAL
Timor-Leste	APG
Togo	GIABA
Tonga	APG
Trinidad and Tobago	CFATF
Tunisia	MENAFATF
Turkey	FATF
Turkmenistan	EAG
Turks and Caicos Islands	CFATF
Uganda	ESAAMLG
Ukraine	MONEYVAL
United Arab Emirates	MENAFATF
United Kingdom	FATF
United States	FATF-APG
Uruguay	GAFILAT
Uzbekistan	EAG
Vanuatu	APG
Venezuela	CFATF
Vietnam	APG
Virgin Islands	CFATF
Yemen	MENAFATF
Zambia	ESAAMLG
Zimbabwe	ESAAMLG

## OBSERVER ORGANISATIONS

African Development Bank  
 Anti-Money Laundering Liaison Committee of the Franc Zone (CLAB) [French]  
 Asian Development Bank  
 Basel Committee on Banking Supervision (BCBS)  
 Camden Asset Recovery Inter-agency Network (CARIN)  
 Egmont Group of Financial Intelligence Units  
 European Bank for Reconstruction and Development (EBRD)  
 European Central Bank (ECB)  
 Eurojust  
 Europol  
 Group of International Finance Centre Supervisors (GIFCS) [formerly the  
 Offshore Group of Banking Supervisors - OGBS]  
 Inter-American Development Bank (IDB)  
 International Association of Insurance Supervisors (IAIS)  
 International Monetary Fund (IMF)  
 International Organisation of Securities Commissions (IOSCO)  
 Interpol  
 Organization of American States / Inter-American Committee Against Terrorism  
 (OAS/CICTE)  
 Organization of American States / Inter-American Drug Abuse Control  
 Commission (OAS/CICAD)  
 Organisation for Economic Co-operation and Development (OECD)  
 Organization for Security and Co-operation in Europe (OSCE)  
 United Nations -  
     United Nations Office on Drugs and Crime (UNODC)  
     United Nations Counter-Terrorism Committee Executive Directorate  
     (UNCTED)  
     The Analytical Support and Sanctions Monitoring Team pursuant to  
     resolutions 1526(2004) and 2253(2015) concerning ISIL (Da'esh), Al-  
     Qaida and the Taliban and associated individuals and entities  
     The Expert Group to the Security Council Committee established  
     pursuant to resolution 1540 (2004)  
     Panel of Experts to the Security Council Committee established  
     pursuant to resolution 1718 (2006)  
     Security Council Subsidiary Organs Branch  
 World Bank  
 World Customs Organization (WCO)



FATF



## **FATF Annual Report 2020-2021**

This report summarises the work of the Financial Action Task Force (FATF) from 1 July 2020 to 30 June 2021, under the Presidency of Dr. Marcus Pleyer of Germany.

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