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MONEY LAUNDERING & BUSINESS CRIME NEWSLETTER SPECIAL BULLETIN – 17 FEBRUARY 2003

REDUCED FATF "BLACKLIST" – THE FINAL VERSION?

KEYPOINTS OF FATF PLENARY MEETING, PUBLISHED ON 14 FEBRUARY 2003

- The countermeasures applied against Ukraine on 20 December 2002 have been removed
- Countermeasures have been recommended to be applied against the Philippines unless "appropriate legislative amendments" are made by 15 March 2003
- Grenada is removed from blacklist
- FATF say that no other countries will be placed on the blacklist for a year because of FATF's developing collaboration with the IMF and World Bank
- FATF issues interpretative notes on Alternative Remittance Mechanisms and Wire Transfers
- FATF issues "Money Laundering Typologies" report
- FATF may complete review of their Forty Recommendations on money laundering by June 2003

UPDATED FATF "BLACKLIST"

- COOK ISLANDS
- EGYPT
- GUATEMALA
- INDONESIA
- MYANMAR
- NAURU (Subject to countermeasures)
- NIGERIA
- THE PHILIPPINES (May be subject to countermeasures from March 2003)
- ST. VINCENT AND THE GRENADINES
- UKRAINE

ANALYSIS

On Friday, whilst the world was focusing on events at the United Nations, the FATF released the results of their plenary meeting. Grenada was taken off the blacklist because of its "implementation of significant reforms to its anti-money laundering system". The Philippines may (or may not) be the subject of "countermeasures" if the country does not improve its AML regime. Ukraine, on the other hand, subject to

countermeasures for just under two months has had those countermeasures withdrawn because of the country's recent enactment of "comprehensive" AML legislation, but it remains on the main blacklist.

In the Philippines this latest move has not been well received, one commentator observed of the FATF that it is "a body whose authority to dictate on countries no one seems able to pin down, whose membership makes the countries under its threat want to throw up, and whose exceptions of the usual suspects enrage everyone else. "

The FATF also confirmed that no further countries would be blacklisted for a year because of the discussions going on between the FATF and the IMF and World Bank. Various commentators have speculated that because of these moves this may be the final FATF blacklist. Based on the somewhat haphazard nature of the FATF blacklist to date (both in terms of countries included and those not even considered for inclusion) it is our hope that these discussions would lead to a more effective world body to robustly tackle the problems of money laundering and terrorist financing.

The FATF also issued its "Report on Typologies" which identified problems relating to terrorist financing schemes such as the misuse of non-profit organisations and informal money or value transfer systems. In relation to "mainstream" money laundering the report highlights vulnerabilities in the securities sector, and the links between the diamond, gold and precious metals trade and money laundering and terrorist financing. Whilst all of these topics are self evidently of great importance, the majority of commentators have been stressing their relevance since 9/11 – if not way before that date.

Proximal Consulting's Peter Lilley, interviewed on BBC World Service prior to the announcement made by the FATF commented that whilst banking in general can be regulated that would not stop terrorism and organized crime: "Evidence shows that organised crime moved out of the banking sector a long time ago and terrorist money has followed... they are now using such mechanisms as the diamond market, gold, precious metals and the Internet to launder funds, so laundering has gone way beyond just the banking system."

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