





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

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the FATF Secretariat, 2 rue André Pascal 75775 Paris Cedex 16, France
(fax: +33 1 44 30 61 37 or e-mail: contact@fatf-gafi.org).

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FATF Report to G20 Leaders' Summit

28-29 June 2019

1. **Under the Japanese Presidency the G20 has continued to express its support for the FATF with a view to promote swift and effective implementation of the FATF standards worldwide** The G20 reaffirmed its support for the FATF, as the global anti-money laundering, counter terrorist financing (AML/CFT), and counter proliferation financing standard-setting body, and welcomed its ongoing efforts to strengthen its institutional basis. The G20 also called on FATF to enhance its efforts to counter proliferation financing, and asked the FATF to clarify how its standards apply to virtual asset financial activities and related providers.

2. **Under the US Presidency from July 2017 the FATF has successfully delivered on the call from the G20 to clarify the global standards for the regulation and supervision of virtual asset financial activities and providers**, in order to help countries develop effective AML/CFT frameworks while balancing innovation and financial inclusion.

3. **The FATF prioritised its action on combating terrorist financing activities and taking additional action against the financing of the proliferation of weapons of mass destruction.** The FATF is also progressing work to support the use of digital ID, and continue to promote transparency and availability of beneficial ownership information.

1 2 120 9 On April 2019 FATF Ministers agreed upon an open ended Mandate for the FATF and confirmed its role leading global action to counter money laundering and the financing of terrorism and proliferation of weapons of mass destruction. The adoption of an open-ended mandate, on the 30th anniversary of the FATF, reflects the fact that these threats are enduring concerns for the integrity of the financial system, and that a sustained political commitment is required.

Strengthening the institutional basis, governance and capacity of FATF

5. **The FATFs new [Ministerial Declaration and Mandate](#) recognise the need for FATF to continue to lead decisive co-ordinated and effective global action to counter the abuse of the financial system by criminals and terrorists, and strengthen its capacity to respond to these threats that all countries face.**

6. **Ministers set out the priorities for the FATF to address these threats and,**

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7. **These are key initiatives that will enhance the effectiveness of the FATF globally and raise its profile and visibility with global governance bodies and relevant stakeholders.** These enhancements aim to recognize and build on the FATF's increased participation in international fora, including at the G7/G20, United Nations bodies and FATF-Style Regional Bodies, and support the FATF's responsiveness to current and emerging threats and opportunities.

8. **Following the adoption of the open ended Mandate by FATF Ministers the , FATF will conduct a strategic review of its core work to ensure it is fit for the future** and support further efforts to strengthen its effectiveness as the leading global standard setting body (t Tw 1h(r)5)-3.7 (g)-l s.5 (r)54.2 ()3(c)7.t c4 (FA)-v bn (r)-3 (Td@d)-3.3 9)-

The monitoring or supervision of virtual asset service providers by a country's competent authority, and not a self-regulatory body, with adequate powers, including to conduct inspections and compel the production of information;

A range of effective, proportionate and dissuasive sanctions to deal with virtual asset service providers that fail to comply with their AML/CFT requirements, including the power for supervisors to withdraw, restrict or suspend virtual asset service providers' license or registration;

The application of all FATF preventive measures, including customer due diligence, recordkeeping, and suspicious transaction monitoring, among others, by virtual asset service providers;

The provision of the widest possible range of international cooperation by countries, especially between supervisors.

120 9 13. In June the FATF also issued guidance on the application of the risk based approach to virtual assets and virtual asset service providers The updated Guidance further explains the application of the FATF requirements in the context of virtual assets and virtual asset service providers (as well as for other obliged entities that engage in or provider virtual asset financial activities, products or services), Recommendation-by-Recommendation. It is intended to help both national authorities in understanding and developing regulatory and supervisory responses to virtual asset activities and virtual asset service providers, and private sector entities seeking to engage in virtual asset activities or operations in understanding their AML/CFT obligations and how they can effectively comply with these requirements.

14. The FATF will immediately begin work to revise its assessment methodology in line with its newly revised Standards This work will proceed as a matter of priority, so that FATF can begin assessing countries compliance with

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attacks around the world. Disrupting the financial flows of ISIL, Al Qaeda and other terrorist organisations and individual terrorists remains one of the most effective ways to detect and disrupt terrorist activity.

120 9 17. **The United Nations Security Council Resolution 2162 that was adopted in March highlights the importance international community holds in tackling terrorist financing and the central role the FATF plays in setting global standards and monitoring terrorist financing risks .**

sharing on proliferation financing activity. The FATF agreed to potentially consider these other options at a later date.

Improving Transparency and the Availability of Beneficial Ownership Information

23. **The FATF will continue to improve the transparency and availability of beneficial ownership information through continued work in this area its , mutual evaluation process,** and through collaboration with the Global Forum on Transparency and Exchange of Information for Tax Purposes.

24. **The FATF has published Guidance on- the Risk based Approach for Lawyers Accountants and, Trust and Companies Service Providers in June** . This focuses on how these professions should apply safeguards, in a risk-based way, to prevent the misuse of their services by criminals; and how supervisors should prevent complicit or negligent professionals from operating. The work was undertaken in partnership with the private sector.

25. **Since February the FATF is identifying best practices on beneficial ownership drawing reference from practical examples provided by its delegations and its mutual evaluations to date** This will facilitate jurisdictions' implementation of effective measures in order to ensure that legal persons are prevented from being misused for money laundering and terrorist financing and proliferation financing, and that information on their beneficial ownership is available to competent authorities without undue restrictions.

26. **At the FATF Private Sector Consultative Forum on May participants exchanged views on the key features in different systems and shared their opinions on the key factors of an effective system** to promote beneficial ownership transparency consistent with the FATF standards. Taking into account comments from the public and private sector, the FATF will continue to work on this project, which is expected to be published by the end of this year.

Financial Technologies, Regulatory Technologies: Digital Identity

27. **The FATF recognises financial innovation and strongly supports responsible technological developments that enhance countries' anti money laundering and counter terrorist financing frameworks** Digital Identity has the potential to enhance financial inclusion and reduce the costs of customer onboarding, as well as to better manage the risks of money laundering and terrorist financing.

28. **As part of work under the G priority agenda on " opportunities and challenges by financial innovation" the FATF co hosted with the IMF and G a special joint session on Financial Technology and anti money laundering and counter terrorist financing on April** . This session highlighted the range of opportunities and challenges that financial technologies raise with respect to anti-money laundering and counter terrorist financing.

29. **The FATF Private Sector Consultative Forum provided a further opportunity to exchange views on how the private sector can make greater use of technology** (such as machine learning, data mining, artificial intelligence) to manage AML CFT risk, facilitate customer due diligence, sanctions screening and

transaction monitoring, and how government authorities have harnessed new technologies to increase efficiency and effectiveness in detecting money laundering and terrorist financing.

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