

Remarks of Secretary Steven T. Mnuchin FATF Plenary Session Orlando, Florida

June 21, 2019

Delegates and guests,

I am pleased to join you today to close the 2019 Orlando Plenary of the Financial Action Task Force (FATF), and to help mark the important 30-year anniversary of this important body. FATF President Marshall Billingslea informs me that the FATF has had a productive week tackling some of the most pressing illicit finance challenges facing the international financial system.

HOLDING HIGH-RISK JURISDICTIONS TO ACCOUNT

The FATF continues to take concrete steps to combat illicit financing by criminals, terrorists, rogue nations, and other actors who actively attempt to exploit any weak links.

However, the FATF Standards are only effective if jurisdictions around the world actually take measures to implement them. Failure to enforce well-defined consequences for inaction could undermine the credibility of the FATF's peer review process and of the organization as a whole. The FATF responded to Iran's willful failure to address its systemic money laundering and terrorist financing deficiencies by requiring increased supervisory examination for branches and subsidiaries of financial institutions based in Iran and calling for additional counter-measures to be re-imposed if Iran does not make further progress.

The United States calls on all nations to join us in ensuring the FATF's standards are implemented globally, and standing together against those who threaten the security of the international financial system.

PROGRESS MADE UNDER U.S. PRESIDENCY

As we gavel the end of the U.S. Presidency of the FATF, I would like to briefly discuss the progress the organization has made over the last year to address existing and emerging vulnerabilities. Under the U.S. Presidency, we have prioritized three critical areas:

1. illicit financing risks associated with virtual assets;

2. strengthening international counter-financing of terrorism efforts; and
3. enhancing work on countering weapons of mass destruction and proliferation financing.

VIRTUAL ASSETS

One of the most valuable contributions of this plenary is the regulation of all virtual assets, especially cryptocurrencies. I commend efforts by the FATF to address the growing misuse of cryptocurrencies and other virtual assets by money launderers, terrorist financiers, and other illicit actors. I am proud to note that under the co-chairmanship of Spain and Singapore, you have delivered on the ambitious goal of addressing these risks in a number of ways.

The Interpretive Note adopted this week includes virtual asset standards that are binding to all countries. By issuing updated guidance, the FATF is enhancing financial transparency and setting expectations. This will enforce a level playing field for virtual asset service providers, including cryptocurrency providers, and traditional financial institutions.

Under these new measures, virtual asset service providers will be required to implement the same AML/CFT requirements as traditional financial institutions. They will need to:

- Identify who they are sending funds on behalf of, and who is the recipient of those funds;
- Develop processes where they are required to share that information with other providers of virtual assets, and law enforcement;
- Know their customers and conduct proper due diligence to ensure they are not engaging in illicit activity; and,
- Develop risk-based programs that account for the risks in their particular type of business.

By adopting the standards and guidelines agreed to this week, the FATF will make sure that virtual asset service providers do not operate in the dark shadows. This will enable the emerging FinTech sector to stay one-step ahead of rogue regimes and sympathizers of illicit causes searching for avenues to raise and transfer funds without detection.

- We will not allow cryptocurrency to become the equivalent of secret numbered accounts.
- We will allow for proper use, but we will not tolerate the continued use for illicit activities.
- In the U.S., I have convened a working group with the Federal Reserve and other regulators to make sure we keep the use of digital assets for legitimate use only.
- I encourage you to do the same in your markets.

We must work together to ensure that virtual assets are no longer a safe haven for illicit actors to end-run around established AML/CFT safeguards.

The United States welcomes responsible innovation, including new technologies that may improve the efficiency of the financial system and expand access to financial services. Yet we must maintain our financial system's integrity and protect it from abuse. That is why the United States has in place a comprehensive AML/CFT framework for regulating, supervising, and taking enforcement actions relating to virtual currency and other digital assets.

The United States subjects the same AML/CFT controls to covered providers and activities as any other U.S. financial institution. For example, service providers must register with FinCEN. They must also institute an AML program, and recordkeeping and reporting measures, including filing suspicious activity reports.

COUNTERING THE FINANCING OF TERRORISM

Another U.S. focus during our FATF presidency has been on practical efforts to dismantle terrorist financing networks. I am proud that we are working to train prosecutors and judges to more effectively investigate and prosecute terrorist financing, and that we adopted new guidance on assessing terrorist financing risks. We are moving beyond simply establishing legal frameworks to ensuring that these laws are actually disrupting the financing of terrorist groups.

COUNTERING WEAPONS OF MASS DESTRUCTION (WMD) PROLIFERATION FINANCING

Finally, under the U.S. Presidency, the FATF examined ways in which the standards could more effectively address the threat of WMD proliferation financing. Rogue nations, terrorists, and international criminal syndicates have become increasingly sophisticated in evading sanctions, and other preventive measures, in order to continue to develop WMDs. I encourage this organization to build upon the work that was done here to ensure that the FATF Global Network's policies and controls effectively counter this evolving threat.

CONCLUSION

While illicit finance threats continually evolve, I am confident that successful efforts to counter emerging threats will be developed here, by this body, and by its Global Network. On behalf of the United States, it has been an honor for the U.S. to serve as the FATF President. We look

forward to continuing this critical work with our partners here to realize a more secure future for the United States and our friends, our partners, and our allies around the world.