



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Rt Hon the Lord Jopling DL  
House of Lords  
London  
SW1A 0PW

10 March 2010

*Dear Lord Jopling*

#### FINANCIAL ACTION TASK FORCE MEETINGS

In the report of the House of Lords EU sub-committee F into money laundering and the financing of terrorism last year, you recommended that the Government should submit written summaries of Financial Action Task Force (FATF) meetings to Parliament following each plenary session.

On 7 December 2009, Lord Brett undertook that the Government would provide a written ministerial statement on the work of the FATF on a regular basis. I have decided to do this on an annual basis: I shall issue such a statement in the summer of 2010, at the end of the FATF Presidency cycle, when the current Dutch President will hand over to Mexico.

I will continue to lay the Chairman's summary before Parliament after each FATF plenary. I therefore enclose a copy of the most recent summary of the meeting which took place in Abu Dhabi on 17-19 February.

I am copying this letter to Lord Brett, the Chairs of the House of Commons EU Scrutiny, Home Affairs and Treasury Select Committees, and the libraries of both Houses.

*Kind Regards*  
*Sarah*

SARAH MCCARTHY-FRY MP



---

## **FATF Chairman's Summary, Abu Dhabi, 17-19 February 2010**

---

The first joint FATF-MENAFATF Plenary meeting was held in Abu Dhabi during the period 14-19 February 2010. The meeting included a joint session that was presided by the MENAFATF, in which a number of issues were discussed. Such issues included:

- (i) a review of the initiatives taken by the MENAFATF and MENAFATF countries and the challenges in the fight against money laundering and terrorist financing;
- (ii) a review of an example of the challenges that face countries of the region (SR.IX: physical cross-border movement of currency) with a regional showcase (Tunisia's experience in compliance with SR.IX requirements); and
- (iii) a MENAFATF perspective on the current review by the FATF of the international AML/CFT standards being conducted in the framework of preparing for its 4th round of evaluations.

### FATF Decisions

The FATF Plenary has taken important new steps to protect the international financial system from abuse by:

- Producing two documents:
  - [FATF Public Statement](#)
  - [Improving Global AML/CFT Compliance: On-going Process](#)
- Adopting evaluations of the anti-money laundering and counter-terrorist financing systems in **Germany** and **Luxembourg**.
- Publishing a detailed examination of the money laundering vulnerabilities of **free trade zones**.
- Publishing New Best Practice Papers on **Confiscation** and the **Detecting and preventing the illicit cross-border transportation of cash and bearer negotiable instruments**.

Germany and Luxembourg: Evaluation of anti-money laundering and combating the financing of terrorist (AML/CFT) regime.

The FATF discussed and adopted two mutual evaluation reports assessing compliance of Germany and Luxembourg against the international standards for combating money laundering and terrorist financing – the 40+9 Recommendations. Summaries of these comprehensive assessments are available soon be on the FATF website and the full reports will be released in the coming weeks.

Although the regimes of these countries present some features that are not fully in line with FATF Recommendations, both countries have made clear commitments to further strengthen their national systems for the prevention, detection and suppression of money laundering and terrorist financing.

- [Mutual Evaluation of Germany](#)
- [Mutual Evaluation of Luxembourg](#)

#### AML/CFT Improvements in Uzbekistan

The FATF welcomes Uzbekistan's significant progress in improving its AML/CFT regime and notes that Uzbekistan has addressed the AML/CFT deficiencies that the FATF had identified in February 2008. Uzbekistan is no longer subject to the FATF's enhanced monitoring process. The Eurasian Group will continue to work with Uzbekistan in strengthening its AML/CFT regime.

#### Typologies Report: Money laundering vulnerabilities of free trade zones.

Free trade zones are designated areas within countries that offer a free trade environment with a minimum level of regulation. The number of free trade zones have increased rapidly in recent years, today there are approximately 3 000 FTZs in 135 countries around the world. FTZs offer many incentives and benefits to the companies that operate within it, such as the exemption from duty and taxes and simplified administrative procedures. However, the absence of strict regulations and transparency of the FTZs which is beneficial for legitimate businesses, also make them highly attractive for illicit actors who take advantage of this relaxed oversight to launder the proceeds of crime and finance terrorism.

The FATF finalised a comprehensive report on money laundering vulnerabilities of free trade zones. Through a series of cases studies, this report aims to illustrate the ways in which FTZs can be misused for money laundering and terrorist financing purposes.

#### New Best Practice Paper on Confiscation.

The ability to effectively trace and confiscate the proceeds of criminal activities or funds destined for terrorist financing is essential to a truly effective anti-money laundering and terrorist financing regime. Confiscation prevents criminal property from being laundered or reinvested and stifles the criminal organisation's ability to carry out its illegal activities. Additionally, the prospect of losing the benefits of their crime might deter some from engaging in money laundering or terrorist financing activities.

FATF Recommendations 3 and 38 address these issues, and provide for measures that will allow for a more effective international co-ordination to identify property which could potentially be confiscated. FATF Recommendation 3 sets out the measures that a country should put in place to enable their authorities to trace and confiscate benefits from criminal activity. FATF Recommendation 38 requires countries to have the authority to respond to requests by foreign countries to co-ordinate the freezing, seizing or confiscating of criminal assets.

This Report provides best practices which will assist countries in implementing the necessary measures in their regime to strengthen legal frameworks, minimise structural obstacles and streamline processes and procedures for effective tracing and confiscation within their jurisdiction and in the international context.

- [Best Practices: Confiscation \(Recommendations 3 and 38\)](#)

New International Best Practice Paper: Detecting and Preventing the Illicit Cross-Border Transportation of Cash and Bearer Negotiable Instruments.

One of the main methods used to move criminal assets, launder money and finance terrorism is by physical transportation of currency and bearer negotiable instruments from one country to another. This can be done by cash couriers, postal service or containerised cargo. Special Recommendation IX sets out the measures that countries need to put in place to detect and prevent this physical cross-border transportation of illicit funds in the form of cash or bearer negotiable instruments.

Experience has shown that it is not easy for countries to implement Special Recommendation IX because of the complexity of requirements to cover all incoming and outgoing cross-border transportation for the various transportation methods used. This Best Practice paper is based on the experiences of countries who have implemented Special Recommendation IX. This Best Practice paper complements Special Recommendation IX and its Interpretative Notes. It does not cover all aspects of Special Recommendation IX, but provides best practices for the areas that have proven most challenging.

- [International Best Practices: Detecting and Preventing the Illicit Cross-Border Transportation of Cash and Bearer Negotiable Instruments](#)

Combating Proliferation Financing: Status Report on Policy Development and Consultation.

The FATF mandate was extended in 2008 to include new and emerging threats such as proliferation financing, meaning financing the proliferation of weapons of mass destruction.

The FATF's efforts in this area are consistent with the needs identified by the relevant UN Security Council Resolutions (UNSCRs) and in recent years, the FATF has published guidance to assist jurisdictions in their implementation of these resolutions. FATF also published a Typologies report which identified the issues surrounding proliferation financing and highlighted issues for further consideration.

The Plenary welcomed the draft document titled Combating Proliferation Financing: A Status Report on Policy Development and Consultation prepared by the Working Group on Terrorist Financing and Money Laundering Project Team on Proliferation Financing. The Plenary adopted the report, subject to consultations with major stakeholders in order to finalize and publish the text before the next FATF Plenary.