

The Egmont Group
of Financial Intelligence Units
Chair, Egmont Committee
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Mr. Ed BALLS
Chairman of the IMFC Deputies
HM Treasury
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London SW1A 2HQ

UNITED KINGDOM

Washington, 4 September 2002
LD10336

CONCERNS: MEETING OF THE IMFC DEPUTIES, LONDON, 9 SEPTEMBER 2002

Dear Mr. Balls:

This letter is provided in response to the 29 August 2002 letter you sent to Mr. Boudewijn. VERHELST, Chairman of the Legal Working Group, in anticipation of the forthcoming IMFC Deputies meeting. I am writing to you in the capacity of Chair, Egmont Committee. This Committee was established during the most recent Egmont plenary meeting in Monaco last June as a consultative and co-ordination body between the working groups and the FIU Heads.

The following information has been updated in regard to the progress noted by the Egmont Group in establishing FIUs and on provisions and measures to ensure the sharing of information between FIUs in different countries worldwide.

The actual number of member FIUs that have been recognized by the Egmont Group as meeting its definition of an FIU is now 69. Eleven candidates were accepted during the last plenary meeting in June 2002. Attached you will find the most current listing of Egmont Group members with the most recently added FIUs underlined.

The Outreach Working Group is responsible for supporting countries in establishing FIUs and for monitoring recently established units in their efforts towards Egmont membership. This Group is working to identify possible membership into the recently from a large number of countries worldwide. These discussions within the Outreach Working Group are to try and determine when candidates will achieve operational status as a financial intelligence unit. At the same time, given the absence or under representation of Egmont Group membership in places such as Africa, the Middle East, and Asia, we are also emphasizing the development of FIUs in these areas as well.

In regard to the international sharing of information, attached is an updated survey detailing a number of issues related to international cooperation between Egmont members. Egmont continues to support the collection and subsequent exchange of data between FIUs in an

electronically secure environment. Most FIUs still rely on paper-based systems using the postal service or fax, which is a very inefficient and costly process.

The EU funded 'FIU.net' Project, that is intended to automate the exchange of information between FIUs and referred to in the earlier letter from Mr VERHELST, has been extended to the Belgian and Spanish FIUs. With the units from Holland, Luxembourg, France, Italy and the United Kingdom participating, this makes 7 FIUs actively involved in this project.

As a result of the growing number of FIUs, the increase of international information exchange has increased significantly. We look forward to discussing with the IMFC efforts to fund the establishment of systems for electronic collection and analysis of information by individual FIUs as well as for the international exchange of information.

Finally, the Egmont Group, through the efforts of Mr. VERHELST, has worked closely with the IMF in the development of standards for an anti-money laundering counter terrorism (AML/CFT) assessment program, to include FIUs. Egmont anticipates participating in the actual assessment project as it is implemented.

Sincerely,

William F. BAITY
Chair, Egmont Committee
Egmont Group

cc: Egmont Committee

Annexes:

- list of 69 Egmont FIUs
- survey on international cooperation between FIUs

The Egmont Group
Financial Intelligence Units of the World

OPERATIONAL UNITS (Meeting the Egmont Definition)

status as of 5th June 2002

1. <u>Argentina</u>	<u>Unidad de Prevención del Blanqueo</u>
2. Aruba	MOT-Aruba
3. Australia	AUSTRAC
4. Austria	Bundeskriminalamt – A-FIU
5. Bahamas	Financial Intelligence Unit
6. <u>Barbados</u>	<u>Financial Intelligence Unit</u>
7. Belgium	CTIF-CFI
8. Bermuda	Financial Investigation Unit
9. Bolivia	Unidad de Investigaciones Financieras
10. Brazil	Conselho de Controle de Atividades Financeira (COAF)
11. British Virgin Islands	Reporting Authority – Financial Services Inspectorate
12. Bulgaria	Bureau of Financial Intelligence
13. <u>Canada</u>	<u>Financial Transactions Reports and Analysis Centre (FINTRAC)</u>
14. Cayman Islands	Financial Reporting Unit
15. Chile	CDE / Departamento de Control de Trafico Ilícito de Estupefacientes
16. Colombia	Unidad de Información y Análisis Financiero (UIAF)
17. Costa Rica	Centro de Inteligencia Conjunto Antidrogas/Unidad de Analisis Financiero (CICAD/UAF)
18. Croatia	Financijska Policija / Ured za Sprječavanje Pranja Novca
19. Cyprus	MO.K.A.Σ.-- “Unit for Combating Money Laundering”
20. Czech Republic	Finanční analytický útvar
21. Denmark	SØK / Hvidvasksekretariatet
22. Dominican Republic	Unidad de Inteligencia Financiera (UIF)
23. El Salvador	Unidad de Investigación Financiera
24. Estonia	Rahapesu Andmebüroo (Money Laundering Information Bureau)
25. Finland	Keskusrikospoliisi / Rahanpesun selvittelykeskus
26. France	TRACFIN
27. Greece	Φορηάς Αρθρου 7 Ν.2331/95 -- “Committee of Article 7 of Law 2331/1995”
28. Guernsey	Joint Police & Customs Financial Investigation Unit - Guernsey
29. Hong Kong	Joint Financial Intelligence Unit
30. Hungary	ORFK / Pénzmosás Elleni Alosztály
31. Iceland	Ríkissaksóknari
32. Ireland	An Garda Síochána / Bureau of Fraud Investigation
33. Isle of Man	Isle of Man Constabulary / Fraud Squad FIU
34. <u>Israel</u>	<u>Israel Money Laundering Prevention Authority</u>
35. Italy	UIC (S.A.R.)
36. Japan	Japan Financial Intelligence Office (JAFIO)
37. Jersey	Joint Police & Customs Financial Investigation Unit- Jersey
38. <u>Korea</u>	<u>Korea Financial Investigation Unit</u>
39. Latvia	Noziedzīgi iegūtu līdzekļu legalizācijas novēršanas dienests
40. Liechtenstein	Einheit für Finanzinformationen (EFFI)
41. Lithuania	Mokesčių policijos departamentas prie Lietuvos Respublikos Vidaus reikalų ministerijos.
42. Luxembourg	Parquet de Luxembourg / Service Anti-Blanchiment
43. <u>Marshall Islands</u>	<u>Financial Investigation Unit</u>
44. Mexico	DGAIO / UIF
45. Monaco	SICCFIN
46. Netherlands	MOT
47. NL Antilles	MOT-Nederlandse Antillen
48. New Zealand	NZ Police Financial Intelligence Unit
49. Norway	ØKOKRIM / Hvitvaskingsenheten
50. Panama	Unidad de Análisis Financiero
51. Paraguay	Unidad de Análisis Financiero – Paraguay
52. <u>Poland</u>	<u>Biurołowy Inspektor Informacji Finansowej</u>

53. Portugal	<i>Brigada de Investigaçao Branqueamento</i>
54. Romania	<i>The National Office for the Prevention and control of Money Laundering</i>
55. <u>Russia</u>	<i><u>Financial Monitoring Committee of the Russian Federation</u></i>
56. <u>Singapore</u>	<i><u>Suspicious Transaction Reports Office</u></i>
57. Slovakia	<i>OFIS ÚFP</i>
58. Slovenia	<i>MF-UPPD</i>
59. Spain	<i>SEPBLAC</i>
60. Sweden	<i>Finanspolisen</i>
61. Switzerland	<i>Money Laundering Reporting Office - Switzerland</i>
62. Taiwan	<i>Money Laundering Prevention Center</i>
63. Thailand	<i>Anti-Money Laundering Office (AMLO)</i>
64. Turkey	<i>MASAK</i> <i>Anti-Money Laundering and Suspicious Cases Unit</i>
65. <u>United Arab Emirates</u>	
66. United Kingdom	<i>NCIS / ECU</i>
67. United States	<i>FinCEN</i>
68. <u>Vanuatu</u>	<i>Financial Intelligence Unit</i>
69. Venezuela	<i>Unidad de Inteligencia Financiera (UNIF)</i>

(Underlined text indicates units accepted during the Monaco Egmont Group Plenary Meeting.)

EGMONT LEGAL WORKING GROUP

SURVEY
ON INTERNATIONAL COOPERATION
BETWEEN FIUS

- QUERY to 69 Egmont FIUs

- QUESTIONS:

- 1) **Is your agency willing to co-operate by way of exchange of operational information with counterpart FIUs?**
 - a. irrespective of their nature?
 - b. of a specific nature - administrative?
- police / judiciary?
 - 2) **Do you agree in principle to exchange information on the basis of reciprocity and following the basic rules established in the Egmont MOU model, i. e.**
 - free exchange of information for purposes of analysis at FIU level;
 - no dissemination or use of the information for any other purpose without previous consent of the supplying agency;
 - protection of the confidentiality of the information.
 - 3) Do you consider this document sufficient basis to effectively commence operational co-operation?
 - 4) If not, what other steps have to be undertaken or conditions to be met before you consider being able to do so?
-

- RESULTS:

66Units replied

No reply from:

- Iceland*
- Paraguay*
- Venezuela*

* Included in survey on the basis of their reply to the general questionnaire

I. Effective exchange on Egmont conditions possible with all counterparts:

1. UPB (Andorra)
2. EDOK (Austria)
3. FIU (Bahamas)
4. FIU (Barbados)
5. CTIF-CFI (Belgium)¹
6. Financial Investigation Unit (Bermuda)
7. UIF (Bolivia)²
8. COAF (Brazil)

¹ On a case by case basis – MOU preferred otherwise.

² Administrative units only.

9. Reporting Authority (*British Virgin Islands*)
10. B.F.I.. (*Bulgaria*)
11. FRU (*Cayman Islands*)
12. Departamento de Control Trafico Ilicito de Estupefacientes (*Chile*)
13. Unidad de Información y Análisis Financiera (*Colombia*)
14. CICAD (*Costa Rica*)
15. Anti-Money Laundering Department (*Croatia*)
16. MOKAS (*Cyprus*)
17. Money Laundering Secretariat of the Public Prosecutor for Serious Economic Crime (*Denmark*)
18. Unidad de Inteligencia Financiera (*Dominican Republic*)
19. Unidad de Investigación Financiera (El Salvador)
20. Rahapesu Andmebüroo (*Estonia*)
21. Money Laundering Clearing House (*Finland*)
22. TRACFIN (*France*)
23. Competent Committee (*Greece*)
24. Financial Intelligence Service (*Guernsey*)
25. Joint Financial Intelligence Unit (*Hong Kong*)
26. Garda Bureau of Fraud Investigation (*Ireland*)
27. Fraud Squad (*Isle of Man*)
28. IMPA (*Israel*)
29. UIC (*Italy*)
30. Joint Financial Investigation Unit (*Jersey*)
31. Korean Financial Intelligence Unit (*Korea*)
32. KD (*Latvia*)
33. EFFI (*Liechtenstein*)
34. Anti-Money Laundering Service, Parquet de Luxembourg (*Luxembourg*)
35. DFIU (*Marshall Islands*)
36. SICCFIN (*Monaco*)
37. MOT (*Netherlands*)
38. NZ Police (*New Zealand*)³
39. SEPRELAD (*Paraguay*)*
40. Generalny Inspektor Informacji Finansowej (*Poland*)
41. DCITE – BIB (*Portugal*)⁴
42. ONPCSB (*Romania*)
43. FMC (*Russia*)
44. Ofis UFP (*Slovakia*)
45. Office for Money Laundering Prevention (*Slovenia*)
46. NFIS (*Sweden*)
47. SEPBLAC (*Spain*)
48. MROS (*Switzerland*)
49. Money Laundering Prevention Center (*Taiwan*)
50. AIC – AMLO (*Thailand*)
51. Financial Crimes Investigation Board (*Turkey*)
52. AMLSCU (*United Arab Emirates*)
53. NCIS/ECU (*United Kingdom*)
54. FinCEN (*United States*)
55. FIU/State Law Office (*Vanuatu*)

II. Other conditions

- | | |
|---------------------------------|--------|
| 1. MOT Aruba (<i>Aruba</i>) | Treaty |
| 2. AUSTRAC (<i>Australia</i>) | MOU |

³ Information supplied might be subject to scrutiny under Official Information of Privacy Law upon the request of a third party. NZ authorities will always resist examination of information supplied by overseas sources where conditions are placed on its supply.

⁴ Only if the basic rules of the Egmont model MOU are incorporated.

- | | |
|---|---|
| 3. FINTRAC (<i>Canada</i>) | MOU subject to approval of the Minister |
| 4. FAU (<i>Czech Republic</i>) | Treaty / Strasbourg Convention |
| 5. UIF (<i>Bolivia</i>)* | MOU |
| 6. Economic Crime Department,
National Police (<i>Hungary</i>) | Bilateral Gov. Agreement |
| 7. Ríkissaksóknari (<i>Iceland</i>)* | Exchange of letters |
| 8. JAFIO (<i>Japan</i>) | Note Verbale between Gov. + MOU |
| 9. MLPD (<i>Lithuania</i>) | Treaty/MOU |
| 10. DGAIO/UIF (<i>Mexico</i>) | Gov. agreement/Treaty |
| 11. MOT NETH. ANT. (<i>Netherlands Antilles</i>) | MOU or Treaty |
| 12. ÖKOKRIM (<i>Norway</i>) | Unclear |
| 13. Unidad de Analisis Financiero (<i>Panama</i>) | MOU |
| 14. STRO (<i>Singapore</i>) | MOU |
| 15. UNIF (<i>Venezuela</i>)* | MOU |

Updated on 02/09/2002



United Kingdom Mission
to the United Nations
New York

From Sir Jeremy Greenstock KCMG

6 September 2002

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[By e-mail]

FROM THE PERMANENT REPRESENTATIVE

Dear Ed

UPDATE ON PROGRESS

The Security Council's Counter-Terrorism Committee (CTC) thanks the International Monetary and Financial Committee (IMFC) for its interest in the Committee's work and is glad to have the opportunity to provide further information on the work it is doing to raise global capacities against terrorism. The CTC will be reporting fully to the Security Council at the end of its first year of operation and the Council will take stock of the Committee's achievements so far. The following is an overview of the CTC's main activities:

The CTC is:

- Monitoring the implementation of Security Council resolution 1373 (2001) in 170 of the United Nation's 189 Member States, plus three others and the European Union, through the review of some 247 reports submitted to the CTC under paragraph 6 of that resolution. The CTC is in contact with the 19 Member States who have not yet submitted a report, and uses its replies to reports to encourage early action to fill gaps and improve performance;
- Drawing up a matrix of world-wide assistance needs (copy enclosed) and building links with potential assistance providers to enable the CTC's Assistance Team to begin to put States in need of help in contact with those States or organisations in a position to provide it. There has been a good response to this need from States and organisations, including the World Bank and IMF, in the form of programmes addressing all aspects of counter-terrorism;



- Making available for Governments an on-line database of information on standards, best practice and sources of available assistance, drawing together in one place the international community's experience to date of counter-terrorism (the database is on the CTC's website, <http://www.un.org/Docs/sc/committees/1373/>);
- Establishing good working relationships with Regional and Sub-Regional organisations, to encourage them to exert all possible efforts in dealing with terrorism and develop ongoing mechanisms for doing so in accordance with their respective mandates; to facilitate discussion amongst their members on counter-terrorism, in order to share their expertise and best practices; and where possible, to develop their own assistance plans;
- Working openly and transparently, ensuring that all Governments are regularly updated on the CTC's activities, and that information provided to the CTC by Governments on the action taken to address the scourge of terrorism is publicly available on the CTC's web-site.

The CTC was invited to comment on the freezing of assets. As noted in the CTC's report of 8 April, the Committee requires Member States to take lead responsibility, and is not likely to take operational action itself in this respect. Although some States have informed the CTC of examples of action taken, the Committee has not compiled aggregate figures for the amounts of assets frozen. Where they have been provided, such figures will be found in the reports submitted by States, which are easily accessible as published documents of the UN and on the CTC's website.

The CTC looks forward to continuing its cooperation with the IMF and World Bank.

Yours sincerely
Jeremy G.

Jeremy Greenstock



*Financial Action Task Force on Money Laundering
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THE PRESIDENT

Mr. Ed Balls
Chief Economic Advisor
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5 September 2002

Fax: 44 207 270 4836

Dear Mr. Balls,

Thank you for your letter of 29 August concerning preparations of the autumn meeting of the IMFC with respect to combating the financing of terrorism.

In order to update the information for the IMFC meeting on the above-mentioned subject, I am pleased to enclose a short report on the progress made to date by the FATF in assessing national efforts to implement the Eight Special Recommendations on Terrorist Financing. I hope that this report will be useful in the discussions of the September IFMC Deputies meeting in London.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jochen Sanio', is written over a printed name. The signature is fluid and cursive, with a long horizontal stroke at the end.

Jochen Sanio

PROGRESS MADE BY THE FATF IN ASSESSING NATIONAL EFFORTS TO IMPLEMENT THE EIGHT SPECIAL RECOMMENDATIONS ON TERRORIST FINANCING

Background

The Eight Special Recommendations on Terrorist Financing were adopted by the FATF on 30 October 2001 at an extraordinary Plenary meeting in Washington, D.C. Immediately following their adoption, the FATF undertook an assessment of the level of implementation of the Special Recommendations through a self-assessment exercise. The latter is a key element in the Plan of Action to counter the financing of terrorism.

To verify that the counter-terrorist financing measures were being properly implemented, FATF members agreed to undertake an immediate self-assessment exercise based on the Special Recommendations. All the countries in the world have also been invited to participate in this exercise on the same terms as FATF members.

At the end of 2001, a self-assessment questionnaire on terrorist financing (SAQTF) was developed with a series of questions for each Special Recommendation. The questions are designed to elicit details to determine whether a jurisdiction has in fact implemented each specific Special Recommendation. The SAQTF is posted on the FATF web site¹ together with additional guidance to assist non-FATF members in understanding some of the concepts contained in the Special Recommendations on terrorist financing and to clarify certain parts of the SAQTF.

Current state of play for FATF members

The first self-assessment exercise for the twenty-nine FATF member jurisdictions was completed by the June 2002 FATF Plenary meeting. The results are encouraging for this first self-assessment of FATF members against the Special Recommendations. The overall picture that emerges from these results appears to show that FATF members made a great deal of progress in a very short time (eight months) in putting counter-terrorist financing measures into place.² With regard to SR I (Ratification and implementation of UN Instruments), only four FATF members were at full compliance in June 2002. However, most members have fully implemented the UN Security Council Resolutions. In addition, since June, several members have completed the legislative process to ratify the UN Convention on the Suppression of Terrorist Financing. SR III (Freezing and confiscating terrorist assets) has the best compliance level with just over three-quarters of the FATF membership reporting full implementation, and the level for SRV (International co-operation) follows close behind with just under three-quarters. Around two-thirds of FATF members have achieved full compliance with SRs II (Criminalising terrorist financing) and IV (Reporting suspicious transactions related to terrorism). For SRs VI (Alternative remittance) and VII (Wire transfers), approximately half of the FATF has implemented measures fully, although in both cases a good number additional members have some measures in place. In brief, in June 2002, almost all FATF members were in full or partial compliance with almost all the Recommendations, and there has been further progress since then.

¹ http://www.fatf-gafi.org/TerFinance_en.htm

² A table showing the overall results for each FATF member is included at Annex B of the Annual Report published on 21 June 2002. This table will also be available on the FATF web site (<http://www.fatf-gafi.org>) and will be updated as FATF members continue to make progress in implementing the Special Recommendations.

Despite the extraordinary steps taken since last October to put necessary counter-terrorist financing measures into effect, there is still some work to be done by the FATF to ensure that its members have fully implemented the Special Recommendations. With regard to SR 8 (Non-profit organisations), for example, FATF members decided to give additional consideration of this issue before proceeding to a full analysis of the self-assessment results.

The FATF has studied, analysed and provided guidance on the methods and potential indicators of terrorist financing. This year's FATF typologies report, which was published on 1 February 2002, contains an in-depth analysis of the methods used in the financing of terrorism. In addition, at the end of April, the FATF issued detailed guidance on terrorist financing, which is intended to assist financial institutions and other vulnerable entities to detect and report terrorist financing through the existing anti-money laundering channels.

Spreading the message and the world-wide self-assessment on terrorist financing

The fight against terrorist financing requires the united effort of all countries around the world, both FATF and non-FATF countries. In February 2002, the FATF held a special Forum on terrorist financing at the conclusion of its Plenary meeting in Hong Kong, China. About 60 jurisdictions from the FATF and from the FATF-style regional bodies in Asia, Eastern and Southern Africa, South America, Caribbean and Europe, and the Offshore Group of Banking Supervisors participated in the Forum. All the jurisdictions present agreed on the importance of global adoption and implementation of the eight Special Recommendations and in joining the FATF's efforts to combat terrorist financing.

The non-FATF countries who participated in the Forum also agreed to take part in a self-assessment exercise relating to the Eight Special Recommendations on the same terms as FATF members and to return the completed self-assessment questionnaire to the FATF Secretariat before 1 May 2002. To encourage countries to join in the FATF's efforts in the global fight against terrorist financing, at the beginning of March 2002, the FATF President wrote to all UN Ambassadors to invite their governments to participate in the self-assessment exercise vis-à-vis the Eight Special Recommendations.

To date, more than 70 non-FATF members have returned a completed questionnaire to the FATF Secretariat.³ The FATF is encouraged by the number of jurisdictions which have responded so far to the self-assessment questionnaire. However, the FATF has called on all jurisdictions which have not already done so, to complete the self-assessment questionnaire regarding the Eight Special Recommendations and to return it to the FATF Secretariat for the beginning of September 2002.

In addition, with regard to FATF's collaboration with the IMF and the World Bank, recent efforts have resulted in the FATF's endorsement of the use of a global methodology based on the FATF's Forty Recommendations and Eight Special Recommendations in conducting assessments as part of the IMF/World Bank's Financial Sector Assessment Program (FSAP) and its Reports on Observance of Standards and Codes process (ROSC). FATF also agreed to make available experts in anti-money laundering and combating terrorist financing issues from FATF and FATF-style regional bodies to IMF/World Bank led mission teams to assess compliance based on the comprehensive methodology.

³ The list of countries and territories, which have participated in this exercise so far, will be available on the FATF web site (including FATF members, 101 jurisdictions have responded to the SAQTF).

Conclusion

During FATF-XIV (2002-2003), the FATF will continue to implement its Plan of Action, which aims for comprehensive steps being taken to dry up the flow of funds to terrorists. The FATF will continue to study the techniques and methods that terrorist use to obtain and launder their funds, and to update our reports and guidance on these issues. In addition, the FATF will continue with its internal self-assessment programme.

However, the FATF will also concentrate its efforts on encouraging other countries and jurisdictions to implement the necessary measures to combat terrorist financing. Based on the replies to the self-assessment questionnaire, the FATF will identify countries that have not taken the required measures to counter terrorist financing for follow-up assessment and/or technical assistance by the IMF, World Bank and the United Nations. An FATF working group has been established to expedite this process, and this work will be one of the priorities for the next twelve months.