

Meeting with Global NPO Coalition on FATF's Project on Mitigating the Unintended Consequences of the FATF Standards

07.08.2021, 12.00–1.30 p.m. CEST (virtual)

Update on the Strategic Review

- The objective of the Strategic Review is to agree to core documentation, and agree to a new assessment Methodology and MER procedures. The FATF is now in the last eight months of this process. By February 2022, we aim to have a new set of procedures and Methodology in place and agree to other process-related issues (e.g., pace of the process and sequence of evaluations). We are considering consultation of the Strategic Review over the coming months. We will be in touch soon with more information on consultation.
- Options related to Methodology and MER Procedures identified through the Unintended Consequences project could be referred to the Strategic Review, and advanced as part of that work stream. Such referral would occur in October 2021, to meet the Strategic Review deadline of February 2022. Therefore, as a matter of urgency, the UIC Project Team will prioritise the identification and development of options related to the Methodology and MER Procedures. **The Project Team welcomes input on potential options related to the Methodology and Procedures by 25 July 2021.**
- The UIC Project Team is also considering options that fall outside the scope of the Strategic Review, including enhancing training, updating guidance/best practices, Standards changes, internal procedures/processes, etc. We welcome any input on such options at your earliest convenience, but recognise that this may be after the 25 July 2021 deadline.

Update on R.24 and 25

- The FATF is considering amendments to strengthen R.24 on the transparency and beneficial ownership of legal persons, including a multi-pronged approach to ensure beneficial ownership information is available to competent authorities, as well as stronger measures to manage the risks of legal persons, and stricter controls on bearer shares and nominees. **The FATF has published a [white paper](#) for public consultation, and welcomes input from its stakeholders, including companies and other legal persons, financial institutions, designated non-financial businesses and professions (DNFBPs), and non-profit organisations by 20 August 2021.** The FATF will discuss next steps at its October 2021 Plenary meeting.
- To ensure a coherent approach on beneficial ownership issues, the FATF has started a new project on R.25 regarding the transparency and beneficial ownership of legal arrangements. The project will seek to reflect the outcomes of R.24 amendments, where appropriate, as well as to consider new issues specific to R.25, such as the common ground of trusts and similar legal arrangements, and complex ownership structures. **The project team will engage the private sector upon development of proposals, tentatively in October or after.**

Update on PF

- In October 2020, the FATF revised its Standards (R.1 and INR.1) to require countries, financial institutions and designated non-financial businesses and professions (DNFBPs) to identify, assess, understand and mitigate their proliferation financing risks.
- The FATF has now prepared guidance on proliferation financing risk assessment and mitigation, to help countries, financial institutions, DNFBPs and VASPs effectively implement the new mandatory FATF requirements. The guidance, which reflects the input from a public consultation in March 2021, explains how both public and private sectors should conduct risk assessments in

the context of proliferation financing, and how they can mitigate the risks they identify. This guidance includes advice to supervisors and self-regulatory bodies responsible for ensuring that proliferation financing risks are being properly assessed and mitigated. The Guidance emphasises the need for supervisors, financial institutions, DNFBPs and VASPs to apply the new obligations in a manner that is proportionate to the risks identified, in order to avoid contributing to de-risking or financial exclusion.

- The next steps for this work is building knowledge around this guidance. **The FATF is planning on hosting a number of webinars on this guidance in the coming months.**