

FATF Suspends the Russian Federation's Membership

April 5, 2023

On February 24, 2023, the first anniversary of Russia's invasion of Ukraine, the Financial Action Task Force ("FATF"), an intergovernmental organization that aims to combat money laundering, terrorist financing, and other financial crimes, [suspended Russia's membership](#). This action, which marks the first time that FATF suspended a member, is the latest in a series of steps taken by the international community against Russia following its invasion of Ukraine.

FATF had previously expressed concerns about the invasion's impact on the illicit finance risk environment and the integrity, safety, and security of the international financial system. In [June 2022](#), FATF restricted Russia from holding any leadership or advisory roles or taking part in standard-setting, peer review processes, and other FATF activities; it imposed additional restrictions in [October 2022](#).

What is FATF? FATF is a 39-member global money laundering and terrorist financing watchdog that sets international standards to guide countries in their implementation of legal, regulatory, and operational measures for countering illicit financial activity (the "FATF Standards").

As part of its role, FATF evaluates countries' anti-money laundering ("AML") and countering terrorist financing ("CTF") regimes and their compliance with the FATF Standards, which over 200 countries and jurisdictions have committed to implement. If a country repeatedly fails to implement FATF Standards, it can be named (i) a "[High-Risk Jurisdiction](#)" (the so-called "black list"), with respect to which other countries are expected to apply enhanced due diligence or, in serious cases, counter-measures to protect the international financial system; or (ii) a "[Jurisdiction under Increased Monitoring](#)" (the so-called "grey list"), with respect to which jurisdictions are expected to consider information provided by FATF in implementing a risk-based AML/CTF approach.

FATF also publishes reports to alert countries and private sector participants to evolving money laundering, terrorist financing, and proliferation financing risks.

What are the consequences of Russia's suspension? FATF did not add Russia to its “grey” or “black” lists, but rather suspended Russia’s membership in FATF itself. As a result of the suspension, Russia will not be able to access documents reserved for FATF members, attend FATF meetings, or provide input into FATF processes (except the process to determine whether deficiencies in Russia’s own AML/CTF regime have been adequately addressed). This will significantly reduce Russia’s influence on FATF policy decisions.

According to FATF, Russia remains accountable for its obligation to implement the FATF Standards and must continue to meet its financial obligations to FATF, but it is unclear whether Russia will do so.

What do financial institutions and other businesses need to know? Russia’s suspension from FATF should not have a direct effect on businesses, but the unprecedented nature of the suspension and the rhetoric used in announcing it underline the degree of risk that transactions with or involving Russia may entail. FATF’s statement on the suspension highlighted concerns regarding Russia’s arms trade with sanctioned jurisdictions and its malicious cyber activities, and emphasized the need to be alert to risks related to the circumvention of measures taken against Russia.

FATF’s action coincided with the reaffirmation of support for Ukraine by the [leaders of the Group of Seven](#) (“G7”), who signalled their commitment to strengthening sanctions, export controls, and other measures against Russia and their focus on preventing evasion of these measures. The G7 leaders cautioned that third countries supporting Russia’s war in Ukraine could face severe consequences, and announced actions against third-country actors alleged to have materially supported Russia.

In a [March 2022 statement](#), FATF called on jurisdictions to provide advice to their private sectors and to facilitate information sharing regarding assessment and mitigation of emerging illicit finance risks. The United States, the United Kingdom, and other jurisdictions have since issued guidance outlining sanctions evasion typologies, including evasion involving [use of the US financial system, virtual currencies, and cybercrime](#); [real estate, luxury goods, and other high-value assets](#); [export controls](#); [Russian elites and enablers](#); [commercial real estate investments](#); and [third-party intermediaries](#). The multilateral Russian Elites, Proxies, and Oligarchs (REPO) Task Force also published a [global advisory](#) in March 2023 to provide examples of evasion typologies and recommendations for the private sector.

Thus, even though Russia is not on FATF’s “black” or “grey” lists or otherwise identified by international AML/CTF bodies as a high-risk jurisdiction, financial institutions and other businesses should:

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- understand sanctions obligations and implement sanctions compliance and risk mitigation measures, whether or not operating in the financial sector;
 - carefully consider the risks associated with financial and other transactions involving Russia or third-country actors or governments reportedly assisting Russia;
 - stay up to date on national and international developments, including enforcement actions, targeting Russia or Russian sanctions evasion;
 - review guidance from governmental authorities to ensure policies and processes take into account relevant typologies and indicators;
 - pursue available opportunities for information sharing within the private sector and with public authorities to facilitate identification of illicit activities;
 - report potential sanctions evasion and other suspicious activities promptly to national authorities; and
 - continue to adapt due diligence practices to the evolving risk environment.

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We are closely monitoring the situation and expect to continue to provide updates through our comprehensive [Guide to US, UK and EU Sanctions and Export Controls on Russia and Belarus](#). Please do not hesitate to contact us with any questions.



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