



FINANCIAL ACTION TASK FORCE

PROGRESS REPORT TO THE G20

The Financial Action Task Force (FATF) is the international standard setter for anti-money laundering and counter-terrorism financing. Since its establishment 25 years ago the FATF has expanded from a task force of 16 members, to a global network that today encompasses 195 member countries. FATF's primary objective is to help protect and strengthen the integrity of the global financial system and FATF works closely with the G20 to fulfil its mandate.

The G20 has, over the last four years, requested the FATF to undertake work concerning "non-cooperative" jurisdictions, corruption, financial inclusion and greater transparency. In these areas and others, the FATF has publicly listed countries which are not adequately complying with the international standards, has brought together experts in anti-corruption and anti-money laundering in order to leverage skills and resources and has produced practical guidance on financial inclusion which has been welcomed by civil society.

Most recently, the FATF has worked closely with the G20 through the G20 Anti-Corruption Working Group (ACWG) on the high level principles on beneficial ownership transparency which will be presented to G20 Leaders for their endorsement at the Brisbane Summit. The development of the principles is seen as an important step towards meeting the FATF standards on beneficial ownership.

In relation to anti-corruption more broadly, under the Australian FATF presidency and the Australian G20 presidency, there will be a joint meeting of anti-corruption experts from the FATF and the G20 ACWG in October this year. At this meeting experts will discuss the high level principles on beneficial ownership transparency and their implementation, and consider other potential areas of cooperation between the FATF and the G20.

Money laundering, terrorist financing and the crimes they enable have significant costs to people and economies and action is needed by all countries. The FATF recognises that working with other international organisations, governments and the private sector is crucial to ensuring that these crimes don't adversely impact the economy. For example, the FATF gives financial institutions flexibility in undertaking customer due diligence, a key FATF standard, by requiring a risk based approach. This is important because it means that, if the standards are applied correctly, only risky clients should be unbanked or de-risked and financial inclusion objectives will not be adversely affected. It also encourages strong, transparent business practices which are essential to growth. The FATF, through its peer review processes, monitors how countries are applying the standards.

The FATF has recently embarked on a new round of country evaluations which will test how effectively countries are implementing the FATF standards. This is the first time an international standard-setting body will attempt to fully assess effectiveness in this way, and the outcomes and methodology will be of interest to the G20 and other international bodies.

The work of the FATF and the goals of the G20 intersect in many areas and so it is important that, to protect the strength and integrity of the financial system and reduce the risk of regulatory arbitrage, the FATF and the G20 continue to cooperate to the fullest extent possible.