

Advance Myanmar

Financial Action Task Force - Questions and Answers

What happened?

Myanmar has not met international rules to make sure criminals or terrorist can't use Myanmar's financial system, and so the rest of the world has been warned that doing business in Myanmar risks being linked to criminals or terrorists and told to be very careful doing business in or with Myanmar.

What does it mean?

International companies can still do business in or with Myanmar, but they must do more to make sure they are not linked to criminal or terrorist finances. This makes it harder to do business in Myanmar, and some companies may decide to stop, especially banks. There is concern that this will mean more people in Myanmar lose their jobs, as well as the impact on the Kyat.

(NOTE: To keep this briefing a reasonable length and as clear as possible, we have described the situation very broadly and without specific details)

What is the Financial Action Task Force?

The Financial Action Task Force (FATF) was set up by several governments in 1989. Its job is to find ways to stop criminal gangs, terrorists, and human traffickers from being able to use the international financial system, such as banks, to hide and move their money. This will make it more difficult for them to operate. It sets international standards for countries to follow to make sure their banks and financial system cannot be used by criminals and terrorists. More than 200 countries and areas are involved in the FATF.

What is money laundering?

A big part of FATF's work is to stop money laundering. When criminals make money, for example selling drugs, they have money they have not legally earned, but which they want to spend. It is too suspicious to try to buy houses or cars with a suitcase of money, so they need to find ways to make their money look legal.

If they put it in a bank account with no record of where it comes from, under money laundering rules the bank will report it to the government, and the criminal loses their money and can be arrested.

Money laundering is very complicated but basically means how criminals find ways to make their illegal money look like legal money.

Before or since the attempted coup began, you may have tried to send or receive money to friends, family or activists and found you have to fill in your personal details, or that there are limits on how much money you can send. This is because of money laundering rules.

(Now the military are asking people who receive money for these kinds of details not because of money laundering rules, but to try to stop funds reaching CDM and PDFs.)

What is the FATF blacklist?

Countries which do not follow the international standards are first put under what they call increased monitoring, a so-called grey list. If they then fail to improve, they may be put on its high-risk list, also known as the blacklist.

What is Myanmar's history with the FATF?

Myanmar became part of the monitoring process in 2008 and has never met the FATF standards. It was on the blacklist until 2016, when the new NLD government promised to improve standards. However, the NLD-led government was not able to improve standards fast enough and was given a deadline of last year to improve standards. A new report in August 2022 found 'significant' failings, meaning there was a high risk of money laundering. This is why Myanmar has been put on the blacklist.

What will this mean for Myanmar?

International companies can still do business in or with Myanmar, but they must do more to make sure they are not linked to criminal or terrorist finances. This makes it more expensive and harder to do business in Myanmar, and some companies may decide to stop, especially banks.

On top of the crashing economy, the human rights situation, military imposed banking rules, Vicky Bowman's arrest and other factors, this will likely mean investors decide to leave. Although banks can still make transfers, many may just decide not to, which will make it harder to find banks which will.

Will this hurt ordinary people?

There is concern that this will mean more people in Myanmar lose their jobs, as well as the impact on the Kyat. Investors in Myanmar were lobbying the FATF not to put Myanmar on the blacklist.

The FATF says that the backlisting must not mean humanitarian aid is impacted, but in practice this is very likely to have a big impact and new systems will need to be set up.

Why doesn't Myanmar meet the international standards?

There are many parts of the standards which Myanmar does not meet, and the NLD-led government struggled with reforms in part because of the military, their business cronies and allies would have their economic interests impacted by following the international standards, and they obstructed reforms.

Are the standards good?

In principle yes, the standards are good but one demand of the FATF is to crack down on the unofficial Hundi system of money, forcing it to be registered. In Myanmar this would mean that it would become much harder for people to support the CDM, and provide money for aid via unofficial mechanisms.

What other countries are on the blacklist?

Only North Korea and Iran.

Is placing Myanmar of the FATF blacklist a sanction?

This is not a political sanction. This is specific to not meeting the international standards and not showing genuine willingness to try to meet them.

How can Myanmar be taken off the blacklist?

Myanmar will have to show it is making better progress to meet the international standards, which is unlikely as the Myanmar military have currently taken control of government ministries and financial institutions.

I am worried about the negative impact on workers and/or humanitarian aid. Can we lobby to get Myanmar taken off the blacklist?

Lobbying will not be effective, this is a technical decision, not a political one.

What can the National Unity Government (NUG) do?

The FATF and its members should be working with the NUG now to ensure that once they are in direct control of government ministries on the ground they have the financial knowledge, support and policies ready to implement as soon as they take over the instruments of government on the ground in Myanmar.

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