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Introduction


In this issue, we provide updates on AML developments in the UK and internationally. We outline the key takeaways from the UK’s Economic Crime Plan for 2019-2022. We also provide insights on recent enforcement action taken by UK agencies in relation to money service businesses suspected of being involved in money laundering activities.

The most interesting development is the publication of the European Commission’s post-mortem review into recent money laundering cases, allegedly involving EU banks. We analyse the key findings, highlighting pitfalls that firms should avoid in their AML/CTF practices. We also provide insights into accompanying reports published by the EU Commission, which assess certain aspects of the EU AML/CTF regime.

In addition, we update you on the new rules published by the Financial Action Task Force (FATF) on the regulation of virtual assets and virtual asset service providers. We also provide an overview of the FATF’s report to the G20, highlighting key areas where firms should expect developments in the near future.

We hope that you find this update helpful. Your feedback is important to us, therefore if you have any comments or would like further information, please contact one of our specialists listed at the end of the Bulletin.

The DLA Piper Financial Services Regulatory Team
Autumn 2019
UK News and Enforcement Action
HM Government publishes its Economic Crime Plan 2019-22

On 12 July 2019, the UK government, in collaboration with UK Finance (which is the main trade association for the UK banking and financial services sector), published its Economic Crime Plan for 2019-2022 (Economic Crime Plan). The aim is to develop a holistic plan against economic crime in the UK, combining the joint efforts of both the public and private sector.

This follows the mutual evaluation report for the UK, which was published by the Financial Action Task Force (FATF) and assesses the UK’s Anti-Money Laundering and Counter-Terrorist Financing (AML/CTF) system. The FATF report found that, even though the UK’s system is effective in many respects, there are also areas that need improvement, including the Suspicious Activity Reports (SARs) regime and the operation of the UK Financial Intelligence Unit (UKFIU). You can read more about the FATF mutual evaluation report for the UK in a previous edition of this publication.

The Economic Crime Plan sets out seven strategic priorities as well as 52 action points aiming to prevent and combat economic crime. These strategic priorities were developed by the Economic Crime Strategic Board (Board), a ministerial-level public-private board, which includes government bodies as well as representatives of major banking institutions, including Barclays, Standard Chartered, HSBC and Morgan Stanley.

Some have criticised the fact that banks, which are themselves subject to AML/CTF regulation, are also responsible for the development and oversight of the rules that effectively bind them. Others see this as an example of public-private sector collaboration and as an opportunity to leverage on banks’ experience in dealing with economic crime-related issues, such as money laundering.

In general, the Economic Crime Plan deals with the respective issues at a high level. A common theme involves exploring ways to promote and enhance public and private sector partnerships. The main takeaways are explained below.

Strategic priority one: Understanding the threat and performance metrics

The Economic Crime Plan highlights the need for greater cooperation between the public and private sectors, in developing a clearer understanding of the threat of economic crime. To this end, the Home Office will develop an outcome-based approach and will introduce a system to monitor how firms deal with economic crime-related risks using performance indicators. This performance system, which will involve a mapping data exercise, will be introduced by December 2019 and the intention is for it to be operational by July 2020.

Strategic priority two: Better information-sharing

HM Government expressed a greater desire to remove the barriers to information-sharing to increase the quality of intelligence the private sector would be able to provide to the public sector. Part of this work involves improving the SARs regime, which was highlighted by the FATF mutual evaluation report as one of the biggest weaknesses of the UK AML/CTF system.

However, the Economic Crime Plan remained conscious of the requirements to protect privacy and personal data, particularly under the General Data Protection Regulation (GDPR) regime. In this regard, a new public-private working group, which includes the Information Commissioner’s Office (ICO), will review the current framework on information-sharing, clarifying potential tensions with other rules, and will produce a relevant report by March 2020.

Strategic priority three: Powers, procedures and tools

The Economic Crime Plan re-affirms that the UK will deliver on its obligation to transpose the Fifth Money Laundering Directive (MLD5) by January 2020. It will, nonetheless, do this “in a way which balances the burden on business with the need for regulated businesses to actively deter money laundering and terrorist financing activity.” The UK government will also consider legislative changes to improve the Proceeds of Crime Act (POCA) and will outline its relevant proposals by December 2021.
Strategic priority four: Enhanced capabilities
According to the Economic Crime Plan, a new flagship economic crime court will be established in Central London by 2026 which will deal with issues such as fraud and cybercrime. In addition, Pay.UK, who is the operator of the New Payments Architecture, will assess how the new inter-bank payment system, which is being developed, can help tackle economic crime.

Strategic priority five: Risk-based supervision and risk management
The Economic Crime Plan confirms that the Financial Conduct Authority (FCA) is going to become the supervisor of cryptoassets for AML/CTF purposes by 2020.

Strategic priority six: Transparency of ownership
A key priority is increasing transparency of ownership of corporate entities. To this end, the UK will be introducing significant reforms with regards to Companies House, which will include granting it with the power to make enquiries in respect of information submitted to the register as well as to request additional information. In addition, as part of the transposition of MLDS, the UK government will introduce, by January 2020, a requirement to report discrepancies of beneficial ownership information. The UK will also establish, by 2021, a public register of non-UK entities owning or buying UK property.

Strategic priority seven: International strategy
The Economic Crime Plan highlights the importance of international cooperation and joint public-private sector effort in implementing international standards.
UK enforcement agencies target 'corrupt' money service businesses – Money transmitter receives record GBP7.8 million fine for anti-money laundering breaches

On 4 September 2019, HM Revenue and Customs (HMRC) published a press release announcing a record GBP7.8 million fine imposed on the West London money transmitter Touma Foreign Exchange Ltd (Touma). This followed a separate month-long crackdown on Money Service Businesses (MSBs), which were suspected of being used for money laundering purposes.

This operation was led by the Central Specialist Crime unit of the Metropolitan Police and HMRC, with the participation of the Financial Conduct Authority (FCA).

Record GBP7.8 million fine for money laundering breaches

HMRC found significant failings of Touma to comply with Anti-Money Laundering (AML) rules. These included breaches of rules relating to risk assessments and associated record-keeping; policies, controls and procedures; fundamental customer due diligence measures; and adequate staff training. According to HMRC's findings, these breaches took place between June 2017 and September 2018.

In addition, Touma's founder was found to have failed to satisfy the fit and proper test to serve as an officer of Touma. Therefore, on 20 May 2019, he was banned altogether from performing any future managerial positions in businesses regulated under the AML regulations.

The July raids on MSBs

The fine was announced following the July 2019 joint crackdown by the Metropolitan Police, HMRC and the FCA on a number of MSBs who were suspected of being involved in money laundering operations.

An MSB is an entity that transfers money, cashes cheques or converts currencies. MSBs may be performing so-called money remittance regulated services, in which case they are regulated by the FCA, including for AML purposes. MSBs have been long identified as easy-access points for organised crime organisations to convert illicit gains and property into legitimate assets capable of being moved out of the UK. According to the Metropolitan Police, MSBs are often used by crime organisations to launder proceeds of serious crime, such as drug trafficking.

More than 12 warrants were executed against suspected MSBs across West London during the July raids. The investigations found a number of breaches of money laundering rules by MSBs. It was also revealed that several MSBs were operating without having been registered with HMRC for AML purposes, as they should. The relevant entities will face the appropriate penalties and sanctions, which may involve criminal action. On 12 July 2019, a London man was given a suspended jail sentence for illegally trading as an MSB without being registered with HMRC.

Further investigations have resulted in similar findings, with the Metropolitan Police seizing GBP100,000 in liquid cash on 3 July 2019 from individuals who were intending to process that money through an unregistered MSB.

HMRC officers have also conducted investigations into five high-risk MSBs and have since started civil proceedings against four of them for exposed failings in establishing stringent AML safeguards.

Furthermore, the UK enforcement agencies made 40 premises visits, reminding MSBs in London of their obligations under the AML framework. The new joint force initiative has led to the publication of specially designed educative leaflets, which were delivered to all 9,000 MSBs in London, highlighting money laundering risks and outlining ways of tackling them.

The approach of the joint enforcement agencies signals a greater shift in the movement towards collaborative efforts in the prevention and diminution of money laundering within the UK.
Prudential Regulation Authority publishes 'Dear CEO' letter on money laundering risks in prudential supervision

On 5 September 2019, the Prudential Regulation Authority (PRA) published a 'Dear CEO' letter on Money Laundering and Terrorist Financing (ML/TF) risks in prudential supervision (PRA Letter). This follows the relevant opinion published by the European Banking Authority (EBA) (EBA Opinion) on 24 July 2019. It forms part of a wider attempt within the EU to reinforce the link between Anti-Money Laundering and Counter-Terrorist Financing (AML/CTF) supervision and prudential supervision, particularly following the recent money laundering scandals allegedly involving the EU banking sector.

The EBA Opinion
The EBA Opinion invited prudential supervisors across the EU to send "a common message" to the entities they supervise on the importance of ML/TF risks in the context of prudential supervision. In particular, the EBA requested from EU prudential supervisors to reach out to the management bodies and senior management of the relevant institutions and to communicate their expectation that they should remain informed of ML/TF risks that may affect the safety and soundness of these institutions.

According to the EBA Opinion, ML/TF issues identified by the relevant AML/CTF authorities should also be taken into account in the prudential supervisory process. In particular, prudential supervisors should consider ML/TF risks in the context of authorisation, ongoing supervision, supervisory review and evaluation process as well as the adoption of administrative measures and imposition of penalties.

In addition, the EBA Opinion highlights the need for information-sharing between prudential supervisors and AML/CTF authorities. It also clarifies that prudential supervisors can use information held by AML/CTF authorities in their supervisory process and vice versa.

The PRA Letter
In accordance with the EBA Opinion, the PRA reminded firms of their responsibility to ensure that members of their management body and senior managers satisfy, at all times, the conditions for qualifying as fit and proper to serve in their capacity. This includes being of sufficiently good repute and possessing sufficient knowledge, skills and experience to perform their duties.

Furthermore, the PRA Letter highlights that, in accordance with the PRA General Organisation Requirements Rule 2.1, firms are required to establish and maintain robust governance arrangements. This means that they should have in place a clear organisational structure, comprising well-defined, transparent and consistent lines of responsibility. They should also ensure that they have effective processes to identify, manage, monitor and report ML/TF risks they might be exposed to. In addition, it is important to maintain internal control mechanisms, which include sound administrative and accounting procedures, as well as effective control and safeguard arrangements in relation to their information processing systems.

Firms are also reminded that the Financial Conduct Authority (FCA), which is the conduct regulator for all UK firms (including banks), requires firms to allocate the senior management responsibility relating to financial crime to a sufficiently senior person, to be able to perform their role effectively.
International
The European Commission publishes reports on the EU anti-money laundering framework

On 24 July 2019, the European Commission published a communication outlining its assessment of the risks and implementation shortcomings in the fight against Money Laundering and Terrorist Financing (ML/TF) in the EU (Communication). The Communication, which is in a Questions and Answers (Q&A) form, summarises the findings of four reports, which were published on the same day. These reports deal with several aspects of the EU Anti-Money Laundering/Counter-Terrorist Financing (AML/CTF) framework and highlight areas requiring improvement.

The key report summarised in the Communication was the report on publicly known cases of alleged money laundering involving EU credit institutions. We have provided a detailed analysis of this report in the following article of this publication.

The Communication also covers the Supranational Risk Assessment (SNRA) report, the Financial Intelligence Unit (FIU) report and the report on the interconnection of central bank account registries.

The key takeaways from these reports are the following:

**Supranational risk assessment report**

The Fourth Anti-Money Laundering Directive (MLD4) requires the EU Commission to produce a SNRA report every two years. The SNRA report assesses the ML/TF risks threatening the EU internal market as a whole, with a view to identifying potential blind spots. The SNRA report for 2019 found that 47 products and services are at risk of being used for ML/TF purposes, up from 40 in the 2017 report. These newly identified vulnerabilities were found in four new sectors not previously assessed in the SNRA 2017 report, which include: privately-owned automated teller machines (ATMs); professional football; free ports; and investor citizenship and residence schemes (golden passports/visas).

The SNRA concludes by asking Member States to:

• improve cooperation between supervisors, provide updated guidelines on internal governance and provide further guidance on beneficial ownership identification for investment fund providers;
• implement MLD4; and
• transpose the Fifth Anti-Money Laundering Directive (MLD5) by 10 January 2020.

**Financial Intelligence Unit (FIU) report**

FIUs are national agencies within each Member State which are responsible for analysing information from private transactions and sharing it with the relevant National Competent Authorities (NCAs), where there are suspicions of money laundering or other criminal activity. The FIU report assesses how EU FIUs cooperate between themselves as well as with FIUs from third countries.

The review found a number of shortcomings undermining the efficiency of FIUs. The lack of an established structure of reporting, including the lack of reporting templates, was seen as a hindrance in ensuring high-quality reports by reporting entities. It was further found that several FIUs failed to fully communicate and exchange information with other FIUs, even where obliged to do so.

**Interconnection of central bank account registries report**

MLD4 requires Member States to establish centralised bank account registries or data retrieval systems by September 2020. Such systems would allow for the identification of individuals or legal entities holding or controlling payment accounts, bank accounts and safe deposit boxes in each jurisdiction. Competent authorities in the area of AML/CTF, including FIUs, will have access to the information collected. The Commission’s report assesses the conditions and technical specifications for ensuring efficient interconnection of those systems. According to the report, 15 Member States have already put in place one of the aforementioned account registry systems.
European Commission publishes post-mortem report on recent money laundering cases involving EU banks

On 24 July 2019, the European Commission published a report assessing recent alleged money laundering cases involving EU credit institutions (Report). The Report found significant shortcomings regarding both the implementation of the Anti-Money Laundering/Counter-Terrorist Financing (AML/CTF) rules by institutions as well as their enforcement by competent authorities.

The publication of the Report follows the adoption of the Council’s Anti-Money Laundering action plan in December 2018, which required the Commission to conduct a post-mortem review of recent money laundering scandals involving the EU banking sector. The sample of ten case-studies considered within the Report were highly publicised and related to events that largely took place between 2010 and 2018. These included analysis of the events which led to the closure of ABLV Bank, FBME Bank, Versobankin as well as the Estonian branch of Danske Bank. Other notable cases which were reviewed include the imposition of fines on Nordea and Société Générale.

The Commission clarified that it does not intend to attribute blame to specific institutions or supervisory authorities, by selecting these cases for review. It was also noted that there are other institutions – beyond the ones mentioned in the Report – that are experiencing similar issues.

The Report focuses on both the events that took place within institutions and the reaction of competent authorities to those events. According to the findings, banks failed to implement core AML/CTF requirements. At the same time, competent authorities often intervened only at a later stage, when the relevant failures had become significant. It was clarified, however, that not all shortcomings identified were common to all institutions or authorities examined.

Broadly speaking, the failures identified within banks fall into the following categories:

**Governance failures in relation to AML/CTF**

The analysis highlighted “deficiencies” in the internal governance arrangements of credit institutions as well as their internal reporting practices, group policies and senior managers’ responsibility and accountability. Often employees failed to fulfil even their “basic obligations” under AML rules, while risk management and compliance oversight were weak and did not pick up on those failures. In most cases, reporting of ML/TF risks to management was inadequate, which meant that senior managers were often unable to respond to these risks in a timely manner. The findings also suggest that, in many cases, overall corporate culture focused predominantly on “profitability over compliance.”

**Misalignments between risk appetite and risk management**

The Commission identified cases in which credit institutions may have “actively pursued” riskier business models from an AML perspective. These included engaging in high-risk business in third-country jurisdictions or with high-risk customers, such as politically-exposed persons or commercial entities with an unidentifiable owner, without allocating a sufficient level of care to the establishment of thorough due diligence processes and attentive risk management.
Ineffective supervision of group AML/CTF policies

There was evidence of a lack of uniformity and application of group-wide AML/TF policies, especially where some branches of a bank’s group were located in countries with less stringent domestic AML/TF policies to those of the Union. In such circumstances, it was often found that interpretation and application of group risk policies were left to the discretion of local management without the enforcement of “rigorous and consistent implementation of […] group policy and control processes.”

Swedish bank admits “shortcomings” in AML practices

As noted in the Report, the findings are not unique to the specific institutions reviewed. Interestingly, on 17 September 2019, Swedbank, which is the largest bank in the Baltic region, published a press release acknowledging the “shortcomings” in its AML/CTF practices. This was in response to requests made by the Financial Supervisory Authorities in Sweden and Estonia, as part of the ongoing investigations into the bank for alleged money laundering breaches.

In this press release, the bank admitted that it had failed to dedicate “sufficient resources and competence” to effectively manage the ML/TF risks presented by clients and third parties. It further conceded that the division of responsibilities was not sufficiently clear and internal policies were not always complied with. The bank also admitted that Know Your Customer and risk assessment are areas where it still demonstrates shortcomings.

Failures relating to AML/CTF supervision

The Report also looks at the failures in supervision by competent AML/CTF authorities. According to the Report, often authorities were understaffed, while onsite visits were limited, delayed or not sufficiently thorough, even in instances where the risk was high. In addition, in many cases the supervisory measures taken, if any, did not amount to proper sanctions, but were instead limited to informal letters and recommendations.

According to the Report, prudential supervisors expressed their “unease” to use their powers in relation to ML/TF matters. Difficulties were also identified with regard to cooperation and information exchange both within the EU as well as with third countries.

Next steps

The Report outlines steps that the EU has already taken in order to address the above issues. These include the adoption of the fifth Anti-Money Laundering Directive (MLD5) and the European Supervisory Agencies reform, which will make the European Banking Authority (EBA) the supranational authority responsible for AML in the financial sector. It also suggests possible future steps, such as the adoption of an AML Regulation and the establishment of a pan-EU AML authority.

The key takeaway is that firms, especially banks, should generally expect heightened awareness from their supervisors (both AML/CTF and prudential) in relation to ML/TF risks. They are advised to review, among other things, their internal policies and procedures, allocation of responsibilities and risk management practices in this area and take steps to correct any deficiencies in a timely manner.
European Banking Authority speech on its role in relation to anti-money laundering supervision

On 5 September 2019, Jose Manuel Campa, the Chairman of the European Banking Authority (EBA), gave a speech on the EBA’s role in respect of Anti-Money Laundering and Counter Terrorist Financing (AML/CTF) supervision. The speech outlined the steps that the EBA has already taken to address Money Laundering and Terrorist Financing (ML/TF) risks using its current powers. It also discusses how the EBA intends to use its new powers in relation to AML/CTF supervision in the future. The key message is that the fight against money laundering is a joint effort and that the EBA should not be expected to “alone ensure a fundamental change in the system as a whole.”

**The speech**

According to Mr Campa, the EBA has made “significant progress” in addressing ML/TF risks, including by publishing relevant guidelines and opinions. The EBA has also taken steps to enhance coordination between AML/CTF authorities and prudential supervisors, including by publishing an opinion in this regard. You can read more about this elsewhere in this publication. The speech also mentioned that the EBA has responded to various requests from the European Parliament to investigate specific cases of potential breaches of Union law relating to AML/CTF rules by Member States, including Malta, Denmark and Estonia.

The speech further noted that the EBA is largely in favour of the findings of the European Commission’s post-mortem report on alleged money laundering cases involving EU banks. The EBA is also supporting the recent revision of the AML/CTF framework to promote a more risk-based approach to supervision, improve coordination between supervisory authorities and clarify allocation of responsibilities between different supervisors.

Going further, the EBA will seek to strengthen the link between AML/CTF supervision and prudential supervision. In particular, the EBA will be publishing an updated version of the Supervisory Review and Evaluation Process (SREP) guidelines, to better reflect ML/TF risks and to promote a common assessment methodology for bank authorisation.

Mr Campa was in general hesitant to overestimate the EBA’s capabilities in the area of AML/CTF. He highlighted that the EBA currently has limited powers to implement the relevant standards and promote convergence. With regard to the new powers granted to the EBA, he characterised them as “modest but meaningful.” In addition, he noted that the EBA currently has limited resources, in terms of staff, in relation to AML.

Mr Campa also highlighted that the EBA will not be a “supervisor of supervisors” and that “a few extra people” and a “limited number of extra tasks” do not mean that the EBA is able to solve on its own the complex issue of money laundering in the EU.

In terms of remaining challenges, Mr Campa is of the opinion that minimum harmonisation and the directive-based approach in the area of AML/CTF are not helpful to overcome divergence of national practices. Therefore, he suggests that a regulation-based framework would be preferable. Otherwise, he welcomes an approach to supervision analogous to the one currently in place in the area of prudential supervision, with more concrete supervisory powers and more prescriptive guidelines.

Background

Even though the EU has a strong AML/CTF framework in place, there are shortcomings with regards to supervision of the relevant rules. To address this issue, the EU has given the EBA additional powers in relation to AML/CTF issues, complementing its existing powers. These include the ability to gather information relating to ML/TF risks, to develop supervisory standards, to review and perform risk assessments, to facilitate cross-border cooperation and to take measures against specific institutions, should national competent authorities fail to do so.
FATF publishes its report to the G20


The Report covers, among other things, the following issues:

**FATF’s work programme on virtual assets**

The FATF has published an updated version of its recommendations on international standards on combating money laundering and the financing of terrorism and proliferation (Recommendations), clarifying how these apply to virtual assets and Virtual Asset Service Providers (VASPs). The FATF has also issued guidance on the application of the risk-based approach to virtual assets and VASPs. You can read more about the new rules and the relevant guidance in the following article of this publication. Following this, the FATF will revise its methodology to reflect the updated Recommendations, in order to assess countries’ compliance with the new rules. It will review the status of implementation of the new measures in June 2020.

**Countering the financing of terrorism**

The FATF has found that most countries it has reviewed fail to adequately understand their terrorist financing risks, while two-thirds do not have the capabilities to effectively address these risks. The FATF will focus on improving countries’ understanding of the relevant risks and on promoting effective implementation of its standards, including by issuing guidance on effective investigation and prosecution in this area.

**Improving transparency and the availability of beneficial ownership information**

In this regard, the FATF published, in June 2019, guidance on the risk-based approach for lawyers, accountants, and trust and companies service providers. Work is underway to identify best practices in respect of beneficial ownership issues, with specific practical examples to facilitate implementation of the rules.

**Financial technologies, regulatory technologies: digital identity**

The FATF expressed its support for technological developments that could potentially improve the management of ML/TF risks. In particular, digital identity could promote financial inclusion and reduce costs of customer onboarding. Therefore, the FATF is in the course of developing guidance on the application of the FATF Recommendations on customer due diligence in a digital ID context, aiming to “provide comfort to those seeking to harness responsible innovation.” This guidance will specifically clarify how digital forms of identification, verification and authentication could be used in the context of the customer due diligence process.
FATF publishes new rules for the regulation of virtual assets

On 21 June 2019, the Financial Action Task Force (FATF) published an updated version of its recommendations on international standards on combating money laundering and the financing of terrorism and proliferation (Recommendations), to include an interpretative note, clarifying the application of the Recommendations with regards to virtual assets and Virtual Asset Service Providers (VASPs) (Interpretative Note).

On the same day, the FATF also published guidance for a risk-based approach to virtual assets and VASPs, to explain how the Recommendations apply in the virtual assets space. In addition, this guidance clarifies how financial institutions, such as banks, should apply the Recommendations when they engage with virtual assets or VASPs.

The FATF introduced its proposed amendments to Recommendation 15 in October 2018. The final text is a product of dialogue with the private sector, following a public consultation. The new measures aim to “establish a more level playing field across the virtual asset ecosystem.” At the same time, according to FATF, there is an “urgent” need to prevent misuse of virtual assets for Money Laundering and Terrorist Financing (ML/TF) purposes.

The new rules

The Interpretative Note relates to Recommendation 15, which deals with new technologies. The relevant rules cover both virtual assets and VASPs. VASPs are widely defined to include all persons who, as a business, conduct one of the following activities:

- exchange between virtual assets and fiat currencies;
- exchange between one or more forms of virtual assets;
- transfer of virtual assets;
- safekeeping and/or administration of virtual assets or instruments enabling control over virtual assets; and
- participation in and provision of financial services related to an issuer’s offer and/or sale of a virtual asset.

The effect of the new rules is that virtual assets and VASPs are required to comply with the same set of AML/CTF standards that apply to financial institutions in general. Among other things, the Interpretative Note clarifies that:

- VASPs should assess and mitigate ML/TF risks and comply with the full range of required preventative measures, such as: customer due diligence (subject to a USD/EUR1,000 threshold), record-keeping, suspicious transaction reporting and compliance with applicable sanctions, if any.
- VASPs should securely submit originator/beneficiary information when conducting virtual asset transfers.
- VASPs should be licensed or registered in the jurisdiction where they are “created,” at a minimum, and potentially in other jurisdictions where they offer their services and products.
- VASPs should be subject to effective supervision by a national competent authority and not a self-regulatory body.
- Countries should identify, assess, and understand the ML/TF threats stemming from the above activities and apply a risk-based approach to supervision.
- Countries should establish effective and proportionate sanctions for breaches of rules, which should capture not only VASPs, but also their directors and senior management.

The FATF expects countries to implement the updated Recommendations promptly and will be carrying out a relevant review in June 2020. However, it is noted that countries may choose to adopt a stricter approach or ban the relevant activities altogether in their respective jurisdictions.
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