

## **INTRODUCTION**

Co-Chairs Mr. Kawakami and Commissioner Keelty, and distinguished delegates of the Asia Pacific Group on Money Laundering, it is an honour and a privilege to speak to you today. I would like to thank you for inviting me to speak and would also like to thank the government of Australia for organising this eighth plenary meeting of the Asia Pacific Group. It is a pleasure for me to be here, just a few days after my accession to the FATF Presidency, and just a few weeks after the joint APG-FATF Plenary that we had in Singapore. Unfortunately, I could not attend this joint Plenary, but I can report to you that the meeting was a great success and provided both groups with an excellent opportunity to discuss issues of mutual interest and concern.

This is my first official function as President of FATF. I will never really accommodate myself to FATF acronyms. You will learn to live with my fuller descriptions of these bodies.

As you know, the fight against money laundering and terrorist financing is ongoing. Criminals and terrorists must have access to financial resources in order to survive and grow. Organised crime continues to attempt to enjoy the profits derived from illegal activity and terrorists must have safe mechanisms for raising and moving funds to the place where they will be used. Even as the FATF and FATF-style regional bodies develop into a worldwide network for confronting these threats, criminals are seeking new ways to exploit the gaps in our legal regime. .

But the world is fighting back and progress continues to be made against money launderers and terrorist financiers. The FATF and FATF-style Regional Bodies are at the forefront of this campaign. We have recently adopted stronger standards, committed ourselves to effectively implementing them, and developed ambitious programs to evaluate our members against these standards. The partnership of the FATF and FATF-style regional bodies is essential if we are to be successful in combating new challenges as they emerge.

Here I would like to congratulate the APG for its enormous efforts over the past several years. As of February 2005, all remaining APG members have been removed from the non-co-operating countries and territories list, after having implemented comprehensive reforms of and improvements to their AML regimes. All APG members are working toward strengthening their AML/CFT systems and bringing them into line with the revised FATF 40+9 Recommendations. The majority of APG members have established financial intelligence units, and most of these have joined the Egmont Group. Substantial progress has also been made by other countries in the region: even the two remaining NCCTs countries in Asia-Pacific are currently in the process of implementing their AML/CFT reforms.

Today, I would like to talk to you about the three major challenges that the FATF and FATF-Style Regional Bodies are facing, and how I intend, as the new President of FATF, to contribute to our collective success in full cooperation with the APG and the other FSRBs.

## **I. UPDATING THE FATF STANDARDS TO FACE NEW THREATS AND CHALLENGES**

The FATF has a responsibility to ensure that its standards are relevant, efficient and up-to-date. After the terrorist attacks of September 11<sup>th</sup>, the FATF issued, in less than one month, a comprehensive set of measures to combat terrorist financing. The members of the FATF, the APG and other FSRBs quickly committed themselves to putting these measures into place. In June 2003, the FATF adopted 40 revised Recommendations, which set out tougher measures to combat new areas where criminals try to exploit our financial systems. These FATF initiatives aim to ensure that the world has a comprehensive and relevant set of measures to deter, detect and combat money laundering and terrorist financing. The FATF is committed to updating its standards, if such an update is considered to be necessary, in light of new threats or to tackle new trends in money laundering and terrorist financing.

Today there are more than 150 countries, which have committed themselves to implementing the revised 40 Recommendations and thus building effective systems for confronting this problem. These measures will strengthen our financial sectors, combat the laundering of the proceeds of all serious crimes, create institutional frameworks and broaden international cooperation.

The past year has also seen a strengthening of the standards for combating terrorist financing. In October 2004, the FATF issued a ninth Special Recommendation, along with an Interpretative Note, which target cross-border cash movements by terrorists and other criminals. Then in June 2005, the FATF issued a revised Interpretative Note to Special Recommendation VII which enhances the standards concerning wire transfers. During this Plenary meeting, I hope that the APG will also adopt these new standards and that APG members will commit themselves to implementing them.

The criminal bombings in London last Thursday morning reflect the brazen nature of terrorism. There must be no hiding place for their activities. Money provides the sinews for their activities and we must ensure that loopholes where these exist or where the will is not present that remedial action is taken.

## **II. ASSESSING THE EFFECTIVENESS OF aml/cft systems**

Of course adopting standards is one thing; making them effective in practice is much more difficult. The FATF has now begun a third round of mutual evaluations for its members with the mutual evaluations of Norway, Belgium, Australia, Switzerland and Ireland. On-site visits to Sweden, Spain and the United States will take place later this year. At the same time, the

FSRBs, the IMF and the World Bank are conducting evaluations and assessments of the rest of the world using common documentation and similar procedures. In order to ensure that all AML/CFT assessments are done in a similar and comparable way, the FATF has adopted a Methodology which was developed in common with the FSRBs, the IMF and World Bank. Within the FATF we are working diligently with the APG and the other assessment bodies to monitor the progress of implementation of AML/CFT standards being made by our governments, and to ensure that a consistent approach is being taken on evaluations.

I congratulate the APG for adopting this Methodology in June 2004 and agreeing to use it for all APG mutual evaluation on-site visits conducted after December 2004. The APG is now working towards completion of its first round of mutual evaluations, and this will be a very important achievement for this group that we can all look forward to.

Mutual evaluation programmes constitute an enormous challenge for many groups. The FATF itself is struggling with its own limited resources, and other groups may not yet have the full capacity or expertise needed to conduct meaningful mutual evaluations of their members. However, mutual evaluation programmes are essential to our work and to the credibility of our global and regional groups. It is only through mutual evaluations and peer pressure, both at global and regional levels, that we can ensure that the global network against money laundering and terrorist financing exists concretely and is effective in its task. FATF countries are dedicated to making the mutual evaluation process a success, not only within FATF but also within all of the FSRBs. To that goal, the FATF will continue to provide help, as much as needed, to support the FSRBs and contribute to the success of mutual evaluations conducted by regional groups, including the APG. We can, in particular, contribute to the training of APG assessors, as we have already done, and we stand ready to provide more help if needed.

Mutual evaluations are as well the best tool for identifying new threats and problems, in particular in the area of international co-operation. As you know, one key feature of an effective AML/CFT system is the ability to co-operate and exchange information worldwide. Too often, international co-operation does not take place as it should or else takes place at an insufficient speed, thus damaging its efficiency. A number of countries have expressed concerns in this regards, and the FATF will continue to review the situation in order to find solutions for improving international co-operation. The FATF will have a *tour de table* at each Plenary in order to raise and discuss these issues, and the contribution of the APG to this discussion are very much welcomed.

### **III. ACHIEVING A GLOBAL AML/CFT NETWORK**

As you know, FATF-style regional bodies are fundamental in the global fight against money laundering and terrorist financing. FSRBs expand the reach of the AML/CFT message while maintaining a focus on regional problems and typologies. In 2004, we saw an expansion of the FSRB network with the creation of FSRBs in Eurasia—the Eurasian Group

(EAG)—and in the Middle East and North Africa region—the Middle East and North Africa Financial Action Task Force (MENAFATF).

However, despite this progress, there are still regions of the world that are not included in this network, and some of the existing FSRBs are struggling to become fully operational. There is, in particular, one continent—Africa—which is not yet fully covered by this network. We need to work towards the creation of an FSRB in western and central Africa, so that we can extend the coverage of the FATF 40+9 Recommendations to all parts of the world.

In order to help existing FSRBs, the FATF wants to strengthen its partnerships with the regional groups. To that end, the FATF plans to organise a yearly joint plenary meeting with one of the regional groups, based on the model of the meeting held recently in Singapore with the APG. My proposal to the FATF Plenary in October will be to hold a joint plenary with ESAAMLG in February 2006, in conjunction with the FATF Plenary in Cape Town. The FATF will also hold joint Typologies Meeting with FSRBs, following the example of the joint meeting held in Moscow in December 2004 with Moneyval, and which several APG members attended. The FATF looks forward to the APG continuing to make valuable contributions to FATF Typologies projects—in particular the project on alternative remittance systems.

In order to further our co-operation, we will follow up on the decisions that were made during the joint Plenary in Singapore to start working together on issues related to (i) the links between corruption and the fight against money laundering and terrorist financing, and (ii) the implementation of AML/CFT measures for alternative remittance systems. With respect to the latter, I understand that the APG will take the lead in updating its Implementation Package on Alternative Remittance Systems, using in particular material arising from the FATF Typologies Working Group. This underlines how important cross-support is important among our groups.

#### **IV. CHALLENGES FOR THE SOUTH AFRICAN PRESIDENCY**

In the next year, the South African presidency of the FATF will focus on a number of issues that may be of particular interest to countries in the Asia Pacific region. One such area is the damaging effects of corruption on the effectiveness of AML/CFT systems. Today, this issue is only partially taken into account in our AML/CFT assessments and it has never been really studied comprehensively, in particular with respect to its impact on developing countries and economies.

The challenge posed by money laundering and corruption to nations in the developing world is obvious. It impacts on a government's ability to deliver on its development objectives and to meet worthy socio-economic causes such as education, healthcare and housing. The overall social costs of money laundering and corruption are enormous. Corruption raises serious questions about the integrity of our law enforcement systems as well as of our financial markets. Corruption associated with money laundering, whether private or public, corrodes our moral values and poses challenges to good governance

practices and the legitimacy of our nationhood. The FATF will work to make progress in taking into account more systematically these issues in its assessments, so that the devastating effects of corruption can no longer be ignored in our work.

However corruption as an area of attention should not be viewed as an issue only for developing countries. It takes two to tango. There is the corruptor and the corrupted. The outcome of any work undertaken by FATF on corruption and its relation to money laundering will apply to, and equally benefit developed countries.

Another area, which is of particular relevance to the work on Special Recommendation VI (alternative remittance systems) and Special Recommendation IX (cash couriers), is how AML/CFT standards can be effectively applied in cash-based economies. Yet another area of interest is the application of AML/CFT standards to microfinance. These issues, along with others, will be pursued during the tenure of the South African presidency. However, we must ensure that the poor are not disadvantaged through any new standard to regulate these alternative remittance options.

## **V. CONCLUSION**

In conclusion, money laundering and terrorist financing pose a serious threat to our societies and to the soundness of the international financial system. Combating these threats requires a co-ordinated and co-operative response from the international community at large. Mutual evaluations within the FATF and FSRBs remain a crucial mechanism for improving our AML/CFT systems and ensuring that all countries take part in this effort. All countries need to be able to react to situations where harmful laws or practices inhibit effective international co-operation. Remaining diligent and combining our efforts are the two pre-requisite conditions to successfully meeting the challenges ahead.

I would like to end my address by reciting part of the work of one of the greatest Irish poets of the 20<sup>th</sup> Century, W.B. Yeats.

'Turning and turning in the widening gyre  
The falcon cannot hear the falconer;  
Things fall apart; the centre cannot hold  
Mere anarchy is loosed upon the world,  
The blood-dimmed tide is loosed, and everywhere  
The ceremony of innocence is drowned  
The best lack all convictions, while the worst  
Are full of passionate intensity'

In these words from the "Second Coming". Yeats alludes to the undoing of the familiar world, and of progression into a state of anarchy. Yeats sees best among us lacking the conviction to stop the slide into anarchy, while the worst

respond to this regression by losing the ability to act with careful and reasoned thought.

In these times, the need for reasonable thought in response to the threat posed to society by anarchy can be seen as a metaphor for many things. I, however, have chosen this metaphor to remind us of the qualities we will need as we engage in the global fight against money laundering and terrorist financing, and the potential anarchy posed by them to our societies.

Thank you for your attention and for this opportunity to speak to you today.