



FINANCIAL ACTION TASK FORCE
THE PRESIDENT

The Honourable Taro Aso
Deputy Prime Minister, Minister of Finance
Ministry of Finance Japan

3 October 2019

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Subject : Chinese FATF Presidency priorities and recent FATF work on virtual assets

Dear Minister,

I am pleased to update you on the recent work of the Financial Action Task Force (FATF) regarding virtual assets, as well as on the priorities of the 2019-20 Chinese FATF Presidency.

To guard against money laundering and terrorist financing risks, the FATF continues to work expeditiously on virtual assets. The FATF finalised binding international standards for virtual assets and virtual asset service providers in June 2019, alongside detailed guidance on implementation for countries and the private sector. The FATF is currently working to develop the methodology for assessing jurisdictions against these standards and expects to be able to begin these assessments shortly after its October Plenary.

Certain emerging assets such as so-called “stablecoins”, and their proposed global networks and platforms, could potentially cause a shift in the virtual asset ecosystem and have implications for the money laundering and terrorist financing risks. In general terms, both “stablecoins” and their service providers would be subject to the FATF standards either as virtual assets and virtual asset service providers or as traditional financial assets and their service providers.

The FATF is actively monitoring emerging assets including “stablecoins”. It will continue to examine their characteristics and risks, and consider further clarifications on how the FATF standards apply to “stablecoins” and their service providers, as well as whether further updates are necessary. Jurisdictions are responsible for implementing anti-money laundering/counter-terrorism financing rules in their jurisdiction, through laws and regulations. The FATF will work to promote effective global implementation of the FATF standards applicable to virtual assets and other emerging assets.

Besides this work on virtual assets, the FATF has several other priority areas under the Chinese Presidency.

The FATF will begin a substantive strategic review, which aims to promote more effective, timely and consistent implementation of the FATF standards through a review of its evaluation, follow-up and public listing processes.

The FATF will seek to promote effective supervision by jurisdictions. In particular, we will organise a Supervisors’ Forum that will consider how to strengthen key elements of anti-money laundering/counter-terrorism financing supervision, including the role of new technologies in supervision. This comes at an important time, following recent events that show some major international banks and their supervisors still have substantial deficiencies in their approach to tackling money laundering.

The FATF will undertake additional work relating to technological developments and financial services. This month we will launch a public consultation on guidance to promote the use of digital ID for more effective and efficient customer due diligence measures by financial institutions and other regulated entities. More broadly, the FATF continues to monitor the risks and opportunities relating to financial innovation to ensure the FATF standards remain relevant and responsive; the FATF will report back to the G20 on its progress in this area in 2021.

Later this month, the FATF will publish a best practice paper on beneficial ownership for legal persons. This will facilitate jurisdictions' implementation of effective measures in order to ensure that legal persons are prevented from being misused for money laundering, terrorist financing and proliferation financing, and that information on their beneficial ownership is available to competent authorities without undue restrictions.

Further to these priorities, I point to two additional areas of focus for the FATF during my Presidency.

The illegal wildlife trade has become one of the largest proceeds generating crimes in the world, with annual profits estimated to be between 7.5 and 23 billion USD. Under the Chinese Presidency, the FATF will consider work to raise awareness of the importance of related financial flows and to increase capacity among jurisdictions to carry out financial investigations into the illegal wildlife trade. Work conducted by international bodies shows that a number of large-scale transnational organized crime groups are involved in the illegal wildlife trade and that this crime has links with other serious criminality, such as the weapons and drug trade. Work in this area therefore presents a good opportunity for the FATF to make an important impact in the fight against transnational organized crime.

The FATF also continues to look for ways to strengthen the global network of FATF-style regional bodies. There is a significant disparity between FATF jurisdictions and many non-FATF jurisdictions in the implementation of the FATF standards. This weakens our collective response to money laundering, terrorism financing and proliferation financing. I therefore reiterate FATF's call to action to G20 ministers in Fukuoka, Japan, in which FATF highlighted the significance and urgency of this problem, as well as the potential for G20 ministers to help through funding and bilateral technical assistance, including the provision of assessors to support the evaluation of non-FATF jurisdictions.

I will be pleased to discuss this further when we next meet.

Yours sincerely,



Xiangmin Liu
FATF President

CC: Mr. Atsushi Mimura, FATF Head of Delegation for Japan