

THE AMERICAN CHAMBER OF COMMERCE IN HONG KONG

Backgrounder

Financial Action Task Force on Money Laundering (FATF)

Introduction:

In 1989, the G-7 Heads of State (or Government) and President of the European Commission convened at the G-7 Summit held in Paris the Financial Action Task Force on Money Laundering (FATF) from the G-7 member States, the European Commission, and eight other countries. The FATF was established to address the growing problems of money laundering threatening the integrity of the banking system and financial institutions. The body operates as an inter-governmental body with objectives to develop and promote policies, both on national and international levels, in fighting criminal activities relating to money laundering.

The FATF functions as the ‘policy-making body’ which helps to facilitate countries in the national legislative and regulatory reforms necessary to combat money laundering. The FATF focuses on the following major tasks:

- (a) Spreading the anti-money laundering message to all continents and regions of the globe.
- (b) Monitoring the implementation of the “Forty Recommendations” in FATF members.
- (c) Reviewing money laundering trends and countermeasures.

Currently, the FATF membership is made up of twenty-nine countries and territories, and two regional organizations. Those twenty-nine member countries and governments are: Argentina; Australia; Austria; Belgium; Brazil; Canada; Denmark; Finland; France; Germany; Greece; Hong Kong, China; Iceland; Ireland; Italy; Japan; Luxembourg; Mexico; the Kingdom of the Netherlands; New Zealand; Norway; Portugal; Singapore; Spain; Sweden; Switzerland; Turkey; United Kingdom, and the United States. The two regional organizations are the European Commission (EC) and the Gulf Co-operation Council (GCC).

The Presidency of the FATF, held by a high-level government official appointed from among the FATF members, rotates every year. Mrs. Clarie Lo, Commissioner for Narcotics, Hong Kong SAR, China, took up the one-year Presidency on July 1, 2001.

Money Laundering in Hong Kong:

Since 1989, Hong Kong has taken serious measures to enact laws and set regulations against money laundering and other related corrupt activities. Drug trafficking in Hong Kong has traditionally been the supplier for the domestic market and transshipment to other international buyers. Hong Kong’s first drugs-related money laundering legislation was in December 1989 and since then, the Hong Kong Police Force and the Customs and Excise Department have taken active roles in the investigation of drug money laundering cases. Together, the two departments form the Joint Financial Intelligence Unit (JFIU) to monitor and report suspicious money laundering activities and co-ordinate the investigation of such activities when warranted.

In the financial sector, the financial service regulators regularly update their guidelines on money laundering and in turn issue those guidelines to the industries of which the regulators respectively supervise. Generally, the guidelines require the industries to maintain high standards of record keeping, customer identification, and reporting of any suspicious transactions.

Money Laundering and Terrorist Activities:

On October 29th and 30th, 2001, an extraordinary Plenary on the Financing of Terrorism was held in Washington D.C. by the FATF in expanding its mission beyond money laundering to include a worldwide effort to fight terrorist funding activities. Hence, a major priority in the 2001-2002 FATF agenda is the implementation of its “Plan of Action” to target against terrorist financing and encourages a voluntary self-assessment of each member’s anti-terrorist financial measures. The FATF also formed a working group to identify certain places or regions that lack the appropriate measures to counter terrorist financing and to direct them to the IMF, World Bank, and the United Nations to receive the necessary follow-up assessment and/or technical assistance where necessary.

During the extraordinary Plenary, the FATF agreed to a set of “Special Recommendations on Terrorist Financing” and when combined with the FATF Forty Recommendations on money laundering, they set out to detect, prevent, and deter the financing of terrorist acts.

Those FATF Special Recommendations on Terrorist Financing are:

- I. Take immediate steps to ratify and implement the relevant United Nations Instruments.
- II. Criminalise the financing of terrorism, terrorist acts and terrorist organizations.
- III. Freeze and confiscate terrorist assets.
- IV. Report suspicious transactions linked to terrorism
- V. Provide the widest possible range of assistance to other countries’ law enforcement and regulatory authorities for terrorist financing investigations.
- VI. Impose anti-money laundering requirements on alternative remittance systems.
- VII. Strengthen customer identification measure in international and domestic wire transfers.
- VIII. Ensure that entities, in particular non-profit organizations, cannot be misused to finance terrorism.

For Further Information:

The Financial Action Task Force on Money Laundering (FATF) – <http://www.fatf-gafi.org>

FATF Annual Report 2001-2002 – http://www.fatf-gatf.org/pdf/AR2002_en.pdf

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