

## U.S. DEPARTMENT OF THE TREASURY

# Financial Action Task Force (FATF) Advances Its Work on Operational Measures to Prosecute Terrorist Financing and Virtual Assets

February 25, 2021

**Washington** – The Financial Action Task Force (FATF) concluded its second plenary meeting during the German Presidency, its third virtual plenary since the start of the ongoing COVID-19 pandemic. The FATF advanced its work on several important issues, including finalizing a non-public report on terrorist financing and agreeing to seek public comment on updated guidance documents on virtual assets and proliferation finance.

“The United States recognizes the importance of the Financial Action Task Force’s work to combat money laundering and terrorist financing threats. Criminals and terrorists take advantage of the innocent and threaten our way of life even amidst the COVID-19 pandemic, and it is important that the FATF’s work continues in this vital time,” said Treasury Secretary Janet L. Yellen. “We welcome the FATF’s actions to enhance operational efforts designed to identify terrorist financiers and develop additional guidance in consultation with the private sector on virtual assets and proliferation finance, two key priorities of the United States.”

## **FATF FINALIZES GUIDANCE TO NATIONAL AUTHORITIES TO IMPROVE EFFECTIVENESS OF LEGAL ACTIONS AGAINST TERRORIST FINANCING**

Despite the COVID-19 pandemic, ISIS, Al Qaeda, and their affiliates, as well as terrorist groups such as Hizballah, continue to generate and move funds to support their violent activities. Coordinated international action remains essential to countering these groups and their financial networks. To combat these threats, the FATF agreed upon three non-public reports for operational use by FATF member states. The products include a best practices paper on investigating and prosecuting terrorist financing. This important project was co-led by the United States and the Netherlands and resulted from an initiative during the U.S. FATF Presidency to identify specific challenges that arose in investigating and prosecuting terrorist financing. The FATF is also issuing an internal ISIS/AQ financing update and an internal paper

to assist investigative authorities trace financial flows between illicit arms traffickers and terrorists.

## **FATF TO ISSUE GUIDANCE FOR COUNTRIES ON ADOPTION OF A RISK-BASED APPROACH TO SUPERVISION**

The FATF approved new guidance to clarify and improve adoption of risk-based supervision in line with the FATF Standards. The guidance outlines how supervisors should apply a risk-based approach to their activities, which includes communicating common expectations and identifying innovative practices to help improve the effectiveness of anti-money laundering/countering the financing of terrorism (AML/CFT) supervision. The guidance also highlights common implementation challenges of risk-based supervision and provides examples of effective strategies. This guidance will be published in early March.

## **FATF UPDATES REPORT ON VIRTUAL ASSETS AND VIRTUAL ASSET SERVICE PROVIDERS**

The FATF agreed to seek public consultation on amendments to its June 2019 guidance outlining AML/CFT obligations in relation to virtual assets and virtual asset service providers (VASPs). The updated guidance will help countries and VASPs understand their AML/CFT obligations and effectively implement the FATF's requirements in key areas, including how the FATF Standards should be applied to stablecoins, travel rule implementation, and how to address the risks of peer-to-peer transactions. The FATF will publish a public consultation draft in March and expects to release the final updated guidance this summer. The FATF also started its second 12-month review to review global implementation of the FATF Standards on virtual assets.

## **FATF TO ISSUE NEW GUIDANCE ON PROLIFERATION FINANCING RISK AND MITIGATION**

In line with its recent efforts to strengthen measures to prevent proliferation financing, the FATF agreed to seek public consultation on draft guidance to assist countries and the private sector in assessing and mitigating proliferation financing risk. The new guidance will enhance countries' understanding of proliferation financing threats, vulnerabilities, and risks, as well as identify mitigation measures to address those risks. The FATF will publish a public consultation draft this March with the aim of finalizing the guidance this summer.

## Outcomes of the FATF Plenary, 25 February 2021

*The Financial Action Task Force (FATF) is an international policy-making and standard-setting body, headquartered in Paris, dedicated to combating money laundering and the financing of terrorism and proliferation finance. Treasury leads the U.S. delegation to FATF.*

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