

WHO ARE THOSE GUYS? GETTING TO KNOW FATF

If you're an AML/BSA officer and you think "FATF" is a new Weight Watchers program, better devour this column

In the classic 1969 movie, "Butch Cassidy and the Sundance Kid," the two lead characters are stymied by a posse that continues to pursue them through extremely challenging terrain. In a chase that lasts hours, the outlaw "heroes" can't seem to shake them. Finally Butch (Paul Newman) blurts out, "Who are those guys?"

Believe it or not, this got me to thinking about a group that dramatically assists the anti-money-laundering community in a variety of important areas, yet most bankers have no idea what or whom it is or they are. I am referring to the "Financial Action Task Force" or FATF.

Why and how FATF impacts the U.S. and global financial industry is important for all bankers to know. FATF is also a useful resource that can assist even the smallest institution. So, it is time to get out of your bubble and attempt to understand the value of the Financial Action Task Force to your daily activities. I'll cover the scope of this organization and how to take advantage of all the information FATF produces.

What is FATF?

According to the website:

"The Financial Action Task Force (FATF) is an inter-governmental body whose purpose is the development and promotion of national and international policies to combat money laundering and terrorist financing. The FATF is therefore a 'policy-making body' created in 1989 that works to generate the necessary political will to bring about legislative and regulatory reforms in these areas. The FATF has published 40 + 9 Recommendations in order to meet this objective."

FATF has 34 countries as members and its mission has been extended to 2012. FATF provides guidance, monitors compliance by its members with anti-money-laundering/terrorist financing standards, and develops reports on emerging threats in the AML/TF area throughout the globe.

Why FATF matters

What does this mean to the AML or compliance staff in the United States?

First, the challenging news.

For one, the United States is an original member, and obvious strong proponent of, FATF. Therefore, FATF statements are supported by U.S. regulators and law enforcement, as well as legislative policymakers.

It is not uncommon for a BSA/AML examiner to reference a FATF document during an examination, and it would be folly to respond that the concepts are not laws or rules and not relevant to your bank.

Whether you work for, or with, an international financial institution or a community bank in the Midwest, FATF policies, reports, and recommendations are relevant to your ongoing obligations to stay current with trends, typologies, and other AML/TF concerns.

Just as I have cautioned you to follow guidance documents or speeches by agency heads, so should a member of your staff be charged with staying abreast of FATF reports and recommendations.

On the other hand, the good news.

FATF reports can be jewels in the compliance training crown. FATF typologies are excellent additions to any education that you are compiling for staff.

For example, FATF produced a report on terrorist financing techniques in 2008 which pointed out, among other things, that “the proceeds of legitimate business can be used as a source of funds to support terrorist activities.”

The report went on to state that it is a particular risk in sectors that “do not require formal qualifications and where starting a business does not require substantial investments.”

FATF cautioned that these entities are particularly suspicious if they are cash intensive. This is just one of many examples that are useful to compliance officers from any institution.

FATF has also issued views on money-laundering vulnerabilities in certain jurisdictions, with certain financial products and created standards for a vast array of challenges such as risk assessments, trade finance, and a broad number of financial service providers.

FATF’s international outreach

Besides assisting the private sector through comprehensive training tools, the real value of FATF is the partnership among nations. As the 2008 FATF President (the presidency is a one-year term) Antonio Gustavo Rodrigues from Brazil said in a speech late last year on the importance of creating typologies:

“Money laundering and terrorist financing techniques evolve quickly. Therefore, what we are looking at are not static phenomena—launderers and terrorist financiers change their techniques in response to a number of factors, including new legislation; law enforcement intervention; technological developments; and new financial products. New techniques, methods, and trends of money laundering and terrorist financing are being identified every day. That is why we need to remain vigilant.”

FATF is an important government organization for a variety of reasons. Take advantage of the wealth of essential information it provides. Sign up for e-mail alerts from the FATF website.

Your institution can only benefit if you know just "who are those guys?"

Other things: Don't skip these two critical conferences!

A reminder that the American Bankers Association/American Bar Association Money Laundering Enforcement Conference is swiftly approaching, as is the Association of Certified Anti-Money Laundering Specialists (ACAMS) Annual Conference. Push your management to see the forest from the trees and allow you to receive key training for 2010. [ADD LINKS](#)

Trying to save funds in this area will only hurt you later on.

About John Byrne, CAMS

Byrne leads Condor Consulting LLC, a Washington, D.C., area financial services consulting firm specializing in regulatory management, AML, privacy, and a vast array of financial institution compliance related issues. He has written extensively on AML issues for 25 years and has appeared on television and testified before many congressional committees on AML-related policy issues. Prior to the creation of his firm, John was the Global Regulatory Relations Executive at Bank of America. Previously, he worked for the American Bankers Association for 22 years and was responsible for ABA's lobbying, regulatory, and educational efforts on money laundering, and other compliance issues. He received the ABA's Distinguished Services Award and was also the first private sector recipient of the "Director's Medal for Exceptional Service" from the Treasury Department's Financial Crimes Enforcement Network (FinCEN). Byrne can be e-mailed at jbyrne@thecondorconsultingllc.com. His web page can be found at www.thecondorconsultingllc.com

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