

FATF Private Sector Consultative Forum (PSCF)

May 6–7 2019, Vienna

Consolidated notes of the 4 NPO representatives (ECNL, EFC, HSC and NRC)

DAY 1, May 6

Session on Digital ID, 0915–1115

Co-chairs: Anne Shere Wallwork (US); Maria Do Ceu Da Silva Pereira (World Bank)

Objectives: To seek feedback from participants on the FATF Guidance on Digital Identity (Identity Risk Management Framework and Public and Private Sector Roles and Responsibilities).

Panelists: David Rennie, Idemia; Vincent Li, Ant Financial Services Group; Daniel Wager, Lexisnexis; Nicholas Oakeshott, UNHCR

- FATF co-chairs (US Treasury and World Bank) opened the session announcing that a new guidance document on digital ID was being created.
- The panel had several representatives from private companies with clear agendas in relation to the development of guidance, regulation, etc.
- They recognized the need for standards in digital ID (especially given banks often receive or chase bad or false information on customer IDs). However they stressed the need for standards to be carefully constructed and future-proofed in order to allow for future technology developments.
- To paraphrase, LexisNexis essentially said that guidance should not limit the commercial sale of data. They defined their position by saying that current ID processes are not great, ID theft is relatively easy, but that their services can protect and ensure financial access, for example for people with common names, who might appear on terrorist watch lists.
- There were few mentions of GDPR, but a lot of mention of the importance of ‘permissioning’. ‘Live capture’ – use of video to ensure digital ID fraud can’t be committed with a photo of a photo was highlighted. Another point was the use of databases for device use, to record where devices have been used elsewhere and if they have been used by ‘bad actors’.
- UNHCR’s intervention was focused on financial access for asylum seekers and refugees (not access to financial services for NPOs writ large). They stressed that they don’t provide aid to combatants or ‘serious criminals’ including terrorists. They gave a general introduction to their activities and the global context, including the move away from in-kind to cash-based assistance. They stressed their PRIMES (Population ID Management Eco System), which holds 7.3mn biometric records. Host states are also using this system, and it is becoming more popular.
- Financial inclusion is a major challenge for asylum seekers and refugees – they are adversely impacted by AML and CTF efforts as states often don’t recognize IDs issued by UNHCR. UNHCR did some research on this and found that in many host states, refugees and asylum seekers’ IDs were not recognized.
- What are the solutions? Clarity in terms of scope and reach of regulations and guidance, and Digital IDs. UNHCR gave the example of its Digital ID Ecosystem in Jordan (which NRC has used).
- In the longer term, UNHCR also wants FATF guidance to clarify that ‘reliable identification’ could include UNHCR Digital IDs.
- World Bank (co-chair) recognized that financial access for refugees and asylum seekers is of concern, particularly the cost of sending money abroad (7% on average). Migrants don’t

often have option of using formal banking systems as they don't have ID. If we facilitate other methods of digital ID, then we can solve this problem.

- LexisNexis stated that as per UNHCR's presentation, information sharing with permission and consent can increase access to financial services. Without this, banks will say some customers are 'too scary to bank'
- US (co-chair) said they don't want to leapfrog ahead of the traditional framework but are committed to innovation, and will continue to monitor developments.
- What are the next steps for development of guidance? It will follow FATF standards, getting inputs from this dialogue as well as from fintech and regtech forums. FATF will then draft the guidance. No decision yet on whether written submissions will be accepted.
- Concern was expressed about the short timeframe for the development of guidance, which is to be finished by June.

Session on Beneficial Ownership (BO), 0915–1115

Chair: Raquel Cabeza as the moderator (FATF Policy Development Group Co-Chair)

Objectives: To seek input from participants on how a jurisdiction's system can facilitate identification of beneficial ownership, especially from the perspective of reporting entities and the wider community.

Panelists: Mariano Garcia Fresno, Spanish Council of the Notaries; Nick van Benschoten, UK Finance; Jennifer Haslet, HM Treasury; Maira Martini, Transparency International (TI).

Raquel Cabeza as the moderator (FATF Policy Development Group Co-Chair) introduced the topic by recalling that FATF introduced requirements on BO in 2003 and strengthened them in 2012. Implementation of BO standards for legal persons in a global context is weak as evidenced by FATF/Egmont Group report in 2018. Report considers reason is poor implementation and not the FATF standards 24/25 itself. FATF has started project to identify best practices, which is the core of this session: to present good practice cases mainly from the EU. The session only referred to Recommendation 24 and not Recommendation 25 – so transparency and BO of legal entities only.

Speakers and case studies:

- SPAIN: Mariano Garcia Fresno, Spanish Council of the Notaries, presented the Spanish system, which involves notaries in the collection of BO data. Notaries can even refuse an action if the BO information is not provided (for example transfer of shares). All 3000 notaries have access to the register, as have obliged entities and other authorities.
- UK: Nick van Benschoten from UK Finance outlined opportunities and challenges around the UK approach covering the issue of data quality and reliability, and challenges about multiple jurisdictions involved. He stated that BO ownership information collection is a controversial topic, and not only in the UK. Discussions are ongoing around the effectiveness and enforcement of a policy going beyond prevention. The challenge is to develop an effective risk-based supervision of legal entities.
- Maira Martini from Transparency International outlined the benefits of public beneficial ownership registers and how this can help the implementation of FATF standards. She advocated a multi-pronged approach with different actors feeding BO into one central, publicly-accessible register. Relying only on obliged entities is not enough and often challenging to get access to information. Public registers enable foreign actors to access the information as well as obliged entities, all authorities and civil society and journalists. She stressed the importance of sanctions for not complying with BO disclosure or filling wrong

information as important enforcement measures. She referred to a Tax Justice and TI paper with suggested steps for verifying BO information.

- Jennifer Haslet from HM Treasury reported on BO registers in the UK, which moves to public registers in line with the EU AMLD 5 Directive also applying a multi-pronged approach. If correct information is not provided, Company House can refuse to register. Discussions/consultations in the UK are ongoing.

Key points from the debate:

- Some questions were raised in the audience about how this would apply to trusts, which seems to be the cause of some debate in the UK.
- NPOs stated that the BO concept was designed with the purpose of ensuring more transparency in complex private-interest company structures and in an EU context, raising questions around how these rules would apply to and impact the non-profit sector. Concerns around privacy rights of donors, trustees and beneficiaries were raised as were concerns about administration efforts/costs and duplication of efforts (where, for example, foundation registers already exist and include information on board membership). Some discrepancies between EU and the rest of the world in terms of BO concept and approach were mentioned.
- EU policy, which goes beyond the FATF Recommendations by requiring governments to introduce publicly-accessible registers of BO information of corporates, foundations and trusts, appears to be considered good practice by FATF in terms of what they would like to see promoted given all speakers in this session were from Europe (and TI who has been pushing the EU agenda on BO).
- It appears that there is some intention to push for more stringent implementation of Recommendation 24, both from the FATF and the EU. The EU wants to promote the case of public registers of BO of legal entities including NPOs. But there was a clear sense that the problems around transparency also exist in other parts of the world and it would be important to mobilize better implementation/transparency in the larger context. If not, the Recommendation 24 agenda remains too fragmented, with too many loopholes for criminals to abuse complex company structures in the international context. A call for global interaction of registers was made.
- FATF made a call for a multi-pronged approach (so far, BO registers, even in the EU, are mainly company registers and not linked with others). Push for defence principle: all stakeholders (legal persons/regulators/lawyers etc.) should carry out their defence roles in-depth – meaning verification/monitoring/CDD/reporting suspicious actions – and take enforcement actions where appropriate.
- How to ensure adequacy, accuracy and timeliness of BO information? – this is challenging in the EU context: sanctions were mentioned several times as a key instrument to better enforce compliance and ensure reliability of BO information.

Way forward: FATF does not envisage a revision of standard but wants to collect best practice collection (Best practice paper). So far FATF does not yet suggest public registers (as is done by the EU) and it is still unclear how the global FATF policy will be applied to trusts and similar legal arrangements and the non-profit sector.

FATF RTMG Terrorism Financing (TF) Risk Assessment Guidance – 1130–1300

NPO Consultation (*only limited to NPOs invited and FATF Risks, Trends and Methods Group [RTMG] members*)

Objectives: To seek feedback from participants on key issues regarding TF Risk Assessment Guidance by the FATF Risks, Trends and Methods Group

FATF is developing new guidance for Member States on how to carry out risk assessments of the NPO sector. (Member States are required to assess a variety of sectors for exposure to TF risks every few years). The new guidance is being drafted by the FATF Secretariat and by Canada. It is being developed in response to requests from Member States; NPO experiences to date indicate that Member States struggle to properly assess NPOs for the risk of terrorism financing (TF). Approaches taken by states to assess the TF risks NPOs are exposed to are arbitrary, with no clear methodology, resulting in speculative results that are not evidence based.

The new guidance will likely take the form of a chapter in wider guidance being issued by FATF. FATF stressed that the guidance is limited in scope and won't contain new information; it will be based on existing FATF documents.

The purpose of this session was to gather feedback from NPOs on what they would like to see included in the guidance. Several NPOs (mainly members of the Global NPO Coalition on FATF) attended, and some were invited by their governments, including Canada (Canadian Red Cross and Plan) and the UK (Islamic Relief Worldwide attended, Oxfam and Save the Children were also invited by the UK but didn't attend). The FATF Secretariat shared an informal background note, which served as a basis for discussion: NPOs present in the room however stated that it was too short notice to comprehensively engage around the paper, and offered to share written input after the session.

The FATF first asked for challenges that could be addressed in the guidance. The issues raised by NPOs included (though were not limited to) the following:

- Clarify that only NPOs falling under FATF definition should be looked at under Recommendation 8
- Assessment of inherent risk vs residual risk (residual risk being the risk that remains AFTER mitigating measures including laws, regulation and sector standards have been applied). Governments appear to focus on assessing inherent risk, NOT residual risk, so they often do not take mitigating measures into account, resulting in an inaccurate assessment of risk. FATF guidance should make clear that the risk accounted for should be that of residual risk. FATF said they would try to address this, but stressed that they cannot tell member states how to assess risk domestically.
- In addition to hard law measures, self-regulation and codes of conducts should also be considered when assessing residual risk.
- Guidance should also stress that outreach and engagement with the NPO sector in the Risk Assessment process is important.
- Members of the Expert Hub shared good and bad practice from their own experiences with Risks Assessments and how governments engaged with them around this.
- Zero tolerance approaches to NPO exposure to TF risks – governments are increasingly taking a zero tolerance approach. This is not compatible with an evidence-based risk based approach called for by FATF, and impedes NPOs' work by limiting legitimate charitable activity.
- Demands for beneficiary vetting – some donors/governments use FATF guidelines incorrectly, demanding that NPOs carry out customer due diligence even though FATF guidance states that NPOs are not required to carry out customer due diligence.

The FATF Secretariat and Canada took note of these points, and welcomed the NPO Coalition's offer to make a written submission detailing the above points. The timeframe is short; this will need to be submitted by end of week [\(see here for the Global NPO Coalition input submitted\)](#).

Note on Israel's participation in FATF:

Israel is a new FATF Member State (joined last year) and is already making its presence felt. Islamic Relief Worldwide (IRW) was blacklisted by Israel in 2014 (offices raided, accused of support to Hamas: IRW were audited and there was no evidence to support that). As per the above, the UK government invited IRW to attend the NPO consultation that took place today. However, the UK approached IRW this morning before the consultation and asked them not to speak in the meeting, owing to concerns about offending Israel. This is deeply concerning, not least because Israel could do the same to other members of the NPO Coalition on FATF who work in OPT. It politicizes the consultations and also undermines the constructive relationship NPOs have built with FATF over time.

Session on Virtual Assets, 0915–1730

Co-chairs: Valerie Tay (Singapore) and Raquel Cabeza (Spain), FATF Policy Development Group

Objectives: To seek feedback on (2) Para 7 (b) of [Interpretative Note to FATF Rec 15](#) on New Technologies

With respect to preventive measures, the requirements set out in Recommendations 10 to 21 apply to VASPs (Virtual Asset Service Providers), subject to the following qualifications:

(b) R.16 – Countries should ensure that originating VASPs obtain and hold required and accurate originator information and required beneficiary information² on virtual asset transfers, submit the above information to beneficiary VASPs and counterparts (if any), and make it available on request to appropriate authorities. It is not necessary for this information to be attached directly to virtual asset transfers. Countries should ensure that beneficiary VASPs obtain and hold required originator information and required and accurate beneficiary information on virtual asset transfers, and make it available on request to appropriate authorities. Other requirements of R.16 (including monitoring of the availability of information, and taking freezing action and prohibiting transactions with designated persons and entities) apply on the same basis as set out in R.16

Many from the Virtual Assets industry (Virtual Assets Associations, start-ups) attended and the discussions covered a lot of ground. Takeaways seemed to be that from the VA side, a) general AML/CFT regulation was accepted, even welcomed by a number, b) that the sector could contribute more, building on what many already do to fight financial crime though this may look different from those in the non-VA sectors who may perceive the VA sector's lack of willingness to address financial crime, and c) that more time is requested, in particular for solving for the so called 7b Issue around compliance with an equivalent provision that requires wire transfers to travel with originator and beneficiary information by Financial Institutions. Arguments on 7b ranged from, it can't or doesn't need to be done to there are solutions, for example establishing a new global data repository and or solutions to allow additional information to travel with transfers but remain confidential, as well as a few new ideas that are too difficult to understand for non-experts on this issue. The discussion was quite heated between VA representatives that detested the idea of regulation and those who welcome regulation at national and international levels.

Coming up with a clear industry solution that has consensus perhaps gained impetus through this discussion, but to do so in such a short time frame on the current timetable with decisions expected by FATF in June is nearly impossible.

We would like to [refer to a blog](#) on the tension between the FATF new regulatory approach of virtual assets and the libertarian-minded cryptocurrency believers:

Functioning much like the FATF’s “travel rule” for correspondent banks, the new regulatory approach would be backed by the task force member institutions’ unique powers to “graylist” – and ultimately blacklist – entire countries if they are judged to be non-compliant. When combined with [the European Union’s forthcoming AMLD5 anti-money laundering rules](#) for cryptocurrencies, the new framework conjures up the image of an all-encompassing global system for cryptocurrency transactions in which no one user is unaccounted for.

Libertarian-minded cryptocurrency believers will view this as an abominable surveillance system that contravenes the censorship-resistant principles upon which bitcoin was built. From a practical perspective, the new rules are going to be a burdensome imposition on custody-handling exchanges. It may well spur industry consolidation as smaller players may find the compliance costs too high. Blockchain analysis firm Chainalysis, which counts regulatory agencies among its clients, [argued in a submission to the FATF](#) that the new rules are impractical and would drive more activity in cryptocurrencies into services that make it much harder for authorities to track illicit activity.

The rules could also, sadly, add to the “de-risking” problem that excludes billions of under-identified people in developing countries from the global financial system.

But all is not lost. In most countries, there is nothing illegal about holding cryptocurrency itself under your own custody. And, as was clarified in [guidelines recently published by the Financial Crime Enforcement Network](#), or FinCEN, the world’s regulatory institutions won’t, for now at least, be imposing the same KYC requirements on providers of self-custody wallet software. What is likely to emerge, then, in parallel to the FATF-regulated ecosystem of regulated custody-taking institutions, is an entirely separate economy of peer-to-peer exchanges among people who control their own cryptocurrency.

DAY 2, May 7

Short opening remarks by UNODC and FATF President Marshall Billingslea

Session on the Importance of AML/CFT in the Context of Combatting Corruption, 0930–1030

Moderated by Marshall Billingslea, FATF president. Panelists: Sigal Mandelker Under Secretary for Terrorism and Financial Intelligence, US Treasury, and John Prendergast, Founding Director, the Sentry

The US Treasury strongly pushes countries to consider the application of AML and CFT rules to bolster anti-corruption efforts.

The collaboration between the US Treasury and OFAC, which Mandelker presides over, and the Sentry, a project on South Sudan founded by Prendergast and George Clooney, and the successes that were achieved by their collaboration were showcased.

- Mandelker is a staunch proponent of the application of sanctions to cut off kleptocrats from the international financial system. She sums up the effective use of sanctions and asset

freezing (pushed for by the US and endorsed by the UNSC) since World War II till date, including in Sudan, DRC and, most recently, in Venezuela:

- Front companies are involved in Maduro's attempts to skim off moneys from the food aid program. He uses the CLAP program as a political weapon.
- OFAC issued an advisory for Financial Institutions on Politically Exposed Persons (PEPs) involved in Human Rights violations and other designated entities.
- Hiding assets in Financial Institutions (FIs) and the facilitating industry is no longer acceptable. There are real consequences for those that hide their assets in banks in the world.
- Sanctions against all 'bad countries' in the world are in US books. Everyone has to follow the US, the FATF, the UN. The fight against hidden and stolen assets must be prioritized. Kleptocrats should not be facilitated by Financial Institutions. Stopping them allows for development to become effective, and for the most vulnerable populations to be lifted out of their misery.
- OFAC is not encouraging derisking. They are encouraging governments to use financial crime analysis in your area. Suspicious Activities Reports (SARs) are reviewed by OFAC to prove breach of sanctions related to a designated individuals. OFAC builds advisories to prevent and fight corruption through typologies and red flags, based on information obtained through SARs.
 - The [example of James 'Whitey' Bulger](#) (recently murdered in prison) was mentioned as a successful action by law enforcement, in collaboration with FIs and others, leading to the prosecution of a criminal that was placed on the OFAC SDN (special designated and blocked persons) list:

Mandelker, like Billingslea, commended the approach taken by the Sentry as a nonprofit organization to stop kleptocrats and thereby pave the way for the respect for the human rights of vulnerable populations.

Prendergast highlighted the following:

- In kleptocratic states in Africa, state looting, that results in millions suffering from human misery, currently has no consequences.
- [The Sentry](#) comprises a multidisciplinary team of forensic investigators, bank professionals and human rights lawyers, and their approach, facilitated by their engagement with Treasury and others, is to go after the kleptocrats who are facilitated by financial and legal networks of war profiteers across the world. This approach entails the leveraging of peace and human rights.
- Engagement with Treasury and others are in service of Sentry's advocacy (through the Enough Project) on network sanctions, anti-money laundering, anti-corruption and compliance issues by banks. The Sentry combats the concealment of wealth and the personal enrichment of kleptocrats.
- Networks that facilitate kleptocrats are proficient money launderers, who use off-shore centers. Access to USD and Euros are important for kleptocrats: western currencies are insulated and widely used.
- The Sentry is working with banks to expose PEPS (Politically Exposed Persons) and transactions. They provide dossiers to the investigative units of governments and banks who are then able to build prosecution cases. In this way, they want to stop the flow of dirty money responsible for the deadliest conflicts in Africa.
 - Sudanese banks, e.g., are part of the deep state. There is no functional bank supervisor – western banks have to be on high alert about capital flight from Sudan. Sudanese kleptocratic networks are supported by hubs around the world. There is rampant abuse of banks in Sudan by PEPs. More than half of the banks linked to the

east African system and correspondent banking systems facilitate these PEPs. The Sudanese elite purchase assets in developed countries. A 2017 FINCEN (US Financial Crime Enforcement Network) advisory on Sudanese business significantly profiled South Sudan as a money laundering and corruption haven, with the advisory also making the connection to grave HR abuses. The Sentry has engaged with ESAAMLG (Regional FATF body for East Africa), and local and regional banks to address this issue and push for stringent AML, CTF, BO checks and CDD at banks.

- The importance of network sanctions levied against entire kleptocratic networks was evident in the case of Dan Gertler, an Israeli investor, who facilitated DRC President Kabila's business dealings. During his presidency, Kabila's approach to the mining industry has benefited multinationals hugely. He has also been personally involved in mining agreements, often through his close friend Dan Gertler who facilitated the deals with Glencore (British–Swiss commodity trading and mining company). Yet the moment the US imposed sanctions on the Israeli billionaire, Glencore was quick to distance itself from Gertler. It was only after this that an avalanche of lawsuits was filed against the Swiss multinational, and that the Congolese authorities began to discover irregularities that had existed for nearly a decade. Imposing sanctions helped prevent Kabila from running for president for a third time. See [here](#) and [here](#) for more.

- The Sentry's work is successful because civil society, governments and others (banks) work hand in hand, share information and data to close down illegal, kleptocratic networks and the corrupt actors active in the network.

A note: The presentation was a 'US sanctions promotion to stop kleptocratic networks and their facilitators' show, where the collaboration between government and nonprofits in the field of evidence gathering and analysis in support of financial and other intelligence to help with the prosecution of the 'bad guys' was framed as being the essential ingredient for success leading to stability, peace and respect for human rights (in Africa).

Questions raised and remarks voiced:

- Who decides who are the bad and the good guys in the current era? (German delegation, who wanted to get the point across that the US presentation focused almost entirely on Africa)
 - *Mandelker: we send message to the entire world that corruption and kleptocracy are not acceptable*
 - *Prendergast: there are good and bad guys. We have shown that state capture has become the norm in many parts in Africa, and therefore we must go after the system facilitating these kleptocrats. This is the only way to stop them.*
- What about the effects of sanctions on humanitarian assistance to populations that are affected by conflict and violence?
 - *Mandelker: US Treasury issues general licensing so humanitarian agencies can access crises. We always try to get it right so sanctions don't impede humanitarian action.*
- The Tax Justice Network is grateful for US leadership on fighting corruption and money laundering. But what about ultimate beneficial ownership in the US, the US is lagging behind on public access to BO information.
 - *FATF president: BO is important but only one part of the overall AML/CTF regime*

- The Japanese G20 delegation taking on a different perspective from the presentation, stressed the importance of actions against NPOs that are involved in Terrorism Financing. The private industry, banks, need to act to prevent terrorism financing facilitated by NPOs.
- A delegate from the EU commented that in West and Central Africa, kleptocrats established banks and managed to engage with the Central Bank, which he saw as a failure of regulation and supervision. But is it NGOs that need to work with The Sentry to bring down the financial crime networks. What type of institution should in essence be developed to carry out this work?
 - *Mandelker: We are looking for good international relationships and extending business relationships. I am lucky to have FINCEN and the intelligence agencies. We get the info from NGOs via The Sentry. Civil society is coming to us to help fight financial crime, we are very happy about this.*
 - *Prendergast: NGOs do play a role in evidence collection in support of state intelligence.*
 - *FATF president: The FATF is a technical body, but we live in a real world, so we need cases from the ground on ML and TF, but we also need to learn from anti-corruption cases as presented by Sigal and John.*

Note: Showcasing an US effort, this session triggered a number of questions:

- Mandelker, Billingslea and Prendergast are promoters of (US) sanctions to pursue justice, human rights and peace in Africa (and Venezuela).
 - With very few representatives from Africa in the room, it came across as white saviours rescuing the populations in Africa from their misery (a view that was shared by delegations and others in the room)
 - It was not about the FATF and its standards, but about the US sanctions regime and, in this respect, considered a mismatch with issues that need to be discussed at the PSCF (voiced, again, by a number of delegations).
- The presenters have little concern about the effects of sanctions on the enabling space for civil society, and humanitarian assistance.
- Mandelker seems to consider NGOs as private security companies working for Treasury in the fight against corruption and money laundering.

The Sentry model is built and dependent on the support of civil society and human rights activists that expose kleptocracy, their facilitators and the financial crime perpetrators that sustain their wealth. There is criticism on their approach as voiced, [e.g., in this article](#).

Session on the Latest Trends/Priorities of AML/CFT in the Public and Private Sectors, 1045– 1330

Moderated by Raquel Cabeza, FATF Policy Development Group Co-Chair

Panelists: John Cusack, Co-Chair Wolfsberg Group; Claire Lo, Co-Chair Alliance for Financial Stability with Information Technology and Elisa De Anda Madrazo, Co-Chair, FATF Global Network Coordination group

Objective: To analyze and hear views on the latest trends/priorities of AML/CFT in the public and private sectors

Key points:

- Terrorism financing remains high on the agenda
- Implementation of FATF standards – role of FIUs needs strengthening – how can we get better access to FIU cases of abuse?
- Transparency of legal persons – does FATF wish to include the entire NPO sector in this? Financial inclusion – include NPO access to finances in this policy strand

- Virtual currencies/digital ID – how can NPOs/philanthropy best use these new technologies to ensure safe and secure work
- Risk Assessments remain a challenge for governments. Guidance is welcome – go back to basics
- Public and private sector collaboration is crucial
- Advances in technologies imply new risks but also new opportunities (FinTech/RegTech)
- International co-operation is key to addressing ML/TF risks

On Recommendation 8 and NPOs, and the Risk Assessment guidance session report specifically:

- All countries have implemented Recommendation 8, but not all countries know how to do it well.
- Guidance on Risk Assessment is a crucial step forward in terms of promoting engagement with and outreach to the NPO sector throughout the entire process.
- It was stated that the Risk Assessment should analyze residual risk, which is the net risk that remains after assessing inherent risk and taking into account the measures (hard and soft law) already in place; evaluations have moved beyond technical compliance now and also focus on the effectiveness component (how effective are the AML/CFT measures in place), but countries (especially those outside FATF peer review) need to improve on this greatly since their level of Recommendation 8 compliance is low.
- The NPO coalition welcomed more guidance and referred to yesterday's conversation and input that the NPO coalition gave. The [Expert Hub](#) was also mentioned as a great training/learning tool for the NPO sector.
- It was also stressed that the Risk Assessment *process* is key – it is not just about a product.

Session on the Opportunities and Challenges in Conducting Due Diligence (Information Sharing, Data Protection and Privacy), 1330–1500

Moderated by Raquel Cabeza, FATF Policy Development Group Co-Chair

Panelists: Sarah Runge, Credit Suisse; Matthew Ekberg, Institute of International Finance; Isabella Fontana, Italian Treasury

Objective: to explore possible policy and operational solutions to overcome the potential barriers to information sharing which might impinge on the effectiveness of the system

Key points:

- Collecting data and making (parts of) it potentially publicly available – data protection must be taken into account
- Looks like FATF considers and experiences data protection and privacy rights (HR) as a serious barrier to their work and are looking for solutions to continue their work effectively. Better co-ordination among AI/data privacy supervisors suggested in Recommendation 2.
- Obstacles to more information sharing: View privacy and data protection laws as impediments to information sharing. FATF will engage more with data-protection authorities/institutions.
- Charity regulators are likely to use RegTech: systems that help produce regulatory data and reporting in a cost effective and timely manner.
- EU experience – with AMLD 5 open data becomes the standard in the EU but, on the other hand, data protection a serious policy effort with GDPR
- Question was raised: why no data protection people in the room?
- What does FATF envisage to enhance international-wide data sharing/access – no real answer given but that data protection rules have to be taken into account

Session on the Application of Technologies in the context of AML/CFT (Machine Learning, Data Mining, Artificial Intelligence), 1515–1645

Moderated by Valerie Tay, FATF Policy Development Group Co-Chair

Panelists: Mimura Atsushi, Ministry of Finance Japan; Ralph Nash, HSBC Holding; Vincent Li, Financial Service Group Hong Kong and Macau; Pavel Golushko, Russian Federation

Objective: to discuss the use of technology, its benefits and risks

Key points:

- New technology can make risk judgements more precise – privacy issues are to be considered. Use of technology goes beyond FATF – G20/IMF/FATF joint thinking around the issue to define threats and opportunities. Speakers did not have HR at their core coming from Russia, Hong Kong, Japan.
- From banks' perspective, it is managing financial risks which is essential. Banks need to look for opportunities and threats: therefore look for anomalies when compiling client data; looking at networks of clients is becoming more important; creating clients' profiles with new technological tools; not a question of IF but rather HOW
- What is FATF's role? FATF rules have not changed so much over last 10 years; FATF wants to stay ahead of curve – no intention to interfere/overregulate but to take a risk-based approach with regard to new technology – flexible regulation expected.
- FATF wants to better fight financial crime, and technology can help with this; develop new models; FATF does not want to dismiss technology use.
- Problem of financial inclusion: 80% of the population is not yet served; in the onboarding process banks want to know: who are you? How does one spot irregularities?
- Solution ID/mobile phone/face recognition – robot learning to detect and react (close account immediately) when anomalies are found – AI will enhance effectiveness!
- Some speakers stated that regulators are conservative and slow – but must move faster and more creatively
- Russians are moving – identification of irregularities and risks – machine learning, smart algorithms – dynamic customer risk assessment – stop doing cross-checks on those with low risks!
- How do we balance Risk Assessment (RA) approach with the banking sector's regulatory/Customer Due Diligence (CDD) approach? Time to turn off some of the old practices? Rules need adaptation; no indefinite running of two systems of RA/CDD!

CLOSING REMARKS by Marshall Billingslea, FATF President

Diverse group of actors came together for the PSCF: FIN-TECH, NPOs, anti-corruption activists.

The **financial landscape is evolving**: cybercrimes; do political evolutions follow or go hand in hand with technical evolutions?

Virtual assets – what is being done – what could be done? Do we need a global set of rules?

Beneficial Ownership information on legal persons – best practice collection may trigger practical advice and better implementation globally

Risk Assessment guidance is a key step

Financial technologies: **digital identity** has a positive impact on financial inclusion}

AI to better manage AML risks – **partnership between private and financial sector** is needed

Cross-border sharing and collaborative approaches are needed

More efforts are needed to fight corruption more systematically

The [official FATF summary](#) of the PSCF is here.