

THE IMPORTANCE OF FATF ORGANIZATION IN COMBATING INTERNATIONAL MONEY LAUNDERING OPERATIONS

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Annotation: *This thesis provides analytical information on importance of Financial Action Task Force on Money Laundering and its recommendations related to anti-money-laundering and combating system.*

Key words: *FATF, financial operations, money laundering, international trade, anti-money laundering system, financial data.*

The globalization of the world economy has contributed to the creation of a modern economic community where each national economic system is closely linked to others. Problems in the economy of a country can led to disastrous consequences in the economy of other states and in the economic as a whole.

As a result of it, international money circulation arising through foreign trade activities must be controlled by international banks and organizations. One of the most essential organization in this sphere is Financial Action Task Force on Money Laundering — FATF.

The Intergovernmental Commission on Financial Monitoring (FATF) (Financial Action Task Force on Money Laundering — FATF) is an intergovernmental organization that develops international standards in the field of countering money laundering and terrorist financing (AML/CFT), and also evaluates the compliance of national AML/CFT systems with these standards.

The main tool of the FATF in the implementation of its mandate are 40 recommendations in the field of AML/CFT, which are audited on average once every five years, and 9 special recommendations in the field of countering the financing of terrorism, developed after September 11, 2001. In 2012, the FATF amended and revised 40+9 recommendations, creating 40 new recommendations that control the ML/FT/FRMU process.

The FATF was established in 1989 by the decision of the G7 countries and is the main international institution engaged in the development and implementation of international standards in the field of AML/CFT. As of 2019, 37 countries and two international organizations are members of the FATF, 23 organizations and one State (Indonesia) are observers.

The main decision-making tool of the FATF is the Plenary Meeting, which meets three times a year, as well as the FATF working groups:

by evaluation and implementation;

by typologies;

on countering the financing of terrorism and money laundering;

on the review of international cooperation.

Moreover, the FATF pays considerable attention to cooperation with international organizations such as the IMF, the World Bank, and the United Nations Office on Drugs and Crime. These structures implement their programs aimed at countering money laundering and terrorist financing. One of the main tools for implementing the FATF recommendations at the national level are Financial Intelligence Units (FIUs) responsible for collecting and analyzing financial information within each specific country in order to identify flows of funds obtained illegally.

FATF-type groups in various regions of the world play an important role in the global dissemination of international standards to combat money laundering and the financing of terrorism. Currently, there are 8 FATF-type regional groups in the world and members 36 of them states and 2 of them international organizations which are announced in the table below.

STATES					
1	Australia	13	Ireland	25	Portugal
2	Austria	14	Iceland	26	Republic of Korea
3	Argentina	15	Spain	27	Saudi Arabia
4	Belgium	16	Italy	28	Singapore
5	Brazil	17	Canada	29	USA
6	Great Britain	18	China	30	Turkey
7	Germany	19	Luxembourg	31	Finland
8	Hong Kong (China)	20	Malaysia	32	France
9	Greece	21	Mexico	33	Switzerland
10	Denmark	22	Netherlands	34	Sweden
11	Israel	23	New Zealand	35	South Africa
12	India	24	Norway	36	Japan
INTERNATIONAL ORGANIZATIONS:					
1	European Commission	2	Cooperation Council of the Arab States of the Persian Gulf		

Table 1. Members of the FATF.

10 March 2023 - In March 2022, the FATF agreed on tougher global beneficial ownership standards in its Recommendation 24 by requiring countries to ensure that competent authorities have access to adequate, accurate and up-to-date information on the true owners of companies. The FATF has now updated the guidance that will help countries implement the revised Recommendation 24.

The revisions to the Standard will help prevent the organized criminal gangs, the corrupt and sanctions evaders from using anonymous shell companies and other businesses to hide their dirty money and illicit activities.

Moreover, the FATF Recommendations are the building blocks for an effective framework to combat money laundering and terrorist financing. But what is essential, is that they are implemented effectively, not merely transposed into a national legal, regulatory

or operational framework, as a tick-box exercise. The measures need to be adapted to a country's national context and mitigate the specific risks it faces.

The FATF Methodology identifies 11 key areas, or immediate outcomes, that an effective framework to protect the financial system from abuse should achieve. The FATF Methodology is also used to assess the effectiveness of country's actions and their compliance with the technical requirements of the FATF Recommendations.

Intermediate outcomes



Figure 1. Intermediate outcomes of anti-money-laundering system.

According to the statistics of FATF, given the dynamic nature of international trade, including the variety of goods and services sold, the participation of a large number of parties and the speed of trade operations, money laundering in the framework of trade operations remains a serious and significant risk. For instance, the WTO Statistical Review for 2019 notes that in 2018 the volume of world trade (goods) increased by 3%, while the value of this trade increased by 10% and amounted to 19.67 trillion US dollars, partly due to a significant increase in the volume of fuel and mining products industry, which amounted to 23%. This growth may find a response from some respondents who noted the use of fuels and mining products in Money laundering in the framework of trade operations schemes. The report also notes that the value of world exports of goods increased by 20% during this period.

In conclusion, international trade involves a number of risks for the parties involved, which leads to uncertainty about the timing of settlements between the exporter and importer. This creates tension in the entire supply chain, which can have negative consequences for both the importer and the exporter. To prevent this, every country and international organizations should implement successfully all recommendations of FATF.

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