

11th APG Annual Meeting
Opening remarks by FATF President
Antonio Gustavo Rodrigues
8 July 2008

Thank you Pak Yunus.

Good morning Your Excellency Admiral Widodo Adi Sucipto, Commissioner Keelty, distinguished delegates and friends.

This is the first time I have the honour of representing FATF in a public event and it couldn't be in a better place, since the APG is one of the most important members of the FATF family. This event also gives me the opportunity to repay the visit the Indonesian FIU made to Brazil in 2004.

I am honoured to be here and to be welcomed by Dr Yunus Husein. The APG's membership has expanded further recently and I understand that he, personally played a key role in attracting several countries, including the Portuguese speaking Timor Leste*.

Every new country joining the FATF system is an important achievement and takes our global fight against money laundering and terrorist financing one step closer to being truly global. So welcome to the new members of the APG and to those who have applied for membership at this meeting – good luck.

I would also like to congratulate you all on the 11th anniversary of the APG. This is a very auspicious event, and an important milestone in your work.

Money laundering and terrorist financing techniques evolve quickly, presenting new threats to our financial systems. We live in an increasingly interconnected world and money launderers will exploit any gaps between countries. For this reason, we must have a global solution to a global challenge. Consistent application of recognised international standards is essential.

A central element of the FATF's business, and indeed the APG's business, is the peer review process through which the FATF, the FSRBs and the international financial institutions evaluate the AML/CFT regimes of countries around the world. We are now just past half way through the 3rd round of evaluations of FATF members. This round of mutual evaluations continues – importantly with joint APG/FATF evaluations of Singapore, Hong Kong, China and Canada being considered here this week.

The FATF now comprises 32 jurisdictions and 2 organisations. The Republic of Korea and India are currently FATF observer countries and hopefully they too will soon be FATF members. Additionally, the FATF has strengthened engagement with over 140 jurisdictions which are members of FSRBs; this broadened membership has already brought many benefits to the FATF system.

As you know, FSRBs, such as the APG, provide leadership in their regions and are an important means for promoting consistency in application of the FATF standards. FSRBs deliver the global AML/CFT message; monitor their members' progress in implementing the 40+9 recommendations; and are instrumental in providing feedback and highlighting regional issues that can inform policy directions taken by the FATF. In addition, FSRBs in many regions are the key focal point for technical assistance and training, and I congratulate the APG on the leadership it has provided in coordinating and delivering technical assistance and training in this region.

Another area of intensive cooperation between FATF and the FSRBs is the important typologies efforts, which capture experience and expertise from around the world to better understand the nature of the threats posed by money laundering and terrorist financing. Over the past year the FATF has released three important analyses of methods and techniques used by those who launder money and finance terrorism, with the cooperation of the APG.

At the last FATF meeting I took the opportunity to discuss my priorities for this year. I'll take some time to highlight three of the ideas: a review of the FATF standards; the role of FSRBs in the FATF; and some issues relating to low capacity countries

Review of the Standards

I see the year ahead as one in which we will implement a consolidated plan for realising the FATF mandate. A year when we more clearly acknowledge the important role played by various institutions and organisations in this process and ensure that their voices can contribute more in devising options to improve the way we do things or extend the reach of our message to new areas.

Since the adoption of the Recommendations and the Methodology, several delegations have raised concerns about some of their provisions. However, the discussion about such concerns has been treated on a case-by-case basis.

A proposal has been tabled aiming at providing a mechanism to consider all such concerns in a coordinated way, giving the opportunity to the several parties to contribute in the identification of the issues and to the group the opportunity to decide what really needs to be addressed.

Such proposal is an innovation by itself. For the first time, three Presidencies (UK, Brazil and the Netherlands) will work together. I should note that we are discussing a review, a fine tuning, not a revision of the Recommendations. In addition, we have no intention of changing the goal posts during the current round of evaluations.

Since it will take time to identify, discuss and find solutions for the issues that may be raised, we'd better start soon so we will not delay the 4th round of evaluations.

Why undertake such a review? I believe it is good for everybody to re-assess from time to time the principles and practices that underpin our work. I also believe we need, from time to time, to stop and absorb any lessons from implementing and evaluating the current standards.

All FATF delegations, including the APG, have been asked to provide written comments on the proposal. Those comments are due by the end of this month and the proposal will be discussed further in the October FATF plenary. Given its broad experience, the APG can provide an important contribution.

Role of FSRBs

There are several institutions that are helping the FATF system to work well and, among them, the FSRBs are in a very special place. I believe that it is important to analyse in more depth the role played by all such institutions and devise clearer mechanisms for work sharing, coordination and cooperation with them, taking into account their characteristics, policies and capacities. This will help design better policies and practices, and increase the range of countries applying them.

The FSRBs play a key role in implementing the Recommendations. They are responsible for implementation in the majority of countries, and have to deal with the practical aspects of this, such as the need for technical assistance. Five of them, including the APG, are already FATF Associate Members - but the responsibilities and benefits of such status are not clear.

Taking into account the FATF policy on membership, the FSRBs, especially the associate members, are appropriate vehicles for a larger discussion of ideas and realities and a path for conveying them to FATF. They are the communication channels for most of the countries to present their views.

The APG as a highly developed and sophisticated FSRB has a big responsibility, whether you mean to or not, you provide leadership and momentum which other FSRBs follow. I invite you to

start thinking about objective proposals on how to make this system work better and how to strengthen our relationship.

Low Capacity Countries

In February, FATF took an important step in adopting its first policy towards low capacity countries. However, the special needs of such jurisdictions and the challenges they face call for a continuous effort in this area, with fundamental support from the FSRBs and the International Financial Institutions, so as to allow a steady implementation of the Recommendations. I am very interested in all proposals that may help bringing more and more jurisdictions to the FATF family and in good shape.

In this respect, the APG's Strategic Implementation Planning Framework (which you will hear about later in this week), developed with assistance of the World Bank, constitutes an important tool to prioritise implementation of the many needs identified in mutual evaluation reports, specially, but certainly not only, for countries with capacity constraints.

This is an area where I hope the FATF and the APG can keep working together, building on initiatives like that, as we continue in this global endeavour.

We have always to remember that a chain is as strong as the weakest link.

Some jurisdictions, however, are not simply facing capacity constraints: they expose us all to unacceptable risk by failing to implement effective AML/CFT systems. To address this, in 2006 the FATF adopted a new process to identify, examine and engage with vulnerable jurisdictions. Since then we have achieved some good results with almost all countries in the process.

However, when a country chooses not to engage with the FATF in a meaningful way, the FATF must be ready to take firm action. FATF made public its concerns with certain jurisdictions so as to allow all others to alert their financial institutions to take into account the increased risk. The FATF will, of course, continue to follow up the situation with these jurisdictions, hoping that each of those areas will show, in the near future, clear progress in addressing the deficiencies in their AML/CFT regimes.

Conclusion

I would like to conclude mentioning briefly two points:

First, as the APG is an Associate Member of the FATF, you are all welcome to participate in our meetings, our processes and in our projects. The FATF benefits from the input of the APG and of its members. The APG delegation is always strong. I was happy to see Pakistan, Malaysia and Chinese Taipei at the recent FATF plenary meeting in London. If you have matters or different perspectives you think should be considered, please contribute. The global effort to combat money laundering and terrorist financing will be made richer and stronger by the active input from the many countries around the world.

Second, sometimes, when we are deeply involved in implementing a project, we may lose sight of its indirect effects. The fight against money laundering and terrorist financing has its criminal side well known. What is sometimes forgotten is that the mechanism that is put in place by this system helps the countries to develop by, among others, promoting stronger and more coordinated institutions, reducing the misuse of public funds and tax evasion, and providing a fair competitive environment for business to grow.

I count on your support for this year. For me, it is a pleasure to be here.

Thank you very much for your attention.