

**Statement on Why Russia Should Be Excluded from
the Financial Task Force on Money Laundering (FATF)**

October 18, 2022

After Russia unlawfully invaded Ukraine, the International Working Group on Russian Sanctions¹ recommended that Russia be excluded from the Financial Action Task Force on Money Laundering (FATF).

At the FATF Plenary session this week, FATF members have the opportunity to recognize Russia's wholesale violation of its standards and therefore to exclude Russia from the FATF. Now is the moment to act. Russia's exclusion from FATF would send a clear signal to companies and financial institutions around the world that Russia is no longer considered as a reliable financial center where their funds will be protected.

If excluded from FATF, Russia would lose the ability to influence new anti-money laundering rules with new financial technologies (such as virtual assets and NFTs). This change will also mean that new Russian laws governing such technologies will not be supported by international law (including via FATF mechanisms).

If excluded from FATF, Russia would lose the ability to participate in mutual evaluations and approve mutual evaluation reports. It is likely that Russia would no longer be able to use this leverage to pass expert assessments of legislation and implementation. In addition, Western financial institutions would inevitably question Russia's compliance with FATF anti-money laundering rules.

¹ [The International Working Group on Russian Sanctions](#) aims to provide expertise and experience to governments and companies around the world by assisting with the formulation of sanctions proposals that will increase the cost to Russia of invading Ukraine and that will support democratic Ukraine in the defense of its territorial integrity and national sovereignty. Our working group is comprised of independent experts from many countries, but coordinates and consults with the Government of Ukraine and those governments imposing sanctions. This consultation process helps to inform our views, but our members express independently held opinions and do not take direction from or act at the behest of the government of Ukraine or any other person or entity. Building on earlier Working Group papers, this statement was released by the coordinator of the Working Group and does not necessarily reflect the views of all members. All of our papers, as well as additional memos and publications from our working group members can be found at on our website: <https://fsi.stanford.edu/working-group-sanctions>.

Russia's blacklisting as a high-risk jurisdiction would mean that foreign banks and other financial institutions would establish significant additional checks when working with any legal entity in Russia. In many cases, it will be much easier for Western financial institutions to simply stop working with such organizations than to apply stricter control mechanisms, as they seek to avoid higher costs and higher regulatory risks.

Blacklisting would limit the ability of Russia to evade sanctions. The current sanctions regime often allows Russian companies to circumvent sanctions against the financial sector by structuring transactions through a Russian bank that has not been sanctioned. Once Russia is blacklisted, this option will disappear.

If Russia was excluded from FATF, its trade with the rest of the world would be disrupted due to increased difficulty in receiving export and import payments. After Iran was blacklisted by FATF in 2020, its exports of goods and services fell by approximately 30%. Such restrictions would be useful when Russia seeks new buyers for its oil. Restrictions on imports would further prevent Russia from buying dual-use goods that its military industry relies on to wage this war of aggression.

Blacklisting Russia will reduce foreign direct investment and would likely accelerate capital flight. Foreign companies would also face much higher investment costs in Russia.

Following Russia's invasion of Ukraine, as well as well-documented war crimes committed by the Russian armed forces in Ukraine, several international institutions have expelled or suspended Russia, including the Council of Europe and the United Nations Human Rights Council. Given the central role of the FATF in tackling international financial crime, FATF should now follow these other multilateral organizations. As Putin continues to escalate this war, including the purposeful targeting of non-combatants, all those committed to an international rules-based order must respond with new measures as well. Now is the time for the FATF to act.