FATF Standards Related to Non-Banking Conduits for Terrorist Financing

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FATF • GAFI

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FATF Standards

- FATF Forty Recommendations
- Eight Special Recommendations on TF
- Objectives: Protection of the world-wide financial system from misuse by organised crime and by terrorist financiers

Special Recommendations dealing with non-banking conduits

- SR VI: Alternative Remittance (October 2001)
  - Interpretative Note to SR VI (February 2003)
  - Best Practices Paper for SR VI (June 2003)

- SR VIII: Non-Profit Organisations (October 2001)
  - Best Practices Paper for SR VIII (October 2002)

Objective of SR VI

- Increase the transparency of payment flows by ensuring consistent AML/CFT measures apply to all forms of money / value transfer (MVT) systems, particularly those outside the conventional financial sector.

SR VI consists of the following core elements:

- MVTs should be licensed or registered
- MVTs should be subject to applicable FATF Recommendations (R. 4-11, 13-15, 21-23, and SR VII)
- Jurisdictions should establish systems to monitor MVT compliance
- Jurisdictions should be able to impose sanctions on MVTs for non-compliance

SR VI: Best Practices Paper — More detail on implementation

- Licensing and registration
- Identification and awareness raising
- Anti-money laundering regulations
  - Customer identification
  - Record keeping requirement
  - Suspicious transaction reporting
- Compliance monitoring
- Sanctions

Objective of SR VIII

- Jurisdictions should review laws relevant to NPOs to ensure that they cannot be used for terrorist financing
- Jurisdictions should ensure that terrorist organisations cannot pose as NPOs to avoid asset freezing or seizure
- Measures should be in place to ensure that NPO funds cannot be diverted for TF purposes

Challenges in Implementing SR VIII

- Important social and economic role of NPOs in most societies
- Diversity of NPO sector both from one jurisdiction to another as well as within individual national NPO sectors
- Lack of regulation or oversight in most jurisdictions
- Unwillingness to impose a regulatory burden on the sector
- Difficulties in detecting TF misuse in NPO sector: small amount of misuse compared with overall volume of funds moved through sector

SR VIII: Best Practices Paper — Possible solutions

- For NPOs themselves:
  - Financial transparency
  - Programme verification
  - Administration
- For Jurisdictions: Increased oversight functions
  - Law enforcement and security officials
  - Specialised regulatory bodies
  - Other regulatory bodies (banking, fiscal)
  - Private sector watchdog organisations

Co-operation with other bodies and organisations

- FATF-style regional bodies and others help in development of guidance
- Through FATF study of money laundering and terrorist financing methods and trends
- Participation in forums with non-member jurisdictions (FATF Terrorist Financing Seminar, Abu Dhabi Conference on Hawala, etc.)

For further information

- FATF Website: www.fatf-gafi.org