

**Keynote Address by Deputy Attorney-General Hri Kumar Nair, S.C. at the**  
**37th Cambridge International Symposium on Economic Crime**

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**“FATF – 30 years on”**

**Introduction**

1. Mr Chairman, **Professor Barry Rider**, distinguished speakers, ladies and gentlemen. First, let me thank Professor Rider for inviting me to speak. It is indeed a privilege to be here among such esteemed company.

2. The Financial Action Task Force was started in 1989 by the G7 Summit to combat money laundering. It had 16 members then. Today it has 39.

3. In 30 years the FATF has achieved much. However, it is timely to consider whether it continues to be relevant, and how it can better achieve its objectives. These questions need to be examined in the context of today’s environment. We now live in a far more complex and inter-connected world. Technological advancements enable communications to take place instantly, and commercial transactions are conducted across the world in a matter of minutes. Hundreds of millions of dollars are moved across international boundaries at the click of a button. We are all conscious that economic crime is a multi-faceted problem that transcends geographical boundaries. The risks of money-laundering and terrorism financing have increased exponentially over time. How relevant and effective is FATF in tackling these threats? Is it making a major difference and impact?

## Overview of FATF

4. The FATF's standards are enshrined in its 40 Recommendations. These are accepted as the global standard against which countries' legislation and legal structures to combat money laundering are measured. Member countries undergo mutual evaluations by their peers to ensure the same standards are applied to all.

5. FATF's *mandate* has evolved over time in response to the changing global environment. In 2001, following the September 11 terror attacks, the FATF expanded its mandate to include combating the financing of terrorism, or "CFT". In line with FATF's mandate, the *standards* were regularly reviewed, and new standards developed, to deal with the ever-changing money-laundering landscape and patterns. The Recommendations were revised in 2003 and comprehensively reviewed in 2012 to incorporate measures to counter the financing of proliferation of weapons of mass destruction and terrorism.

6. In 2013, FATF published the seminal "FATF Methodology for assessing compliance with the Recommendations and effectiveness of AML/CFT systems". This revolutionised the manner in which mutual evaluations are conducted. Now, the emphasis is not only on **technical compliance** with the Recommendations, but also the **effectiveness** of the country's efforts. In other words, having the relevant legislation and legal structures is no longer sufficient. The measures must be effective as well. Hence, FATF introduced 11 "Immediate Outcomes" to assess effectiveness, covering key areas such as Risk, Policy and Coordination, International Cooperation, Supervision and Law Enforcement.

## Is FATF Still Relevant?

7. The FATF has functioned well over the years, and the recent endorsement by Ministers of its permanent task force nature is testament to its effectiveness.

8. What is noteworthy is that FATF has been continually evolving to meet AML/CFT issues. Its **apolitical, task-force and technical nature** allows it to act quickly and respond to key ML/TF and emerging risks. For instance, it forms project teams to study trends and make recommendations to address specific risks. The recent revision of the FATF standards – led by Singapore and Spanish co-chairs - to address the risks associated with Virtual Assets activity is one good example. **This speed of response makes for FATF’s continued relevance.**

9. What distinguishes FATF is its **wide global reach**. FATF has established a strong global network of FATF-style regional bodies (FRSBs) in addition to its own members. The 9 FRSBs play an essential role promoting the effective implementation of the FATF Recommendations. Together, the FATF members and FSRBs consist of over 200 countries which subscribe to, and are monitored for compliance with, the international standards set by FATF. It follows that for the FATF branding to remain relevant, there must be **robust and timely reviews** of its standards for **quality and consistency**. This is achieved by peer-experts driven mutual evaluation of each country’s preparedness and ability to tackle ML/TF/PF<sup>1</sup>. Mutual evaluations help to ensure that effective measures are employed by countries, since the same standards are applied to all who subscribe to the FATF regime. It also facilitates the study and implementation of best practices, and a levelling up of regimes.

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<sup>1</sup> Money-laundering, Terrorism Financing and Proliferation Financing

10. It should be evident to all that effective combating of ML/TF/PF is an international effort requiring the **commitment and participation of every country** in the global network. Criminals have been quick to explore new ways to perpetuate their nefarious activities, and will target countries where the controls are not in place or poorly implemented. So if we each play our part by implementing the recommendations in the mutual evaluation report, we will at least be collectively strengthening our systems against ML/TF/PF risks.

### **Singapore's Experience**

11. Allow me now to share with you Singapore's FATF experience.

12. Singapore joined FATF in 1992. It has undergone mutual evaluations, with the two latest assessments in 2008 and 2015. What have we learnt from our experience?

13. In 2008, the mutual evaluation ("ME") was only in relation to technical compliance with FATF's 40 Recommendations and 9 Special Recommendations – the key assessment criteria at that time. Like many Singaporean students who have crossed the hallowed halls of this institution, we aced the Mutual Evaluations. Even when the Methodology was changed in 2012, we continued to do well for the technical assessment in the 2015 Mutual Evaluations. However, we did not fare as well for the "effectiveness" test, scoring only 4 "substantial effectiveness" ratings out of 11.

14. Our mutual evaluations have provided us with some useful insights, and prompted us to consider certain risk areas more carefully. The 2015 assessment, in particular, measured the effectiveness of our laws and legal structures. Arising from this assessment, we have strengthened our laws and enacted new legislation to more effectively tackle ML/TF/PF.

We have put in place an enhanced regime to tackle the risks posed by the precious stones and metals industry, including establishing a new regulatory entity. We have taken steps to enhance transparency of beneficial ownership requirements for legal persons. We have also enhanced the penalty regime for ML and expanded the range of legal measures that we could take against launderers and terrorist financiers. On the other hand, the assessors also affirmed our strong regulatory and supervisory framework. They noted Singapore's highly sophisticated national coordination structures for AML/CFT, and commended us for our robust supervision of the financial sector.

15. Singapore remains vigilant against the ever-present threat of ML/TF/PF. I am proud to say we have taken our commitment to FATF very seriously and have been an active member of FATF. Since our membership in 1992, we have contributed financial, legal and law enforcement experts for country assessments, and reviewers to conduct quality and consistency review of mutual evaluation reports. We have also seconded experts to the FATF Secretariat to assist in the development of standards.

16. We continue to deepen our involvement. Since June 2018, we are also a member of the FATF Steering Group (FSG) advising the FATF President. One of our leading experts also co-chairs the Policy Development Group (PDG), which sets standards and provides guidance on the implementation of FATF Recommendations.

17. Let me now share with you some of our insights arising from our FATF experience.

## **Implementation of FATF standards**

18. The diversity in legal systems and structures gives rise to a specific challenge – that of measuring effectiveness when one country’s context and set-up are different from another. For example, we had, on one occasion, to explain to an assessor how the *common law* system functions in certain aspects which differs from how a *civil law* system would work. We thus need to be mindful of our different systems when assessing a country’s compliance with standards.

19. FATF assessments also need to be mindful that effectiveness is not just about quantifiable outcomes. **It must also take into account the country’s overall regime and ability to prevent and deter crime and fruits of crime.** A high crime jurisdiction might be able to show higher prosecutions, seizures and confiscations as compared to a jurisdiction that effectively prevents and deters crimes. It would be unprincipled to rate the high crime jurisdiction as being more effective!

20. The timeliness at which countries implement the FATF standards would also affect their effectiveness in curbing cross-border crimes. We need to prevent arbitrage, where a criminal can move easily to another jurisdiction where controls are not in place or only cursorily implemented to engage in his criminal enterprise. Hence, **all countries should implement the international FATF standards sooner rather than later.**

## **Engagement with the private sector**

21. We also need to find better ways to tap into the expertise of the private sector. While government agencies are the main implementers of FATF standards, the effectiveness of these

standards are in part measured through the extent of compliance by the private sector. In order to understand if the standards are achieving their objectives, we need to gather feedback from the private sector. In this regard, Singapore government agencies have been consulting and working with the private sector closely. We have also **used technology to collate feedback**, such as through the use of online surveys. Further, we are actively promoting the use of data analytics to study trends and typologies, in order to develop counter measures against criminals and the movement of their monies.

22. We have also specifically set up an AML/CFT Industry Partnership (“**ACIP**”) in April 2017 to collaborate with the private sector to address key risk areas. It has been a fruitful platform for enhancing private-public collaboration. Amongst other achievements, ACIP has issued a number of industry papers highlighting key risks relating to abuse of legal persons and trade-based money laundering to strengthen the industry’s understanding and mitigation of ML/TF risks. Another initiative has been establishing an information-sharing forum to counter Business Email Compromise fraud.

## **Conclusion**

23. Looking ahead, we must remain alert to emerging and evolving crime trends, such as the use of cryptocurrencies and other virtual assets to launder money, or finance terrorism and proliferation. Against this backdrop of continuous threats, FATF continues to be relevant in setting standards for the global community to tackle these new criminal enterprises and their nefarious modalities.

24. Singapore has benefitted from joining FATF. We have been consciously and conscientiously applying the FATF standards to our national regime and we have actively

participated in FATF initiatives, and taken on leadership roles.

25. On our part, we need to **tap into technology** to identify and combat crime and the financing of such crimes more effectively. We need to enhance our partnerships, share information and build up our capabilities. Above all, we need to **effectively implement the FATF standards** and ensure our respective jurisdictions **employ the necessary measures** to combat money-laundering, and terrorism and proliferation financing.

26. Thank you all for your attention. I wish you all a wonderful symposium.