

## 21. Counter-Terrorism: Financial Action Task Force [318]

### Commitment

“We commend the efforts of the Financial Action Task Force (FATF) and reaffirm our commitment to implement and promote internationally its 40 Recommendations on Money Laundering and nine Special Recommendations on Terror Finance.”<sup>1993</sup>

*G8 Summit Statement on Counter Terrorism: Security in the Era of Globalization*

### Assessment

Country	Final Compliance Score		
	Lack of Compliance -1	Work in Progress 0	Full Compliance +1
Canada			+1
France			+1
Germany		0	
Italy			+1
Japan		0	
Russia			+1
United Kingdom			+1
United States			+1
European Union			+1
<b>Average Score</b>			<b>+0.78</b>

### Background

The FATF was established at the G7 Summit in Paris in 1989 and released its first set of 40 Recommendations in 1990.<sup>1994</sup> The mandate of the FATF is to ensure that national financial systems are not used for illegal purposes. The FATF was charged by the G7 nations with the task of reviewing their national and international rules and regulations with the goal of identifying possible areas to be strengthened against money laundering and criminal enterprise.<sup>1995</sup> The 40 Recommendations were revised in 1996 and 2003 in order to ensure that they remain current and relevant.<sup>1996</sup>

In 2001, the FATF added the problem of terror finance to its primary scope of activities. In 2004, the FATF released a further 9 Special Recommendations in order to comply with its new goal of combating terror finance.<sup>1997</sup> Some of the Recommendations include specific actions to be undertaken by national authorities, while others insist on the ratification and implementation of UN Conventions and Treaties.<sup>1998</sup> As of 2007, 32 nations and 2 regional bodies (including all members of the G8 plus the European Union) were members or observers of the Financial Action Task Force.<sup>1999</sup>

*Team Leader: Michael Erdman*

<sup>1993</sup> G8 Summit Statement on Counter Terrorism: Security in the Era of Globalization, G8 Information Centre (Toronto) 8 June 2007. Date of Access: 17 January 2008. <<http://www.g8.utoronto.ca/summit/2007heiligendamm/g8-2007-ct.html>>

<sup>1994</sup> About the FATF, Financial Action Task Force (Paris). Date of Access: 17 January 2008. <[http://www.fatf-gafi.org/pages/0,3417,en\\_32250379\\_32236836\\_1\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/pages/0,3417,en_32250379_32236836_1_1_1_1_1,00.html)>

<sup>1995</sup> About the FATF, Financial Action Task Force (Paris). Date of Access: 17 January 2008. <[http://www.fatf-gafi.org/pages/0,3417,en\\_32250379\\_32236836\\_1\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/pages/0,3417,en_32250379_32236836_1_1_1_1_1,00.html)>

<sup>1996</sup> About the FATF, Financial Action Task Force (Paris). Date of Access: 17 January 2008. <[http://www.fatf-gafi.org/pages/0,3417,en\\_32250379\\_32236836\\_1\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/pages/0,3417,en_32250379_32236836_1_1_1_1_1,00.html)>

<sup>1997</sup> 9 Special Recommendations (SR) on Terrorism Financing (TF), Financial Action Task Force (Paris). Date of Access: 17 January 2008. <[http://www.fatf-gafi.org/document/9/0,3343,en\\_32250379\\_32236920\\_34032073\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/document/9/0,3343,en_32250379_32236920_34032073_1_1_1_1,00.html)>

<sup>1998</sup> 9 Special Recommendations (SR) on Terrorism Financing (TF), Financial Action Task Force (Paris). Date of Access: 17 January 2008. <[http://www.fatf-gafi.org/document/9/0,3343,en\\_32250379\\_32236920\\_34032073\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/document/9/0,3343,en_32250379_32236920_34032073_1_1_1_1,00.html)>

<sup>1999</sup> Members and Observers, Financial Action Task Force (Paris). Date of Access: 17 January 2008. <[http://www.fatf-gafi.org/pages/0,3417,en\\_32250379\\_32236869\\_1\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/pages/0,3417,en_32250379_32236869_1_1_1_1_1,00.html)>

## Canada: +1

Canada has fully complied with its commitment on the FATF as agreed at the June 2007 Heiligendamm Summit.

On 29 February 2008, the FATF released the Third Mutual Evaluation of Canada's implementation of the 40 Recommendations on Money Laundering and 9 Special Recommendations on Terror Finance. The FATF, in cooperation with officials from Canadian financial institutions, determined that Canada was fully compliant or largely compliant with 30 of the 49 recommendations, while being partially compliant or non-compliant with the remaining 19.<sup>2000</sup>

The FATF expressed serious concerns about FINTRAC, Canada's financial intelligence unit (FIU). Feedback from law enforcement agencies was generally negative, citing "unsatisfactory timelines for disclosures, relatively limited added value of FINTRAC disclosures in law enforcement investigations."<sup>2001</sup> Furthermore, "the number of staff dedicated to ML/FT [money laundering/financing of terrorism] cases is low."<sup>2002</sup> Pointing to the low number of ML/FT convictions, the Evaluation concludes that the "statutes available for countering ML are not being used as effectively as they could be."<sup>2003</sup> Finally, the FATF described interagency cooperation between FINTRAC and law enforcement authorities as, "not fully effective".<sup>2004</sup>

The Evaluation points to serious lapses in legislation regarding customer identification, customer due diligence, politically exposed persons, beneficial owners, and designated non-financial businesses and professions (DNFBPs).<sup>2005</sup> The Evaluation, however, reflects only those regulations that were in force at the time of analysis. The FATF acknowledges that provisions within the new Proceeds of Crime (Money Laundering) And Terrorist Financing Act (Bill C-25), which come into force in June and December 2008, will specifically address most of the aforementioned regulatory deficiencies.<sup>2006</sup>

On 7 June 2007, the Proceeds of Crime (Money Laundering) And Terrorist Financing Act (Bill C-25) was finalized. A limited portion of Bill C-25 came into affect on 23 June 2007.<sup>2007</sup> The implemented sections represent the partial enforcement<sup>2008</sup> of Recommendation 7, which calls for financial institutions to take additional steps beyond normal due diligence with respect to cross-border correspondent banking and

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<sup>2000</sup> Table: Ratings of Compliance with FATF Recommendations, Executive Summary, Third Mutual Evaluation on Anti-Money Laundering and Combating the Financing of Terrorism - Canada, Financial Action Task Force (Paris) 29 February 2008. Date of Access: 22 April 2008. <<http://www.oecd.org/dataoecd/28/33/40196937.pdf>>

<sup>2001</sup> Paragraph 18, Executive Summary, Third Mutual Evaluation on Anti-Money Laundering and Combating the Financing of Terrorism - Canada, Financial Action Task Force (Paris) 29 February 2008. Date of Access: 22 April 2008. <<http://www.oecd.org/dataoecd/28/33/40196937.pdf>>

<sup>2002</sup> Paragraph 18, Executive Summary, Third Mutual Evaluation on Anti-Money Laundering and Combating the Financing of Terrorism - Canada, Financial Action Task Force (Paris) 29 February 2008. Date of Access: 22 April 2008. <<http://www.oecd.org/dataoecd/28/33/40196937.pdf>>

<sup>2003</sup> Executive Summary, Third Mutual Evaluation on Anti-Money Laundering and Combating the Financing of Terrorism - Canada, paragraph 10, Financial Action Task Force (Paris) 29 February 2008. Date of Access: 22 April 2008. <<http://www.oecd.org/dataoecd/28/33/40196937.pdf>>

<sup>2004</sup> Executive Summary, Third Mutual Evaluation on Anti-Money Laundering and Combating the Financing of Terrorism - Canada, paragraph 45, Financial Action Task Force (Paris) 29 February 2008. Date of Access: 22 April 2008. <<http://www.oecd.org/dataoecd/28/33/40196937.pdf>>

<sup>2005</sup> Executive Summary, Third Mutual Evaluation on Anti-Money Laundering and Combating the Financing of Terrorism - Canada, table: ratings of compliance with FATF recommendations, Executive Summary, Financial Action Task Force (Paris) 29 February 2008. Date of Access: 22 April 2008. <<http://www.oecd.org/dataoecd/28/33/40196937.pdf>>

<sup>2006</sup> Executive Summary, Third Mutual Evaluation on Anti-Money Laundering and Combating the Financing of Terrorism - Canada, paragraph 3, Financial Action Task Force (Paris) 29 February 2008. Date of Access: 22 April 2008. <<http://www.oecd.org/dataoecd/28/33/40196937.pdf>>

<sup>2007</sup> RE: Coming into force of Bill C-25: Amendments to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA); and Regulations Amending Certain Regulations Made Under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (2007-1); and related matters, Office of the Superintendent of Financial Institutions Canada (Ottawa) 27 July 2007. Date of Access: 9 December 2007. <[http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/notices/osfi/2007\\_07\\_27\\_bc25\\_e.pdf](http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/notices/osfi/2007_07_27_bc25_e.pdf)>

<sup>2008</sup> RE: Coming into force of Bill C-25: Amendments to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA); and Regulations Amending Certain Regulations Made Under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (2007-1); and related matters, Office of the Superintendent of Financial Institutions Canada, (Ottawa) 27 July 2007. Date of Access: 9 December 2007. <[http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/notices/osfi/2007\\_07\\_27\\_bc25\\_e.pdf](http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/notices/osfi/2007_07_27_bc25_e.pdf)>

similar relationships.<sup>2009</sup> The amendments that came into affect do not include a requirement for financial institutions to assess the respondent institution's anti-money laundering and terror finance controls as stipulated by Recommendation 7(c).<sup>2010</sup> On 23 June 2008, the remaining amendments will come into force, making Canada compliant with Recommendations 5, 6, 8, 13, 22, 33, 34, and Special Recommendations IV and IX.<sup>2011</sup>

On 27 July 2007, the Office of the Superintendent of Financial Institutions (OSFI) issued an advisory to all federally regulated financial institutions summarizing the regulatory changes that came into affect pursuant to Bill C-25. It urged a timely transition to the new regulations, scheduled to begin in June 2008.<sup>2012</sup> The OSFI Report also referred to the FATF *Guidance on The Risk-Based Approach To Combating Money Laundering And Terrorist Financing* and advised financial institutions to use the FATF's document when evaluating their anti-money laundering and anti-terror finance programs.<sup>2013</sup>

At their meeting in Washington D.C. on 11 April 2008, the G7 Finance Ministers and Central Bank Governors reaffirmed their support for the Financial Action Task Force and their "commitment to counter money laundering, terrorism and proliferation financing."<sup>2014</sup> They also agreed that the FATF should continue its efforts to combat the threats posed to the international financial system by illicit transactions and its support for nations implementing United Nations Resolutions against WMD proliferation financing.<sup>2015</sup> Similar comments were made at the G7 Finance Ministers and Central Bank Governors' Meeting in Tokyo on 9 February 2008.<sup>2016</sup>

Thus, Canada has been awarded a score of +1 for its extensive efforts to both implement the FATF's 40+9 Recommendations domestically and promote them internationally.

*Analyst: Daniel Seleanu*

#### **France: +1**

France has fully complied with its commitment on the FATF as agreed at the June 2007 Heiligendamm Summit.

France continued to pursue major criminal convictions against individuals accused of domestic and international money laundering offences. On 9 January 2008, a US federal court ruling against Manuel Noriega moved France one step closer to extraditing the former Panamanian dictator to face money

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<sup>2009</sup> The 40 Recommendations, Financial Action Task Force (Paris). Date of Access: 9 January 2008.

<[http://www.fatf-gafi.org/document/28/0,3343,en\\_32250379\\_32236930\\_33658140\\_1\\_1\\_1\\_1,00.html#40recs](http://www.fatf-gafi.org/document/28/0,3343,en_32250379_32236930_33658140_1_1_1_1,00.html#40recs)>

<sup>2010</sup> The 40 Recommendations, Financial Action Task Force (Paris). Date of Access: 9 January 2008.

<[http://www.fatf-gafi.org/document/28/0,3343,en\\_32250379\\_32236930\\_33658140\\_1\\_1\\_1\\_1,00.html#40recs](http://www.fatf-gafi.org/document/28/0,3343,en_32250379_32236930_33658140_1_1_1_1,00.html#40recs)>

<sup>2011</sup> RE: Coming into force of Bill C-25: Amendments to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA); and Regulations Amending Certain Regulations Made Under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (2007-1); and related matters, Office of the Superintendent of Financial Institutions Canada, (Ottawa) 27 July 2007. Date of Access: 9 December 2007. <[http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/notices/osfi/2007\\_07\\_27\\_bc25\\_e.pdf](http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/notices/osfi/2007_07_27_bc25_e.pdf)>

<sup>2012</sup> RE: Coming into force of Bill C-25: Amendments to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA); and Regulations Amending Certain Regulations Made Under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (2007-1); and related matters, Office of the Superintendent of Financial Institutions Canada (Ottawa) 27 July 2007. Date of Access: 9 December 2007. <[http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/notices/osfi/2007\\_07\\_27\\_bc25\\_e.pdf](http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/notices/osfi/2007_07_27_bc25_e.pdf)>

<sup>2013</sup> RE: Coming into force of Bill C-25: Amendments to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA); and Regulations Amending Certain Regulations Made Under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (2007-1); and related matters, Office of the Superintendent of Financial Institutions Canada (Ottawa) 27 July 2007. Date of Access: 9 December 2007. <[http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/notices/osfi/2007\\_07\\_27\\_bc25\\_e.pdf](http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/notices/osfi/2007_07_27_bc25_e.pdf)>

<sup>2014</sup> Statement by U.S. Treasury Secretary Henry Paulson Following Meeting of G7 Finance Ministers and Central Bank Governors, G8 Information Centre (Toronto) 11 April 2008. Date of Access: 8 May 2008. <[http://www.g8.utoronto.ca/finance/fm080411\\_paulson.htm](http://www.g8.utoronto.ca/finance/fm080411_paulson.htm)>

<sup>2015</sup> Statement by U.S. Treasury Secretary Henry Paulson Following Meeting of G7 Finance Ministers and Central Bank Governors, G8 Information Centre (Toronto) 11 April 2008. Date of Access: 8 May 2008. <[http://www.g8.utoronto.ca/finance/fm080411\\_paulson.htm](http://www.g8.utoronto.ca/finance/fm080411_paulson.htm)>

<sup>2016</sup> Statement of G7 Finance Ministers and Central Bank Governors, G8 Information Centre (Toronto) 9 February 2008. Date of Access: 8 May 2008. <<http://www.g8.utoronto.ca/finance/fm080209.htm>>

laundrying charges in the United States.<sup>2017</sup> On 4 February 2008, the so-called Sentier II money laundering trial began in Paris. French bank Société Generale and the National Bank of Pakistan were among 4 banks and 130 individuals charged in relation to a money laundering ring that funneled €82 million into Israel in the late 1990s.<sup>2018</sup>

France further strengthened its financial system with regulatory instruments that mitigate its exposure to high-risk international finance activities. On 18 March 2008, for example, the Autorité des Marchés Financiers (AMF) updated its General Regulation for collective investment products, adding a prohibition against investment funds originating from “countries or territories identified as uncooperative by the FATF.”<sup>2019</sup>

In June 2007, the Banque de France completed the implementation of a new reporting system to meet the requirements of COREP (Common Reporting) and FINREP (Financial Reporting) framework for all French banks.<sup>2020</sup> The new reporting framework is used by TRACFIN, France's financial intelligence unit (FIU), which shares intelligence about money laundering and terror finance with its international partners in the Egmont group of FIUs.<sup>2021</sup>

Pursuant to the FATF declaration that, “Iran’s lack of a comprehensive anti-money laundering / combating the financing of terrorism (AML/CFT) regime represents a significant vulnerability within the international financial system,”<sup>2022</sup> French Foreign Minister Bernard Kouchner announced that he will pressure large French companies to refrain from investing in Iran.<sup>2023</sup>

As of 1 November 2007, the Autorité des Marchés Financiers (AMF) finalized the transposition of the EU's Directive on Money Laundering and Terrorist Financing<sup>2024</sup> for “the prevention of the use of the financial systems for the purpose of money laundering and terrorism financing”.<sup>2025</sup> New regulations stipulate that investment services providers “shall have organizational structures and procedures that enable them to comply with the vigilance and disclosure requirements provided for in... the Monetary and Financial Code relating to the fight against money laundering and terrorist financing.”<sup>2026</sup>

In addition to broad domestic compliance with the FATF's 40+9 Recommendations, France continued to help other states implement FATF policies. In February 2008, French Interior Minister Michele Alliot-Marie and Saudi Interior Minister Prince Nayef bin Abdel Aziz signed a civil security agreement aimed at boosting bilateral cooperation on counter-terrorism and anti-money laundering.<sup>2027</sup>

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<sup>2017</sup> Noriega loses bid to block extradition to France, MSNBC (Miami) 9 January 2008. Date of Access: 12 May 2008.

<<http://www.msnbc.msn.com/id/22574563/>>

<sup>2018</sup> Money Laundering Case Goes to Trial, The Jerusalem Post (New York) 5 February 2008. Date of Access: 11 May 2008.

<<http://www.jpost.com/servlet/Satellite?cid=1202064583645&pagename=JPost%2FJPArticle%2FShowFull>>

<sup>2019</sup> General Regulation Book IV – Collective Investment Products, Autorité des Marchés Financiers (Paris) 18 March 2008.

Date of Access: 1 May 2008. <[http://www.amf-france.org/documents/general/7554\\_1.pdf](http://www.amf-france.org/documents/general/7554_1.pdf)>

<sup>2020</sup> General Regulation Book III – Service Providers, Autorité des Marchés Financiers (Paris) 11 September 2007. Date of

Access: 9 December 2007. <[http://www.amf-france.org/documents/general/7553\\_1.pdf](http://www.amf-france.org/documents/general/7553_1.pdf)>

<sup>2021</sup> Financial Intelligence Units of the World, The Egmont Group (Toronto). Date of Access: 11 January 2008.

<[http://www.egmontgroup.org/list\\_of\\_fius.pdf](http://www.egmontgroup.org/list_of_fius.pdf)>

<sup>2022</sup> FATF Statement On Iran, Financial Action Task Force (Paris) 11 October 2007. Date of Access: 11 January 2008.

<<http://www.fatf-gafi.org/dataoecd/1/2/39481684.pdf>>

<sup>2023</sup> Kouchner's Kingdom, The Economist (Paris) 11 October 2007. Date of Access: 11 January 2008.

<<http://www.washingtoninstitute.org/templateC06.php?CID=1107>>

<sup>2024</sup> AMF Working Program on Regulation 2007-2008, Autorité des Marchés Financiers (Paris) February 2007. Date of

Access: 8 December 2007. <[http://www.amf-france.org/documents/general/7689\\_1.pdf](http://www.amf-france.org/documents/general/7689_1.pdf)>

<sup>2025</sup> Directive on Money Laundering and Terrorist Financing, Council of The European Union (Brussels) 20 September

2005. Date of Access 10 January 2008.

<<http://europa.eu/rapid/pressReleasesAction.do?reference=PRES/05/240&format=HTML&aged=0&language=EN&quiLanguage=en>>

<sup>2026</sup> General Regulation Book III – Service Providers, Autorité des Marchés (Paris) 11 September 2007. Date of Access: 9

December 2007. <[http://www.amf-france.org/documents/general/7553\\_1.pdf](http://www.amf-france.org/documents/general/7553_1.pdf)>

<sup>2027</sup> Saudi Arabia, France sign cooperation agreement to combat terrorism, money laundering, International Herald

Tribune (Paris) 25 February 2008. Date of Access: 9 May 2008.

<<http://www.washingtoninstitute.org/templateC06.php?CID=1107>>

As of May 2008, however, France had still not ratified the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism.<sup>2028</sup>

At their meeting in Washington D.C. on 11 April 2008, the G7 Finance Ministers and Central Bank Governors reaffirmed their support for the Financial Action Task Force and their “commitment to counter money laundering, terrorism and proliferation financing.”<sup>2029</sup> They also agreed that the FATF should continue its efforts to combat the threats posed to the international financial system by illicit transactions and its support for nations implementing United Nations Resolutions against WMD proliferation financing.<sup>2030</sup> Similar comments were made at the G7 Finance Ministers and Central Bank Governors’ Meeting in Tokyo on 9 February 2008.<sup>2031</sup>

Thus, France has been awarded a score of +1 for its extensive efforts to both implement the FATF’s 40+9 Recommendations domestically and promote them internationally.

*Analyst: Daniel Seleanu*

### **Germany: 0**

Germany has partially complied with its Financial Action Task Force commitment as agreed at the Heiligendamm Summit.

On 28 February 2008, the Federal Ministry of the Interior issued a draft bill aimed at combating money laundering and terror finance. The bill is designed to incorporate EU directives from 2005 into the existing Money Laundering Act, as well as the Banking Act and other Acts of Parliament that regulate financial transactions and institutions.<sup>2032</sup> The changes to the Money Laundering Act are intended to ease reporting of suspected cases of terror finance to the appropriate authorities. They will also enshrine numerous aspects of the Financial Action Task Force’s 40 Recommendations and 9 Special Recommendations in German law, requiring stricter due diligence of financial institutions.<sup>2033</sup>

The proposed bill will also introduce measures to strengthen transparency and integrity requirements for corporations. These measures will deprive money launderers and those who raise funds for terrorists of the means of creating legitimate legal persons that can be used to launder the proceeds of illicit activities.<sup>2034</sup> They are designed to protect natural persons potentially engaging in legitimate transactions with shell companies and to increase the transparency of corporate structures, simplifying the means by which

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<sup>2028</sup> Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism, Council of Europe (Strasbourg) 16 May 2005. Date of Access: 5 May 2008.

<<http://conventions.coe.int/Treaty/Commun/ChercheSig.asp?NT=198&CM=7&DF=12/11/2007&CL=ENG>>

<sup>2029</sup> Statement by U.S. Treasury Secretary Henry Paulson Following Meeting of G7 Finance Ministers and Central Bank Governors, G8 Information Centre (Toronto) 11 April 2008. Date of Access: 8 May 2008.

<[http://www.g8.utoronto.ca/finance/fm080411\\_paulson.htm](http://www.g8.utoronto.ca/finance/fm080411_paulson.htm)>

<sup>2030</sup> Statement by U.S. Treasury Secretary Henry Paulson Following Meeting of G7 Finance Ministers and Central Bank Governors, G8 Information Centre (Toronto) 11 April 2008. Date of Access: 8 May 2008.

<[http://www.g8.utoronto.ca/finance/fm080411\\_paulson.htm](http://www.g8.utoronto.ca/finance/fm080411_paulson.htm)>

<sup>2031</sup> Statement of G7 Finance Ministers and Central Bank Governors, G8 Information Centre (Toronto) 9 February 2008. Date of Access: 8 May 2008. <<http://www.g8.utoronto.ca/finance/fm080209.htm>>

<sup>2032</sup> Entwurf eines Gesetzes zur Ergänzung der Bekämpfung der Geldwäsche und der Terrorismusfinanzierung, Federal Ministry of the Interior (Berlin) 28 February 2008. Date of Access: 8 May 2008.

<[http://www.bmi.bund.de/Internet/Content/Common/Anlagen/Gesetze/Entwurf\\_Geldw\\_C3\\_A4schebek\\_C3\\_A4mpfungs\\_erg\\_C3\\_A4nungsgesetz,templateId=raw,property=publicationFile.pdf/Entwurf\\_Geldw%C3%A4schebek%C3%A4mpfungserg%C3%A4nzungsgesetz.pdf](http://www.bmi.bund.de/Internet/Content/Common/Anlagen/Gesetze/Entwurf_Geldw_C3_A4schebek_C3_A4mpfungs_erg_C3_A4nungsgesetz,templateId=raw,property=publicationFile.pdf/Entwurf_Geldw%C3%A4schebek%C3%A4mpfungserg%C3%A4nzungsgesetz.pdf)>

<sup>2033</sup> Entwurf eines Gesetzes zur Ergänzung der Bekämpfung der Geldwäsche und der Terrorismusfinanzierung, Federal Ministry of the Interior (Berlin) 28 February 2008. Date of Access: 8 May 2008.

<[http://www.bmi.bund.de/Internet/Content/Common/Anlagen/Gesetze/Entwurf\\_Geldw\\_C3\\_A4schebek\\_C3\\_A4mpfungs\\_erg\\_C3\\_A4nungsgesetz,templateId=raw,property=publicationFile.pdf/Entwurf\\_Geldw%C3%A4schebek%C3%A4mpfungserg%C3%A4nzungsgesetz.pdf](http://www.bmi.bund.de/Internet/Content/Common/Anlagen/Gesetze/Entwurf_Geldw_C3_A4schebek_C3_A4mpfungs_erg_C3_A4nungsgesetz,templateId=raw,property=publicationFile.pdf/Entwurf_Geldw%C3%A4schebek%C3%A4mpfungserg%C3%A4nzungsgesetz.pdf)>

<sup>2034</sup> Entwurf eines Gesetzes zur Ergänzung der Bekämpfung der Geldwäsche und der Terrorismusfinanzierung, Federal Ministry of the Interior (Berlin) 28 February 2008. Date of Access: 8 May 2008.

<[http://www.bmi.bund.de/Internet/Content/Common/Anlagen/Gesetze/Entwurf\\_Geldw\\_C3\\_A4schebek\\_C3\\_A4mpfungs\\_erg\\_C3\\_A4nungsgesetz,templateId=raw,property=publicationFile.pdf/Entwurf\\_Geldw%C3%A4schebek%C3%A4mpfungserg%C3%A4nzungsgesetz.pdf](http://www.bmi.bund.de/Internet/Content/Common/Anlagen/Gesetze/Entwurf_Geldw_C3_A4schebek_C3_A4mpfungs_erg_C3_A4nungsgesetz,templateId=raw,property=publicationFile.pdf/Entwurf_Geldw%C3%A4schebek%C3%A4mpfungserg%C3%A4nzungsgesetz.pdf)>

German authorities investigate suspected cases of money laundering and terror finance.<sup>2035</sup> The Ministry of the Interior has not said when it expects the bill to be passed by Parliament.

On 27 November 2007, the German Central Bank released its report on the characteristics of the German remittance system. Remittances, in particular the hawala system common in the Middle East and South Asia, have long been cited as a problem area in the fight against terror finance. Although the Bundesbank's report concentrated on the cost of remittance services, it also called for greater transparency at all levels of the remittance industry in order to enhance the abilities of financial regulators.<sup>2036</sup>

At their meeting in Washington D.C. on 11 April 2008, the G7 Finance Ministers and Central Bank Governors reaffirmed their support for the Financial Action Task Force and their "commitment to counter money laundering, terrorism and proliferation financing."<sup>2037</sup> They also agreed that the FATF should continue its efforts to combat the threats posed to the international financial system by illicit transactions and its support for nations implementing United Nations Resolutions against WMD proliferation financing.<sup>2038</sup> Similar comments were made at the G7 Finance Ministers and Central Bank Governors' Meeting in Tokyo on 9 February 2008.<sup>2039</sup>

Thus, Germany has been awarded a score of 0 for progress made toward the implementation of the FATF's 40 Recommendations and 9 Special Recommendations.

*Analyst: Michael Erdman*

#### **Italy: +1**

Italy has fully complied with its commitment on the Financial Action Task Force as agreed at the 2007 Heiligendamm Summit. The Italian government has instituted a number of wide-reaching initiatives to combat money laundering and terror finance at home and has promoted the implementation of the FATF 40+9 Recommendations abroad.

On 30 April 2008, new anti-money laundering legislation came into force. Under the new measures, known as Article 49, stricter controls have been instituted on the use of cash and bearer bonds. In particular, it is no longer permissible for amounts of €5000 or more to be paid in cash or by cheque marked "transferable".<sup>2040</sup> Furthermore, Italian post offices and banks will no longer issue transferable cheques. Cheques marked "cash" will be honoured for immediate cash withdrawal only and will not be permitted to circulate, nor will consumers be able to open demand deposit accounts for sums exceeding €5000.<sup>2041</sup>

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<sup>2035</sup> Entwurf eines Gesetzes zur Ergänzung der Bekämpfung der Geldwäsche und der Terrorismusfinanzierung, Federal Ministry of the Interior (Berlin) 28 February 2008. Date of Access: 8 May 2008. <[http://www.bmi.bund.de/Internet/Content/Common/Anlagen/Gesetze/Entwurf\\_Geldw\\_C3\\_A4schebek\\_C3\\_A4mpfungs\\_erg\\_C3\\_A4nzungsgesetz,templateId=raw,property=publicationFile.pdf/Entwurf\\_Geldwäschebekämpfungsergänzungsgesetz.pdf](http://www.bmi.bund.de/Internet/Content/Common/Anlagen/Gesetze/Entwurf_Geldw_C3_A4schebek_C3_A4mpfungs_erg_C3_A4nzungsgesetz,templateId=raw,property=publicationFile.pdf/Entwurf_Geldwäschebekämpfungsergänzungsgesetz.pdf)>

<sup>2036</sup> The German Remittance Market – An Overview, Bundesbank (Frankfurt) 27 November 2007. Date of Access: 16 January 2008.

<[http://www.bundesfinanzministerium.de/cln\\_04/nn\\_3790/DE/Internationale\\_Beziehungen/Informelle\\_Gremien\\_der\\_Zusammenarbeit/G7\\_G8/008\\_e\\_anl,templateId=raw,property=publicationFile.pdf](http://www.bundesfinanzministerium.de/cln_04/nn_3790/DE/Internationale_Beziehungen/Informelle_Gremien_der_Zusammenarbeit/G7_G8/008_e_anl,templateId=raw,property=publicationFile.pdf)>

<sup>2037</sup> Statement by U.S. Treasury Secretary Henry Paulson Following Meeting of G7 Finance Ministers and Central Bank Governors, G8 Information Centre (Toronto) 11 April 2008. Date of Access: 8 May 2008.

<[http://www.g8.utoronto.ca/finance/fm080411\\_paulson.htm](http://www.g8.utoronto.ca/finance/fm080411_paulson.htm)>

<sup>2038</sup> Statement by U.S. Treasury Secretary Henry Paulson Following Meeting of G7 Finance Ministers and Central Bank Governors, G8 Information Centre (Toronto) 11 April 2008. Date of Access: 8 May 2008.

<[http://www.g8.utoronto.ca/finance/fm080411\\_paulson.htm](http://www.g8.utoronto.ca/finance/fm080411_paulson.htm)>

<sup>2039</sup> Statement of G7 Finance Ministers and Central Bank Governors, G8 Information Centre (Toronto) 9 February 2008. Date of Access: 8 May 2008. <<http://www.g8.utoronto.ca/finance/fm080209.htm>>

<sup>2040</sup> Antiriciclaggio: Nuove normative per contanti e assegni, Ministero dell'Economia e delle Finanze (Rome) 23 April 2008. Date of Access: 9 May 2008. <<http://www.mef.gov.it/web/assegni.asp>>

<sup>2041</sup> Antiriciclaggio: Nuove normative per contanti e assegni, Ministero dell'Economia e delle Finanze (Rome) 23 April 2008. Date of Access: 9 May 2008. <<http://www.mef.gov.it/web/assegni.asp>>

On 21 November 2007, the Italian government issued a decree concerning the application of new rules and regulations targeting money laundering and other illegal financial activities.<sup>2042</sup> In particular, the document clarified the application of reporting and monitoring procedures dating from 2006 with respect to provision of information on money transfers.<sup>2043</sup> The rule stems directly from Special Recommendation VII of the FATF's Special Recommendations on Terror Finance. The decree seeks to tighten the requirements for information on individuals sending funds (both euro and US dollar denominated amounts) to recipients outside the country.<sup>2044</sup>

The same decree clarifies that the Ministry of the Economy and Finance is responsible for all relations with other European Union countries on matters of terror finance and money laundering.<sup>2045</sup> It provides for the creation of a financial information unit (Unità d'informazione finanziaria, UIF) at the country's central bank, the Banca d'Italia. The UIF is charged with the analysis of financial movements that might be the result of money laundering or terror finance activities; receipt of tips on possible illegal activities from the appropriate private entities and initiate investigations of the said tips; and the transfer of information collected to the appropriate authorities.<sup>2046</sup> The UIF is also empowered by the decree to freeze the activities of suspect organizations for 5 days, provided this does not unduly prejudice the activities of the organization. The 21 November 2007 decree provides similar powers to special financial task forces in the judiciary and the police force.<sup>2047</sup>

The Italian government is also involved in a protracted campaign against organized criminality, often involving the mafia, camorra, 'ndrangheta and other regional criminal enterprises. The campaign has important effects on Italian efforts to combat money laundering and other financial crimes. On 20 October 2007, the Ministry of the Interior announced that a series of new measures to combat illegal acts and organized crime had been passed by the Council of Ministers.<sup>2048</sup> One measure included in the package sought to ease payment of government and other receipts electronically to eliminate the dangers inherent in the use of cash for official transactions. Representatives of the Ministry claimed that this would have important effects on the fight against money laundering.<sup>2049</sup>

According to the budget of the Ministry of Economy and Finance, €1 million have been allocated for the 2008 fiscal year for various programs targeted at the prevention of money laundering, terror finance and the

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<sup>2042</sup> Decreto Legislativo 21 Novembre 2007 N.231, Ministero dell'Economia e delle Finanze (Rome) 21 November 2007. Date of Access: 16 January 2008. <<http://www.dt.tesoro.it/Aree-Docum/Prevenzion/Antiriciclaggio/Normativa-/decreto-legislativo-di-recepimento-della-III-Direttiva-CE-antiriciclaggio.pdf>>

<sup>2043</sup> Decreto Legislativo 21 Novembre 2007 N.231, Ministero dell'Economia e delle Finanze (Rome) 21 November 2007. Date of Access: 16 January 2008. <<http://www.dt.tesoro.it/Aree-Docum/Prevenzion/Antiriciclaggio/Normativa-/decreto-legislativo-di-recepimento-della-III-Direttiva-CE-antiriciclaggio.pdf>>

<sup>2044</sup> Decreto Legislativo 21 Novembre 2007 N.231, Ministero dell'Economia e delle Finanze (Rome) 21 November 2007. Date of Access: 16 January 2008. <<http://www.dt.tesoro.it/Aree-Docum/Prevenzion/Antiriciclaggio/Normativa-/decreto-legislativo-di-recepimento-della-III-Direttiva-CE-antiriciclaggio.pdf>>

<sup>2045</sup> Decreto Legislativo 21 Novembre 2007 N.231, Commissione Nazionale per le Società e la Borsa (Rome) 21 November 2007. Date of Access: 16 January 2008. <[http://www.consob.it/main/documenti/Regolamentazione/normativa/dlgs231\\_2007.htm?hkeywords=riciclaggio&docid=18&page=0&hits=12](http://www.consob.it/main/documenti/Regolamentazione/normativa/dlgs231_2007.htm?hkeywords=riciclaggio&docid=18&page=0&hits=12)>

<sup>2046</sup> Decreto Legislativo 21 Novembre 2007 N.231, Commissione Nazionale per le Società e la Borsa (Rome) 21 November 2007. Date of Access: 16 January 2008. <[http://www.consob.it/main/documenti/Regolamentazione/normativa/dlgs231\\_2007.htm?hkeywords=riciclaggio&docid=18&page=0&hits=12](http://www.consob.it/main/documenti/Regolamentazione/normativa/dlgs231_2007.htm?hkeywords=riciclaggio&docid=18&page=0&hits=12)>

<sup>2047</sup> Decreto Legislativo 21 Novembre 2007 N.231, Commissione Nazionale per le Società e la Borsa (Rome) 21 November 2007. Date of Access: 16 January 2008. <[http://www.consob.it/main/documenti/Regolamentazione/normativa/dlgs231\\_2007.htm?hkeywords=riciclaggio&docid=18&page=0&hits=12](http://www.consob.it/main/documenti/Regolamentazione/normativa/dlgs231_2007.htm?hkeywords=riciclaggio&docid=18&page=0&hits=12)>

<sup>2048</sup> Approvato in Consiglio dei ministri il "Pacchetto sicurezza". Via libera a cinque disegni di leggi, Ministero dell'Interno (Rome) 30 October 2007. Date of Access: 16 January 2008. <[http://www.interno.it/mininterno/export/sites/default/it/sezioni/sala\\_stampa/notizie/sicurezza/0893\\_2007\\_10\\_30\\_pacchetto\\_sicurezza.html](http://www.interno.it/mininterno/export/sites/default/it/sezioni/sala_stampa/notizie/sicurezza/0893_2007_10_30_pacchetto_sicurezza.html)>

<sup>2049</sup> Approvato in Consiglio dei ministri il "Pacchetto sicurezza". Via libera a cinque disegni di leggi, Ministero dell'Interno (Rome) 30 October 2007. Date of Access: 16 January 2008. <[http://www.interno.it/mininterno/export/sites/default/it/sezioni/sala\\_stampa/notizie/sicurezza/0893\\_2007\\_10\\_30\\_pacchetto\\_sicurezza.html](http://www.interno.it/mininterno/export/sites/default/it/sezioni/sala_stampa/notizie/sicurezza/0893_2007_10_30_pacchetto_sicurezza.html)>

freezing of bank accounts and other funds implicated in the aforementioned crimes.<sup>2050</sup> Details on the exact programs that will benefit from these funds have not been released.

Italy has promoted accords against money laundering internationally. On 11 July 2007, the Governor of the United Arab Emirates Central Bank, Sultan Nasser As-Suwaidi, visited Italy and met various representatives of the Banca d'Italia and the Ministry of the Economy and Finance.<sup>2051</sup> After bilateral discussions, representatives of the two countries signed agreements on the sharing of information and programs for the training of officials charged with leading the fight against money laundering.<sup>2052</sup>

At their meeting in Washington D.C. on 11 April 2008, the G7 Finance Ministers and Central Bank Governors reaffirmed their support for the Financial Action Task Force and their “commitment to counter money laundering, terrorism and proliferation financing.”<sup>2053</sup> They also agreed that the FATF should continue its efforts to combat the threats posed to the international financial system by illicit transactions and its support for nations implementing United Nations Resolutions against WMD proliferation financing.<sup>2054</sup> Similar comments were made at the G7 Finance Ministers and Central Bank Governors’ Meeting in Tokyo on 9 February 2008.<sup>2055</sup>

Thus, Italy has been awarded a score of +1 for its wide-ranging efforts to implement the Financial Action Task Force’s 40 Recommendations and 9 Special Recommendations.

*Analyst: Michael Erdman*

#### **Japan: 0**

Japan has partially complied with its FATF commitment as agreed at the Heiligendamm Summit in June 2007.

On 29 February 2008, Japan revised the “Law for Prevention of Transfer of Criminal Proceeds” to further comply with the FATF’s 40+9 Recommendations. The law, initially proposed on 1 April 2007 and fully enforced on 1 March 2008, significantly increases Japan’s compliance with the FATF Recommendations as it: (1) requires measures such as customer identification, retention of transaction records, and reporting of suspicious transaction by a larger scope of business operators; (2) relocates the Japan Financial Intelligence Center from the Financial Services Agency to the National Police Agency, which simplifies the enforcement process of anti-money laundering policies; and (3) specifies the forfeiture or collection of equivalent value on criminal proceeds.<sup>2056</sup>

On 10 August 2007, the Financial Services Agency (FSA) of Japan published the *Basic Policy and Plan for Financial Inspections in Program Year 2007*. In the *Basic Policy*, the FSA demonstrated its intention to “examine the status of financial institutions’ establishment of systems for dealing with money laundering at their domestic branches and the management of anti-money laundering efforts at overseas branches by their divisions in charge of supervising international business operations.”<sup>2057</sup> Furthermore, the FSA expects to

<sup>2050</sup> Bilancio di previsione 2008 per capitoli, Ministero dell’Economie e delle Finanze (Rome) 2 January 2008. Date of Access: 16 January 2008. <<http://www.rgs.mef.gov.it/VERSIONE-1/Finanza-Pu/Bilancio-d/2008/Bilancio-di-previsione-2008-per-capitoli.pdf>>

<sup>2051</sup> Money Laundering Committee Visits Italy, UAE Interact (Abu Dhabi) 11 July 2007. Date of Access: 16 January 2008. <[http://uaeinteract.com/docs/Money\\_Laundering\\_Committee\\_visits\\_Italy/26104.htm](http://uaeinteract.com/docs/Money_Laundering_Committee_visits_Italy/26104.htm)>

<sup>2052</sup> Money Laundering Committee Visits Italy, UAE Interact (Abu Dhabi) 11 July 2007. Date of Access: 16 January 2008. <[http://uaeinteract.com/docs/Money\\_Laundering\\_Committee\\_visits\\_Italy/26104.htm](http://uaeinteract.com/docs/Money_Laundering_Committee_visits_Italy/26104.htm)>

<sup>2053</sup> Statement by U.S. Treasury Secretary Henry Paulson Following Meeting of G7 Finance Ministers and Central Bank Governors, G8 Information Centre (Toronto) 11 April 2008. Date of Access: 8 May 2008. <[http://www.g8.utoronto.ca/finance/fm080411\\_paulson.htm](http://www.g8.utoronto.ca/finance/fm080411_paulson.htm)>

<sup>2054</sup> Statement by U.S. Treasury Secretary Henry Paulson Following Meeting of G7 Finance Ministers and Central Bank Governors, G8 Information Centre (Toronto) 11 April 2008. Date of Access: 8 May 2008. <[http://www.g8.utoronto.ca/finance/fm080411\\_paulson.htm](http://www.g8.utoronto.ca/finance/fm080411_paulson.htm)>

<sup>2055</sup> Statement of G7 Finance Ministers and Central Bank Governors, G8 Information Centre (Toronto) 9 February 2008. Date of Access: 8 May 2008. <<http://www.g8.utoronto.ca/finance/fm080209.htm>>

<sup>2056</sup> Law for Prevention of Transfer of Criminal Proceeds, Japan Financial Intelligence Center (Tokyo) 1 April 2007. Date of Access: 9 January 2008. <<http://www.npa.go.jp/sosikihanzai/Jafic/horei/Lawptcp.pdf>>

<sup>2057</sup> The Basic Policy and Plan for Financial Inspection in Program Year 2007, Financial Services Agency (Tokyo) 1 April 2007. Date of Access: 28 December 2007. <<http://www.fsa.go.jp/en/news/2007/20070810.html>>



“examine whether financial institutions take appropriate measures to deal with the changes in the regulatory environment, such as an expansion of the range of services for which customer identity verification is necessary and the establishment of the Law for Prevention of Transfer of Criminal Proceeds.”<sup>2058</sup>

On 22 April 2008, the FSA enforced a measure to counter Iranian nuclear activities. Under the new guidelines, initially proposed by the United Nations, Japanese financial institutions are required to monitor and stop any transactions involving Iranian banks, corporations, and blacklisted individuals until the FSA gives permission for the completion of the transaction.<sup>2059</sup>

At their meeting in Washington D.C. on 11 April 2008, the G7 Finance Ministers and Central Bank Governors reaffirmed their support for the Financial Action Task Force and their “commitment to counter money laundering, terrorism and proliferation financing.”<sup>2060</sup> They also agreed that the FATF should continue its efforts to combat the threats posed to the international financial system by illicit transactions and its support for nations implementing United Nations Resolutions against WMD proliferation financing.<sup>2061</sup> Similar comments were made at the G7 Finance Ministers and Central Bank Governors’ Meeting in Tokyo on 9 February 2008.<sup>2062</sup>

Thus, Japan has been awarded a score of 0 for the progress it has made in implementing the FATF’s 40+9 Recommendations.

*Analysts: Kenta Hatamochi and Arina Shadrikova*

#### **Russia: +1**

Russia has fully complied with its Financial Action Task Force commitment having made significant efforts to implement the FATF 40+9 Recommendations.

In 2007, Russia continued to bring its national legislation in line with FATF Recommendations. The Federal Law “On money laundering and terrorist financing”<sup>2063</sup> was amended, whereby the list of organizations responsible for combating money laundering and terror finance was extended to commercial organizations that conclude factoring agreements as fiscal agents. Controls over the clearance and transfer of large sums of money were strengthened. Also, the State Duma is now considering a law that will require all lending institutions to report transactions of their clients of RFR600 000 (approximately US\$25 260 at the market exchange rate of 7 May 2008) and more to a central authority.<sup>2064</sup>

In February 2007, Sergei Ignatyev, Chairman of the Russian Central Bank, commented that “[o]perations to debit cash for allegedly legal purposes are the most widespread type of fictitious banking transactions. In reality, cash goes to pay ‘gray’ wages, offer bribes and carry out other illegal deals.”<sup>2065</sup> Efforts have therefore been taken to block the flow of dirty money through banks. For this reason, the Central Bank of Russia has been withdrawing licenses from banks for the violation of the law on money laundering and

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<sup>2058</sup> The Basic Policy and Plan for Financial Inspection in Program Year 2007, Financial Services Agency (Tokyo) 1 April 2007. Date of Access: 28 December 2007. <<http://www.fsa.go.jp/en/news/2007/20070810.html>>

<sup>2059</sup> Limiting Iranian Nuclear Activities, Japan Financial Intelligence Center (Tokyo) 22 April 2008. Date of Access: 4 May 2008. <<http://www.fsa.go.jp/news/19/sonota/20080422-1/01.pdf>>

<sup>2060</sup> Statement by U.S. Treasury Secretary Henry Paulson Following Meeting of G7 Finance Ministers and Central Bank Governors, G8 Information Centre (Toronto) 11 April 2008. Date of Access: 8 May 2008. <[http://www.g8.utoronto.ca/finance/fm080411\\_paulson.htm](http://www.g8.utoronto.ca/finance/fm080411_paulson.htm)>

<sup>2061</sup> Statement by U.S. Treasury Secretary Henry Paulson Following Meeting of G7 Finance Ministers and Central Bank Governors, G8 Information Centre (Toronto) 11 April 2008. Date of Access: 8 May 2008. <[http://www.g8.utoronto.ca/finance/fm080411\\_paulson.htm](http://www.g8.utoronto.ca/finance/fm080411_paulson.htm)>

<sup>2062</sup> Statement of G7 Finance Ministers and Central Bank Governors, G8 Information Centre (Toronto) 9 February 2008. Date of Access: 8 May 2008. <<http://www.g8.utoronto.ca/finance/fm080209.htm>>

<sup>2063</sup> Senators have approved amendments to the law on combating money laundering, RIA Novosti (Moscow) 16 November 2007. Date of Access: 6 December 2007. <<http://www.rian.ru/politics/20071116/88369919.html>>

<sup>2064</sup> Duma will consider a law on control over the residents’ cash dealings, RIA Novosti (Moscow) 14 November 2007. Date of Access: 6 December 2007. <<http://www.rian.ru/economy/20071114/87954032.html>>

<sup>2065</sup> Russia loses \$19-30 bln a year from fictitious deals – CBR, RIA Novosti (Moscow) 20 November 2007. Date of Access: 20 December 2007. <<http://en.rian.ru/russia/20070220/61011207.html>>

banking legislation since 2005, especially when violations were repeated within one year.<sup>2066</sup> The Russian government continued to enforce this policy through 2007 and the first half of 2008.<sup>2067</sup> In 2007, 51 licenses were withdrawn,<sup>2068</sup> and since the beginning of 2008 six more Russian banks have lost their licenses.<sup>2069</sup> According to Chairman Ignatyev, the actions of the Central Bank are in line with the 40 Recommendations of the FATF.<sup>2070</sup>

The FATF's own opinion about Russia's progress will soon be known. FATF auditors are currently auditing Russia's system of financial regulation. The expectations of many Russian officials are quite positive. Former Prime Minister Viktor Zubkov, who was previously successful in having Russia removed from the FATF's blacklist, commented that "Russia may get a high score."<sup>2071</sup>

In March 2008, the Federal Financial Monitoring Agency published online a new list of organizations and individuals suspected of extremist activities.<sup>2072</sup> In February 2008, Russia and Brazil signed their 39<sup>th</sup> International Informational Cooperation Agreement, which is aimed at combating money laundering and terror finance.<sup>2073</sup>

Thus, Russia has been awarded a score of +1 for its domestic implementation and international promotion of the FATF's 40+9 Recommendations.

*Analyst: Tatiana Lanshina*

#### **United Kingdom: +1**

The United Kingdom has fully complied with its commitment on the FATF as agreed at the Heiligendamm Summit in June 2007. The UK has demonstrated a strong commitment to implement and promote the 40+9 Recommendations proposed by the Financial Action Task Force (FATF) on both the domestic and international levels.

On 29 February 2008, Her Majesty's Treasury released a warning to British nationals and business about jurisdictions that were characterized by "heightened risks of money laundering or terrorism finance." The entities identified included Uzbekistan, Iran, Turkmenistan, Pakistan, São Tomé and Príncipe and the unrecognized Turkish Republic of Northern Cyprus.<sup>2074</sup> The warnings were based on information released by the FATF about laxities in the financial system monitoring apparatuses of the aforementioned states and territories. HM Treasury also used the announcement to remind British nationals and firms that they are to use their own discretion in the appropriate implementation of information provided by the FATF.<sup>2075</sup>

On 24 July 2007, HM Treasury released the *Money Laundering Regulations* document, which went into effect 15 December 2007, in line with the EU's Third Money Laundering Directive. UK legislation

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<sup>2066</sup> CB RF has withdrawn license from the Moscow KB Bank, RIA Novosti (Moscow) 20 November 2007. Date of Access: 6 December 2007. <<http://www.rian.ru/economy/20071120/88760942.html>>

<sup>2067</sup> CBR has recalled licenses from 3 Moscow region banks, RIA Novosti (Moscow) 27 November 2007. Date of Access: 6 December 2007. <<http://www.rian.ru/economy/20071127/89732958.html>>

<sup>2068</sup> It's Become Risky to Launder, National Banking Magazine (Moscow) April 2008. Date of Access: 7 May 2008. <<http://www.nbj.ru/archive/number/article/?article=14025>>

<sup>2069</sup> Falsehood on trial, Rossiyskaya Gazeta (Moscow) 23 April 2008. Date of Access: 5 May 2008. <<http://www.rg.ru/2008/04/23/cb-pravila.html>>

<sup>2070</sup> Russia loses \$19-30 bln a year from fictitious deals – CBR, RIA Novosti (Moscow) 20 November 2007. Date of Access: 20 December 2007. <<http://en.rian.ru/russia/20070220/61011207.html>>

<sup>2071</sup> Russia may get high scores from the FATF in 2007, Ministry of Finance of the Russian Federation (Moscow) 17 August 2007. Date of Access: 10 December 2007. <<http://minfin.rinet.ru/Interview/2007/Interview08/170807zubkov.htm>>

<sup>2072</sup> Information Message, Federal Financial Monitoring Agency (Moscow) 28 March 2008. Date of Access: 7 May 2008. <[http://www.kfm.ru/news\\_28032008\\_336.html](http://www.kfm.ru/news_28032008_336.html)>

<sup>2073</sup> Information Message, Federal Financial Monitoring Agency (Moscow) 3 March 2008. Date of Access: 7 May 2008. <[http://www.kfm.ru/news\\_03032008\\_335.html](http://www.kfm.ru/news_03032008_335.html)>

<sup>2074</sup> HM Treasury warns of higher risk of money laundering and terrorism financing, HM Treasury (London) 29 February 2008. Date of Access: 1 June 2008. <[http://www.hm-treasury.gov.uk/newsroom\\_and\\_speeches/press/2008/press\\_20\\_08.cfm](http://www.hm-treasury.gov.uk/newsroom_and_speeches/press/2008/press_20_08.cfm)>

<sup>2075</sup> HM Treasury warns of higher risk of money laundering and terrorism financing, HM Treasury (London) 29 February 2008. Date of Access: 1 June 2008. <[http://www.hm-treasury.gov.uk/newsroom\\_and\\_speeches/press/2008/press\\_20\\_08.cfm](http://www.hm-treasury.gov.uk/newsroom_and_speeches/press/2008/press_20_08.cfm)>

enforces a stricter “know your customer” policy by requiring enhanced customer due diligence (CDD) on high-risk customers, including politically exposed persons (PEP’s), non-financial business and professions (DNFBPs), and all transactions not conducted in person.<sup>2076</sup> The issuance of the *Money Laundering Regulations* marks the first time that monitoring of money laundering activity is extended to all businesses in the regulated sector, including “credit institutions; financial institutions; auditors, insolvency practitioners, external accountants and tax advisers; independent legal professionals; trust or company service providers; estate agents; high value dealers; casinos.”<sup>2077</sup> The new legislation empowers the Treasury to prevent any relevant person from entering into a business relationship or from furthering said relationship or transaction if the customer is “situated or incorporated in a non-EEA state to which the Financial Action Task Force has decided to apply counter-measures.”<sup>2078</sup>

The FATF Mutual Evaluation Report, released on 1 August 2007, revealed that the United Kingdom “has a comprehensive legal structure to combat money laundering and terrorist financing.”<sup>2079</sup> The Evaluation commended the UK’s “comprehensive powers to restrain, confiscate, and recover proceeds of crime, and to freeze and seize terrorist-related assets.”<sup>2080</sup>

In July 2007, James Sassoon, who represents the UK at the FATF, was appointed to the Presidency of the FATF. The UK attended the first Plenary Session held under Sassoon’s presidency in Paris in October 2007. At the Session, British representatives collaborated with other nations to encourage Iran to urgently strengthen its anti-money laundering controls. They also agreed to implement measures that will strengthen the participation of the private sector in the fight against money laundering and terror finance. During the Plenary Session, the United Kingdom committed to “produce a regular global threat assessment setting out key issues of criminal and terrorist financing concern.”<sup>2081</sup>

At their meeting in Washington D.C. on 11 April 2008, the G7 Finance Ministers and Central Bank Governors reaffirmed their support for the Financial Action Task Force and their “commitment to counter money laundering, terrorism and proliferation financing.”<sup>2082</sup> They also agreed that the FATF should continue its efforts to combat the threats posed to the international financial system by illicit transactions and its support for nations implementing United Nations Resolutions against WMD proliferation financing.<sup>2083</sup> Similar comments were made at the G7 Finance Ministers and Central Bank Governors’ Meeting in Tokyo on 9 February 2008.<sup>2084</sup>

Thus, the United Kingdom has been awarded a score of +1 for the implementation of the Money Laundering Regulations, its presidency of the FATF and the reaffirmation of its strong commitment to the 40+9 Recommendations set forth by the FATF.

*Analyst: Ivana Jankovic*

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<sup>2076</sup> HM Treasury: The Money Laundering Regulations 2007, HM Treasury (London) 24 July 2007. Date of Access: 15 November 2007.

<[http://www.hm-treasury.gov.uk/media/F/1/money\\_laundering\\_regulations2007.pdf](http://www.hm-treasury.gov.uk/media/F/1/money_laundering_regulations2007.pdf)>

<sup>2077</sup> The Money Laundering Regulations 2007: Summary (London) 24 July 2007. Date of Access: 15 November 2007.

<[http://www.opsi.gov.uk/si/si2007/pdf/uksi\\_20072157\\_en.pdf](http://www.opsi.gov.uk/si/si2007/pdf/uksi_20072157_en.pdf)>

<sup>2078</sup> The Money Laundering Regulations 2007: Summary (London) 24 July 2007. Date of Access: 15 November 2007.

<[http://www.hm-treasury.gov.uk/media/F/1/money\\_laundering\\_regulations2007.pdf](http://www.hm-treasury.gov.uk/media/F/1/money_laundering_regulations2007.pdf)>

<sup>2079</sup> FATF: Third Mutual Evaluation Report. Money Laundering and Combating the Financing of Terrorism – The United Kingdom of Great Britain and Northern Ireland, Financial Action Task Force (Paris) 29 June 2007. Date of Access: 10 November 2007. <<http://www.fatf-gafi.org/dataoecd/55/29/39064399.pdf>>

<sup>2080</sup> FATF: Third Mutual Evaluation Report. Money Laundering and Combating the Financing of Terrorism – The United Kingdom of Great Britain and Northern Ireland, Financial Action Task Force (Paris) 29 June 2007. Date of Access: 10 November 2007. <<http://www.fatf-gafi.org/dataoecd/55/29/39064399.pdf>>

<sup>2081</sup> Financial Action Task Force: Chairman’s Summary Paris Plenary, Financial Action Task Force (Paris) 12 October 2007. Date of Access: 30 October 2007. <<http://www.fatf-gafi.org/dataoecd/0/23/39485130.pdf>>

<sup>2082</sup> Statement by U.S. Treasury Secretary Henry Paulson Following Meeting of G7 Finance Ministers and Central Bank Governors, G8 Information Centre (Toronto) 11 April 2008. Date of Access: 8 May 2008. <[http://www.g8.utoronto.ca/finance/fm080411\\_paulson.htm](http://www.g8.utoronto.ca/finance/fm080411_paulson.htm)>

<sup>2083</sup> Statement by U.S. Treasury Secretary Henry Paulson Following Meeting of G7 Finance Ministers and Central Bank Governors, G8 Information Centre (Toronto) 11 April 2008. Date of Access: 8 May 2008. <[http://www.g8.utoronto.ca/finance/fm080411\\_paulson.htm](http://www.g8.utoronto.ca/finance/fm080411_paulson.htm)>

<sup>2084</sup> Statement of G7 Finance Ministers and Central Bank Governors, G8 Information Centre (Toronto) 9 February 2008. Date of Access: 8 May 2008. <<http://www.g8.utoronto.ca/finance/fm080209.htm>>

## United States: +1

The United States has fully complied with its commitment on the FATF.

Although American authorities have not passed new measures to combat money laundering and terror finance, they have sought to implement aggressively existing frameworks designed to tackle these two issues. In particular, since 8 June 2007, the US Treasury has targeted the financial networks of Colombian drug traffickers<sup>2085</sup> and the Fuerzas Armadas Revolucionarias de Colombia (FARC),<sup>2086</sup> the assets of a known Mexican money launderer,<sup>2087</sup> and a US-based charity channeling funds to the Liberation Tigers of Tamil Eelam (LTTE), an organization recognized as a terrorist group in the US and Sri Lanka.<sup>2088</sup>

The US has actively encouraged foreign countries to implement the FATF regulations by participating in anticorruption conferences. On 29 October 2007, the US participated in the Asia-Pacific Economic Cooperation Anticorruption Conference and showed its commitment to work with the APEC partners to “ensure that [they] have in place proper regulatory measures to counter money laundering.”<sup>2089</sup>

The US has taken numerous measures to compel other states to comply with the FATF’s 40+9 Recommendations. On 25 October 2007, the US government implemented several measures “to counter Iran’s bid for nuclear capabilities and support for terrorism by exposing Iranian banks, companies and individuals that have been involved in these dangerous activities and by cutting them off from the US financial system.”<sup>2090</sup>

On 6 March 2008, Stuart A. Levey, Under Secretary for Terrorism and Financial Intelligence, made remarks regarding the direct link between terrorism and illicit financial practices. In his speech, he stated that countries such as North Korea and Iran are “finding themselves increasingly isolated from the international financial system” as a result of “the formal actions of the UN and the FATF.”<sup>2091</sup>

On 21 February 2008, the US Department of the Treasury blacklisted Rami Makhluף for benefiting from Syrian corruption by using his close ties to the Assad regime to obtain improper business advantages over other Syrians. Under the new order, any assets that Makhluף holds under US jurisdiction have been frozen and transactions prohibited because Makhluף has “[disadvantaged] innocent Syrian businessmen and [entrenched] a regime that pursues oppressive and destabilizing policies.”<sup>2092</sup>

At their meeting in Washington D.C. on 11 April 2008, the G7 Finance Ministers and Central Bank Governors reaffirmed their support for the Financial Action Task Force and their “commitment to counter money laundering, terrorism and proliferation financing.”<sup>2093</sup> They also agreed that the FATF should continue its efforts to combat the threats posed to the international financial system by illicit transactions and its support for nations implementing United Nations Resolutions against WMD proliferation

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<sup>2085</sup> Treasury Targets Financial Network of Ramierz Abadia, U.S. Treasury (Washington D.C.) 15 August 2007. Date of Access: 1 February 2008. <<http://www.treas.gov/press/releases/hp535.htm>>

<sup>2086</sup> Treasury Targets 15 Leaders of Colombian Narco-Terrorist Group, U.S. Treasury (Washington D.C.) 1 November 2007. Date of Access: 1 February 2008. <<http://www.treas.gov/press/releases/hp661.htm>>

<sup>2087</sup> Treasury Designates Financial Empire of Key Mexican Money Launderer Blanca Margarita Cazares Salazar, U.S. Treasury (Washington D.C.) 12 December 2007. Date of Access: 1 February 2008. <<http://www.treas.gov/press/releases/hp729.htm>>

<sup>2088</sup> Treasury Targets Charity Covertly Supporting Violence in Sri Lanka, U.S. Treasury (Washington D.C.) 15 November 2007. Date of Access: 1 February 2008. <<http://www.treas.gov/press/releases/hp683.htm>>

<sup>2089</sup> The Fight Against High-Level Corruption: Ending Impunity, U.S. Department of State (Washington) 29 October 2007. Date of Access: 23 November 2007. <<http://www.state.gov/p/inl/rls/rm/94406.htm>>

<sup>2090</sup> Designation of Iranian Entities and Individuals for Proliferation Activities and Support for Terrorism, U.S. Department of the Treasury (Washington D.C.) 25 October 2007. Date of Access: 14 December 2007. <<http://www.ustreas.gov/press/releases/hp644.htm>>

<sup>2091</sup> Prepared Remarks by Stuart A. Levey, U.S. Department of the Treasury (Washington D.C.) 6 March 2008. Date of Access: 8 May 2008. <<http://www.ustreas.gov/press/releases/hp863.htm>>

<sup>2092</sup> Treasury: Rami Makhluף Designated for Benefiting from Syrian Corruption, U.S. Treasury (Washington D.C.) 21 February 2008. Date of Access: 1 May 2008. <<http://treas.gov/press/releases/hp834.htm>>

<sup>2093</sup> Statement by U.S. Treasury Secretary Henry Paulson Following Meeting of G7 Finance Ministers and Central Bank Governors, G8 Information Centre (Toronto) 11 April 2008. Date of Access: 8 May 2008. <[http://www.g8.utoronto.ca/finance/fm080411\\_paulson.htm](http://www.g8.utoronto.ca/finance/fm080411_paulson.htm)>

financing.<sup>2094</sup> Similar comments were made at the G7 Finance Ministers and Central Bank Governors' Meeting in Tokyo on 9 February 2008.<sup>2095</sup>

Thus, the United States has been awarded a score of +1 for its implementation of the 40+9 Recommendations and its active pressure on foreign countries to follow suit.

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### **European Union: +1**

The European Union has fully complied with its commitment on the Financial Action Task Force's 40+9 Recommendations.

On 18 April 2008, the Justice and Home Affairs Committee of the European Commission announced that it had reached a political agreement on making Europol a full EU body by 2010. Europol is tasked with the fight against organized crime throughout the European Union, and its absorption by the EU will allow for greater and more efficient sharing of information between the bloc's 27 member-states. Furthermore, the Europol Convention will be replaced by a Council Decision, "so that Europol's legal framework can be adapted more rapidly in response to trends in crime," according to the European Commission.<sup>2096</sup>

Cash controls at points of entry to EU member states came into effect on 15 June 2007.<sup>2097</sup> The regulations are a concentrated effort to minimize money launderers' ability to smuggle illicit funds across the national borders of EU member states. The new controls require travelers to declare importation or exportation of cash and securities in excess of €10 000 at any point of entry or exit. They also empower customs officials to search the person and baggage of any travelers suspected of transferring such sums into or out of the EU.<sup>2098</sup>

On 8 February 2008, the European Commission announced that it would launch a study entitled "An examination of the links between organized crime and corruption." The study is intended to better understand the manner in which organized crime outfits use corruption and bribery in order to affect enforcement, when criminals use corruption instead of other means at their disposal, and possible policy recommendations to address the issue.<sup>2099</sup>

On 27 June 2007, Europol released the European Union Organized Crime Threat Assessment (OCTA) 2007, which "identifies and assesses the main organized crime trends in the European Union."<sup>2100</sup> The report is an attempt by the European Commission to educate member states about money laundering trends. On 2-3 November 2007, the European Commission held a "Tackling Money Laundering" conference in Utrecht. During the conference, representatives from the IMF, World Bank and national agencies discussed the methodology of tackling money laundering and discussed preventative measures.<sup>2101</sup>

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<sup>2094</sup> Statement by U.S. Treasury Secretary Henry Paulson Following Meeting of G7 Finance Ministers and Central Bank Governors, G8 Information Centre (Toronto) 11 April 2008. Date of Access: 8 May 2008.

<[http://www.g8.utoronto.ca/finance/fm080411\\_paulson.htm](http://www.g8.utoronto.ca/finance/fm080411_paulson.htm)>

<sup>2095</sup> Statement of G7 Finance Ministers and Central Bank Governors, G8 Information Centre (Toronto) 9 February 2008. Date of Access: 8 May 2008. <<http://www.g8.utoronto.ca/finance/fm080209.htm>>

<sup>2096</sup> Europol to become EU agency in 2010, European Commission (Brussels) 18 April 2008. Date of Access: 1 June 2008. <<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/610&format=HTML&aged=0&language=EN&guiLanguage=en>>

<sup>2097</sup> European Commission: Taxation and Customs Union - Cash Controls, European Union (Brussels) 20 June 2007. Date of Access: 10 November 2007.

<[http://ec.europa.eu/taxation\\_customs/customs/customs\\_controls/cash\\_controls/index\\_en.htm](http://ec.europa.eu/taxation_customs/customs/customs_controls/cash_controls/index_en.htm)>

<sup>2098</sup> European Commission: Taxation and Customs Union - Cash Controls, European Union (Brussels) 20 June 2007. Date of Access: 10 November 2007.

<[http://ec.europa.eu/taxation\\_customs/customs/customs\\_controls/cash\\_controls/index\\_en.htm](http://ec.europa.eu/taxation_customs/customs/customs_controls/cash_controls/index_en.htm)>

<sup>2099</sup> An examination of the links between organized crime and corruption, European Commission (Brussels) 8 February 2008. Date of Access: 1 June 2008. <[http://ec.europa.eu/justice\\_home/news/intro/doc/sec\\_2008\\_196\\_en.pdf](http://ec.europa.eu/justice_home/news/intro/doc/sec_2008_196_en.pdf)>

<sup>2100</sup> Organised crime: Europol's threat assessment, Europol (The Hague) June 2007. Date of access: 20 December 2007. <[http://www.europol.europa.eu/publications/European\\_Organised\\_Crime\\_Threat\\_Assessment\\_\(OCTA\)/OCTA2007.pdf](http://www.europol.europa.eu/publications/European_Organised_Crime_Threat_Assessment_(OCTA)/OCTA2007.pdf)>

<sup>2101</sup> Research: "Tackling Money Laundering" Conference, Universiteit Utrecht (Utrecht) 2007. Date of Access: 20 November 2007. <<http://www2.econ.uu.nl/users/unger/conference.html>>

The Council of Europe's Moneyval Committee has held numerous plenary meetings and mutual evaluations with the FATF to jointly examine and assess the compliance of member states with the FATF 40+9 Recommendations. Moneyval and FATF undertook the examination of the Third Rounds of Evaluation Reports of Liechtenstein, the Czech Republic, Moldova, Malta, and Andorra on 10-14 September 2007.<sup>2102</sup> From September to November 2007, the FATF and Moneyval completed two onsite visits to the Russian Federation in order to assess Russia's anti-money laundering and terror finance systems. The draft report, detailing the visit and evaluating Russia's Anti-Money Laundering (AML) system according to the FATF recommendations, is scheduled to be released in July 2008.<sup>2103</sup> On 2-6 December 2007, Moneyval examined an evaluation report of Monaco, Latvia, Lithuania and Montenegro.<sup>2104</sup>

The European Commission's Joint Research Centre (Institute for the Protection and Security of the Citizen) will be conducting a research project during 2008 that will examine trade-based money laundering. The project will utilize statistical methods on trade transactions data provided by the member states with the intention of "detect[ing] specific transactions that may be instances of trade based money laundering."<sup>2105</sup>

Thus, the EU has been awarded a score of +1 for its implementation of FATF Recommendations and its promotion of measures to counter money laundering abroad.

*Analyst: Ivana Jankovic*

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<sup>2102</sup> Moneyval Mutual evaluation: Andorra, Czech Republic, Malta and Moldova, Council of Europe (Strasbourg) 14 January 2008. Date of Access: 18 January 2008. <[http://www.coe.int/t/e/legal\\_affairs/legal\\_co-operation/combating\\_economic\\_crime/5\\_money\\_laundering/Evaluations/Reports\\_summaries3.asp#TopOfPage](http://www.coe.int/t/e/legal_affairs/legal_co-operation/combating_economic_crime/5_money_laundering/Evaluations/Reports_summaries3.asp#TopOfPage)>

<sup>2103</sup> FATF/MONEYVAL/EAG on site-visits in the Russian Federation, Council of Europe (Strasbourg) 14 January 2008. Date of Access: 18 January 2008. <[http://www.coe.int/T/E/Legal\\_affairs/Legal\\_co-operation/Combating\\_economic\\_crime/5\\_Money\\_laundering/Default\\_moneyval.asp](http://www.coe.int/T/E/Legal_affairs/Legal_co-operation/Combating_economic_crime/5_Money_laundering/Default_moneyval.asp)>

<sup>2104</sup> Mutual evaluations on AML systems: assessments by Moneyval and the FATF, European Union (Brussels) 2007. Date of Access: 22 December 2007. <[http://ec.europa.eu/internal\\_market/company/docs/financial-crime/aml-news-122007\\_en.pdf](http://ec.europa.eu/internal_market/company/docs/financial-crime/aml-news-122007_en.pdf)>

<sup>2105</sup> The Joint Research Centre: trade-based money laundering, European Union (Brussels) 20 December 2007. Date of Access: 20 December 2007. <[http://ec.europa.eu/internal\\_market/company/docs/financial-crime/aml-news-122007\\_en.pdf](http://ec.europa.eu/internal_market/company/docs/financial-crime/aml-news-122007_en.pdf)>