

# Combatting money laundering and terrorist financing in the West African region

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**ADDRESS BY MR. VLADIMIR NECHAEV, VICE-PRESIDENT OF THE FATF**

**AT THE 12TH MEETING OF THE GIABA MINISTERIAL COMMITTEE**

***Accra, Ghana, 11 May 2013***

Your Excellency President of the Republic of Ghana John Dramani Mahama,

Your Excellency Chairman of GIABA Ministerial Committee (Mrs.) Nialé Kaba,

Distinguished delegates and colleagues,

It is a great pleasure for me to be with you in Accra for the 12th meeting of GIABA Ministerial Committee. I would like to start by thanking GIABA for giving me the opportunity to be here and thanking the Ghanaian hosts for their generous hospitality.

FATF President, Bjørn Aamo, was not able to come to this meeting of GIABA, so as vice-President I am here in his place. I am pleased to be able to meet with FATF-Style Regional Bodies before the start of my presidency of the FATF next July. I have just completed my term as the Chairman of the MONEYVAL Committee of the Council of Europe, and so I am very aware of the importance of the relationship between the FATF and the FSRBs. This relationship forms the backbone of a strong global network for combating money laundering and terrorist financing. We must base our response on coordinated policies, as all our countries face unique and evolving challenges in facing up to the threat of money laundering and terrorist financing – this is particularly true in the West African region.

In that regard, I would like to commend GIABA for the work done jointly with the FATF on the project of typologies of the Financing of Terrorism in West Africa. Many GIABA countries participated in this project; therefore I am convinced that this report will provide a useful tool for GIABA member states but also for other countries around the world for understanding and adequately addressing terrorist financing threats.

As you know the FATF has recently revised the Recommendations on Money Laundering and Terrorist Financing and is developing other related instruments. I believe that these recent and future developments will provide us with powerful tools to successfully overcome money laundering and terrorist financing (ML/TF) and achieve our common objectives. But before coming to that, I would like to say a few words about the completion of GIABA's first round of mutual evaluations.

## ***Completion of GIABA's first round of Mutual Evaluations***

I was pleased to attend yesterday's meeting of GIABA Technical Commission as the Mutual Evaluation Report of Sao Tomé and Príncipe was discussed. The adoption of this report now completes GIABA's first round of mutual evaluations. This is an important achievement not only for GIABA but also for its member states individually. I would like to stress though that the adoption of mutual evaluation reports is not an end in itself, as they should be used by each country as a starting point in working towards greater compliance with the international standards and ultimately to implement in an effective manner anti-money laundering and countering the financing of terrorism (AML/CFT) systems.

When we look at the progress reports presented over the past week, we can see that some countries have taken steps to improve their AML/CFT regimes; however, a number still have not yet achieved a great deal of progress. It is crucial that all countries in the region carry out the necessary reforms in order to effectively fight money laundering and terrorist financing as every failure in a country's AML/CFT system threatens not only that country but also the regional and international financial sectors. This is especially true in an area such as Western Africa which operates under the principle of free movement of funds. And I saw yesterday a demonstration of political commitment to improve the AML/CFT systems in your counties.

In that regard, I would like to take this opportunity to welcome the significant and important reforms recently introduced by Ghana, in particular in the criminalisation of money laundering and terrorist financing, the establishment of an operational and functioning financial intelligence unit and the adoption and implementation of adequate procedures to identify and freeze terrorist assets. As a consequence of this progress, the FATF decided in February 2013 that Ghana will no longer be subject to the FATF monitoring process, as known as the ICRG process.

## ***The next round of mutual evaluations – the revised standards and the new methodology***

As I mentioned the FATF adopted and published in February last year a revised set of Recommendations. The fundamental elements of the FATF Recommendations have been maintained. However, they have been further clarified in many instances or expanded to deal with new threats such as the financing of proliferation of weapons of mass destruction and to give more scope to the risk-based approach in implementing the standards.

The purpose of the risk-based approach is to allow for a more effective allocation of resources to combating money laundering and terrorist financing both by governments and by financial institutions. It should mean more effective implementation overall, by focusing attention on the highest risk sectors and activities, and a more efficient use of limited resources. But it also means new requirements for countries to formally understand and assess the risks they face. The risk-based approach is intended to be a useful tool to adequately respond to actual threats and to better allocate resources.

Following the adoption of the revised Recommendations, the FATF also started revising existing guidance and developing a series of new guidance and best practice documents in order to assist countries in implementing the FATF standards effectively. Another important component relating to the revised Recommendations is the Methodology for assessing compliance with the FATF Recommendations. It was adopted at the February 2013 FATF Plenary meeting.

As in the past, future mutual evaluations will continue to assess countries' technical compliance with the FATF Recommendations. The technical compliance assessment will address the specific requirements of each of the FATF Recommendations, principally as they relate to the relevant legal and institutional framework of the country, and the powers and procedures of competent authorities. These represent the fundamental building blocks of an AML/CFT system.

In addition to the technical compliance, the 2013 Methodology takes a new approach in assessing effectiveness, which will henceforth focus more on determining how well countries achieve the objective of fighting money laundering and terrorist financing. To respond to that question, the [Methodology](#) for assessing effectiveness is based on a systematic series of questions, looking at 11 predefined outcomes that are central to a robust AML/CFT system. These outcomes have been agreed by FATF and others included in this process, including GIABA. These assessments will be challenging as they need to make judgments on how various components of the AML/CFT regime interact, and if things are not working, then why not. Assessments will focus on the areas of higher risk. The reports will provide a basis upon which countries can address the issues that are most critical for them.

Technical compliance and effectiveness are closely interlinked, therefore these reports will look at the totality of the AML/CFT regime and provide a more complete picture of countries' situation. Eventually they will provide a basis upon which countries can address the issues that are most critical for them.

### ***Financial Inclusion***

The FATF has also worked to revise guidance in another area that is of particular interest for this region: AML/CFT and Financial Inclusion. In June 2011, the FATF published a guidance paper which provided support to countries and their financial institutions in designing AML/CFT measures that meet the national goal of financial inclusion, without compromising the measures that exist for the purpose of combating crime. The FATF adopted an updated version of this guidance on financial inclusion in February 2013. The guidance focuses on ensuring that AML/CFT controls do not inhibit access to well-regulated financial services for financially excluded and underserved groups, including low income, rural sector and undocumented groups. The document provides clarity and guidance on the FATF Recommendations that are relevant when promoting financial inclusion and shows how the Recommendations can be read, interpreted and implemented to support financial access to a larger proportion of the population, including the most vulnerable and excluded groups.

### ***Closing remarks***

Your work in GIABA makes a vital contribution to our global efforts – both through your participation in the work of the FATF, and through your essential work within member countries on mutual evaluation reports and follow-up; as well as on training and technical assistance.

I look forward to increased dialogue between GIABA and the FATF on ways that can further strengthen the relationship between FATF and its associate members.

I thank you again for giving me the opportunity to address you today. I wish you all well in your future work.

Thank you!

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