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### **MONEY LAUNDERING & BUSINESS CRIME NEWSLETTER SPECIAL BULLETIN – 21 JUNE 2002**

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#### **NEW FATF "BLACKLIST" – FOUR REMOVED BUT NO NEW ADDITIONS**

Earlier today the Financial Action Task Force (FATF) announced their new list of "non co-operating countries and territories". Four countries were removed from the blacklist, but perhaps somewhat surprisingly in view of events since 11 September 2001 no new countries were added.

The four removals from the list are Hungary, Israel, Lebanon and St Kitts & Nevis. All four will be under observation for some time. Israel was removed from the list because of the laws that they have recently enacted and the country's plans to introduce a proper financial regulator. The Justice Minister of Israel rather pre-empted FATF's announcement by confirming that the country had been removed from the blacklist a few hours before the official announcement. Hungary escaped from the list because it has introduced a law banning anonymous accounts.

Russia edged closer to removal from the list: it has introduced the laws requested by FATF but the organization wants to see how and whether they actually work before taking the country off the list. Grenada and St Vincent & the Grenadines were also identified as making progress.

The full list now comprises 15 states and territories, as follows:

- Cook Islands
- Dominica
- Egypt
- Grenada
- Guatemala
- Indonesia
- Marshall Islands
- Myanmar (Burma)
- Nauru
- Nigeria
- Niue
- The Philippines
- Russia
- St Vincent & The Grenadines
- Ukraine

The FATF have also commented that it will recommend taking sanctions against Nigeria at the end of October if the government fails to enact legal reforms. Ukraine is also a subject of concern – FATF officials comment that “in plain English, nothing has been done”. The blacklist will be reviewed again by the FATF on 9-11 October.

Peter Lilley of Proximal Consulting was interviewed live on this morning's “World Business Report” on BBC TV. Giving his analysis prior to the issue of the list Lilley observed that the current list actually predates 11 September 2001, and thus had no specific focus on money laundering by terrorists. Moreover none of the countries identified by the US Administration as the “Axis of Evil” (Iraq, Iran, North Korea; and in an expanded form also Cuba, Libya and Syria) appear on the list. Moreover, based on intelligence concerning the entry point into the global banking system of terrorist funds it is equally surprising that no Middle Eastern country (or countries) is on the blacklist. Lilley also expressed concern as to whether money laundering has now “bypassed” the banking system and is being carried out through such methods as:

- The purchase of gold and diamonds
- Informal money transmission services (such as hawala and hundi)
- Money transmitted through casinos
- Real estate transactions
- The use of professional advisors such as lawyers and accountants

More details of the FATF blacklist and annual report, also issued today will be contained in our next regular newsletter to be issued next week.

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