



Compliance – A Treasury Perspective



U.S. Department of the Treasury

U.S. Embassy – Beijing, China

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Topics

- Overview: AML/CFT and Compliance
- The FATF 40+9
- Economic sanctions
- U.S. Treasury tools to secure international financial system
- Compliance - international impact/results
- Why comply? – value of compliance



AML/CFT and Compliance

- What is AMLCFT? - Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT)
- Countries moving towards global standards (progress over last 20+ years)
- Major part but not only part of compliance
 - also due diligence; *risk-based* approaches (by region/industry)



AML/CFT and Compliance

- Private and public sectors feel the burden of compliance but also recognizing the value
- No longer just banks – standards applied to MSBs, securities, insurance industry, and others.



International Standards - FATF

- FATF 40 Recommendations + 9 Special Recommendations
 - Customer identification
 - Customer due diligence and record keeping
 - Suspicious transaction reporting
 - Criminalization of money laundering & terrorist financing
 - Financial regulation and supervision
 - Enforcement capabilities, including sanctions
 - Charities
 - Cash couriers
 - Alternative remittance systems



Promoting Standards

- Domestic Outreach (within jurisdictions)
 - Private sector
 - FinCEN (U.S. FIU)
 - Charities Initiatives
- International Coordination
 - FATF & 7 FATF-Style Regional Bodies (FSRBs)
 - G7, G20, UN, EU, IMF
 - International private sector



Economic and Financial Sanctions

- Treasury's enforcement wing seeks to:
 - Sever the lines of financial support to international terrorists, proliferators of WMD, narcotics traffickers, and other security threats.
 - Close down vulnerabilities in the financial system.
- Treasury tracks and targets the conduits through which illicit money is moved.
- Broad economic sanctions (eg. Cuba) and targeted financial sanctions (eg. Illegal activity by Iranian banks)
- OFAC – crucial role in administering and enforcing sanctions (puts out SDN list).



PATRIOT Act and Targeted Tools

- Permits the Secretary of Treasury to identify as being of “primary money laundering concern a:”
 - Foreign jurisdiction
 - Foreign financial institution
 - Type of international transaction
 - Type of account
 - Section 311 designations, Section 314 notifications, Section 319 forfeitures
- Can impose “special measures” ranging from enhanced due diligence and recordkeeping to restricting or prohibiting certain accounts



Results/Accomplishments

- Terrorist assets blocked
- Valuable financial intelligence gathered
- Transactions stopped



International Targeted Action

- UNSC Resolutions issued to freeze illicit assets (UN supports FATF standards)
- FATF guidance to countries and financial institutions on implementing financial provisions in UNSCRs
- Intl coordination (via FATF) for advisories on high risk jurisdictions



So, Why Comply?

- Controllable risks – prevent mingling with illicit assets.
- Costs of non-compliance: financial penalties, impact on correspondent accounts and trade, reputational damage
- Value of compliance for:
 - Robust international financial system
 - Law enforcement (eg. narco front companies)
 - Security – counter terrorism/proliferation



Contact Information

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