STEP Policy Points

The Financial Action Task Force (FATF)

Executive summary

Two elements of the Financial Action Task Force’s (FATF’s) current work should be of particular interest to STEP members:

- The publication of the UK’s first evaluation under the FATF’s mutual evaluation system which offers a guide on how well the country is implementing the FATF’s recommendations and guidance on how to strengthen its security measures.
- The ongoing work to produce the FATF’s risk-based approach (RBA) for professional intermediaries: lawyers, accountants and trusts and company service providers (TCSPs).

Key messages

- The past few years have seen significant measures introduced internationally to address the problem of the criminal use of the international banking system to both evade taxes and conceal illicit funds.
- STEP has worked constructively with both international bodies, such as the OECD Global Forum and the FATF, and national governments to ensure that these measures will be both effective and practical.
- STEP is strongly in favour of a greater clarity on how FATF guidance is intended to work in practice – with a strong emphasis on the need for a consistent approach across all jurisdictions.

Context

The FATF published revised recommendations for minimum national anti-money laundering (AML) standards – generally referred to as the FATF’s 40 Recommendations – in February 2012. The 40 Recommendations included guidance for each country to assess its own compliance with AML standards and assistance with identifying the systems and mechanisms it might need in order to implement robust international standards. This initiative subsequently resulted in a variety of jurisdictions collaboratively working on significant new legislative proposals in the AML area.
The UK was evaluated for the first time in 2018 against the internationally enhanced standards that were introduced in a mutual evaluation report (MER) published in December 2018. The report ranked the UK as a global leader in tackling money laundering. The report did, however, recommend reforming the UK’s suspicious activity reporting system.

The FATF has established a working group to produce a RBA guidance for professional intermediaries (lawyers, accountants and TCSPs). STEP has been invited to co-chair the TCSP group and the guidance will be developed following the principle of public-private partnership. The FATF has arranged representation from both the official and the private sectors, including professional associations. The finalised guidance was published in July 2019.

**STEP response**

STEP has provided HM Treasury with expert feedback and opinion to assist with the preparation of the UK’s first mutual evaluation in 2018.

STEP was asked to provide comments on the draft FATF 2018 report in relation to the vulnerabilities linked to the concealment of beneficial ownership. The report was reviewed and published by FATF in June 2018.¹

A STEP working group drafted the TCSP guidance which was submitted to FATF and was discussed/approved in its Policy Development Group (PDG) in plenary in 2018. The guidance contains a section for supervisors of TCSPs. It explains the RBA to supervision, as well as the supervision of the RBA. The guidance highlights the importance of supervision of beneficial ownership requirements in relation to a trust or other legal arrangement so that such information is maintained and available in a timely manner.

This guidance went through public consultation in March 2019, and replaced the 2008 version and brings it in line with the current FATF Recommendations.

The FATF *Guidance for a Risk-Based Approach for Trust and Company Service Providers* can be found [here](http://www.fatf-gafi.org/publications/methodsandtrends/documents/concealment-beneficial-ownership.html).

**Stakeholders**

Given its leadership of both processes, the FATF is the main stakeholder in this area. In addition the following should be considered:

• The UK government is a major stakeholder in the mutual evaluation process.
• Other groups and organisations that have been invited to join the working group and advise the FATF may also be useful.

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