Applying the FATF Toolkit to the Fraud Epidemic

Combating End-to-End Illicit Financial Flows Linked to Scam Compounds

Why fraud is a FATF priority

Fraud is now a central financial crime issue

Estimated global annual cost of fraud:

USD 500 bn

90%

of assessed jurisdictions identify fraud as a major ML risk

100+ jurisdictions

Jurisdictions where people have been targeted by scam compound-related activities

April 2026

FATF Ministers called for the full deployment of the AML/CFT/CPF toolkit against fraud

Fraud and money laundering are often intertwined.

How was the FATF Fraud Part 1 report developed ?

A global and multidisciplinary evidence base



Timeline: June–October 2026

Leadership: Project co-led by the United Kingdom and United States

Project team of 32 members: 18 FATF or joint members; 4 FSRB members; 1 FSRB Secretariat and 9 Observers (CARIN, Egmont, Europol, IMF, INTERPOL, OECD, OSCE, UNODC and World Bank)

Evidence: 60 delegations (incl. Mauritius) and observers contributed overall + 17 private sector and civil society stakeholders provided written contributions

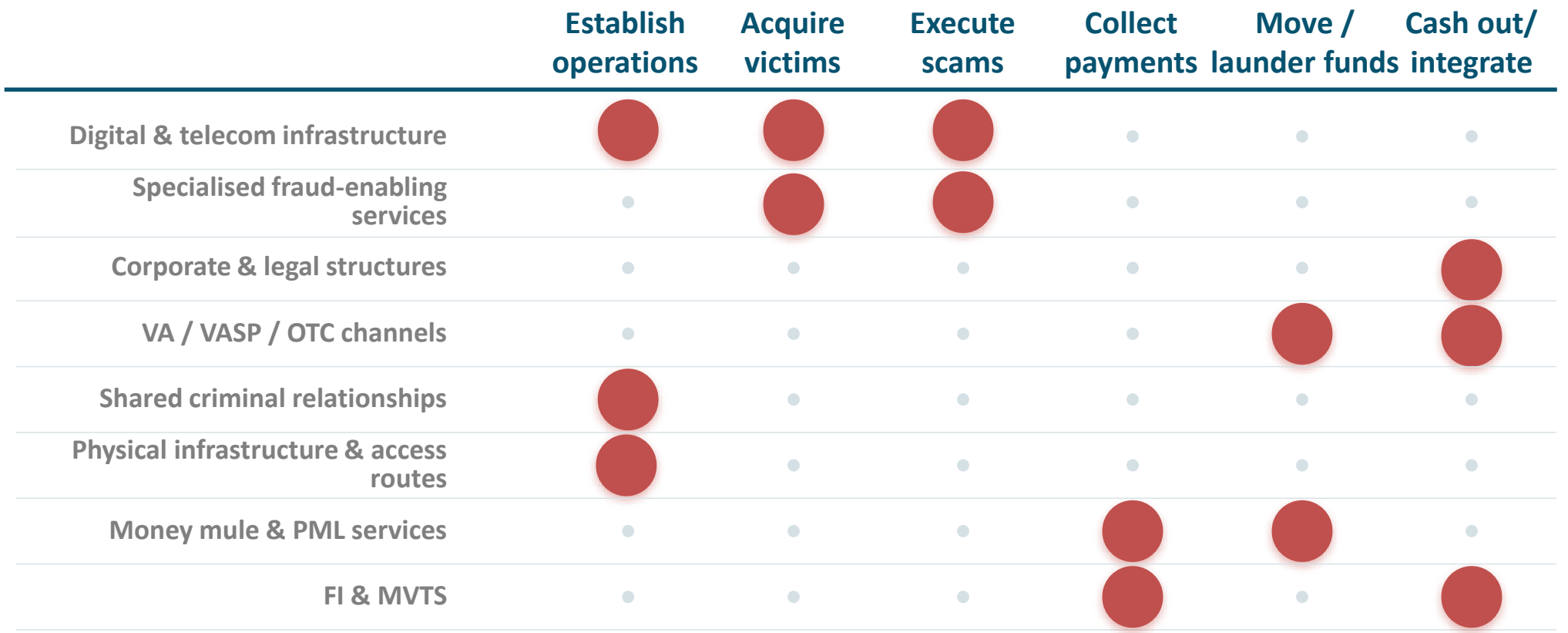
Methodology: Literature review + Global Network questionnaire and draft comments + Expert consultations and targeted outreach

A global, industrialised and increasingly dispersed threat

RAPID EXPANSION	Industrial-scale operations expanded rapidly from around 2020, building in part on pre-existing criminal infrastructure.
GLOBAL REACH	Criminal networks and associated financial flows extend far beyond Southeast Asia, including into Africa
PROFESSIONALISED BUSINESS MODEL	Integrated and outsourced criminal services enable fraud at scale
CONTEXTUAL ENABLERS	Border environments, weak oversight, corruption and criminal infrastructure can facilitate operations, depending on the context.
EVOLVING OPERATING MODELS	Large physical compounds coexist with smaller, dispersed and mobile operations linked through common networks.

Closing a physical compound does not necessarily dismantle the underlying criminal network or its financial infrastructure.

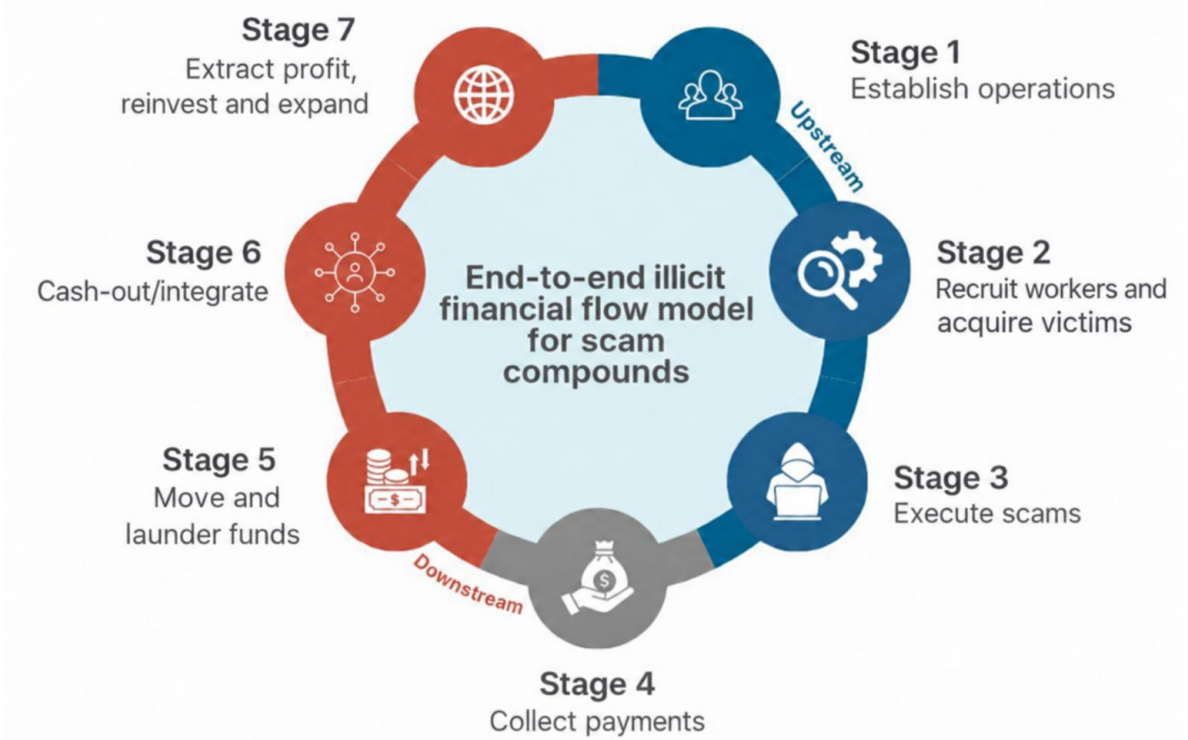
What keeps scam compound networks operating — and where can disruption have the greatest impact?



54 “functional dependencies” mapped; 14 identified as potentially critical.

Illicit financial flows across the criminal lifecycle

Trace operating expenditure as well as criminal proceeds — from establishing operations to reinvestment.



Upstream detection and disruption remain less systematically developed than downstream investigation and recovery.

A critical challenge: criminal flows outpace detection and response

2 minutes

Funds moved after a victim payment in some reported cases

≈20 hours

Average time for victims to realise they had been scammed (in an example from the report)

First 24–72 hours

After detection/reporting critical for tracing, recovery and restitution

The intervention window may close before the fraud is reported.

Regional evidence and case studies

INVESTMENT FRAUD AND MISUSE OF CORPORATE STRUCTURES

Mozambique

Reported investment-fraud activity associated with scam compounds used a formally structured company and rented premises in central Maputo. Victims deposited funds into the company's bank account.

Lesson: Apparently legitimate companies and ordinary premises can conceal organised scam activity.

VA TRACING AND INTERNATIONAL CO-OPERATION

Namibia-Seychelles

A strongly suspected scam compound-type operation in Namibia was linked to proceeds held through VASP accounts associated with Seychelles, enabling cross-border asset tracing and preservation.

Lesson: Financial intelligence, virtual asset tracing and cross-border co-operation can connect operations and assets.

Six FATF Principles for an end-to-end response

1) **TARGET** the wider criminal ecosystem

2) **DISRUPT** illicit financial flows end-to-end

3) **CONNECT** the networks of information

4) **ACT AT SPEED** across borders

5) **PUT VICTIMS** at the centre

6) **ADAPT & FOCUS** on lasting impact

An effective response combines direct action against criminal networks with stronger anti-fraud systems.

Connect networks

SIGNALS	CONNECT	ACT
Financial institutions	Anti-scam centres	Prevent payments
VASPs	Public-private partnerships	Preserve assets
Technology platforms	Shared fraud-data infra	Disrupt infrastructure
Telecommunications	Collaborative analytics	Investigate networks
Victim reports	Rapid-response networks	Recover proceeds
Competent authorities		
Civil society		

Connect actionable signals to the actors able to intervene.

Connecting national and international capabilities

Effective national action must connect across borders

DOMESTICALLY

Understand exposure → Establish leadership → Connect capabilities

FIU • LEAs • Anti-trafficking and cybercrime authorities • FIs • Supervisors • VASPs • Other relevant actors

INTERNATIONALLY

Connect counterparts Share intelligence rapidly Preserve evidence and assets

FIU, LEAs and asset recovery networks • Joint operations • Timely formal co-operation

Rapid operational channels complement formal international co-operation.

Put victims at the centre and measure real impact

PUT VICTIMS AT THE CENTRE

Online scam victims

Accessible reporting, early intervention, recovery and restitution

Persons trafficked or coerced into scam activity

Identification, screening, protection, non-punishment safeguards and safe return

MEASURE LASTING IMPACT

- Victim losses prevented
- Time to intervention
- Assets recovered and returned
- Victims protected and supported
- Shared or difficult-to-replace criminal capabilities disrupted

Measure what changes for victims and criminal networks — not activity alone.

Victims should not be treated principally as sources of intelligence.

Putting the FATF toolkit into practice - What jurisdictions, supervisors and financial institutions can do ?

Two complementary levels of response

1 DIRECT ACTION AGAINST SCAM COMPOUND NETWORKS

- Criminal leadership and organisers
- Shared infrastructure
- Recruitment and trafficking networks
- Specialised service providers
- Financial investigation and asset recovery

2 STRENGTHEN THE BROADER ANTI-FRAUD SYSTEM

- National co-ordination
- Cross-sector information sharing
- Preventive payment controls
- Rapid response arrangements
- Victim reporting and protection

Both levels of response should operate upstream, at the payment window and downstream.

Four practical questions:

- Do we understand our exposure to scam compound-related risks across the criminal lifecycle?
- Can we connect early fraud signals with financial intelligence?
- Can the relevant actors translate intelligence into timely intervention?
- Can we trace, preserve and recover assets across borders?

Three messages to take away

Think beyond the physical compound

Scam compounds are a global, networked threat.
Jurisdictions may be exposed through victims, recruitment, infrastructure, financial flows or assets.

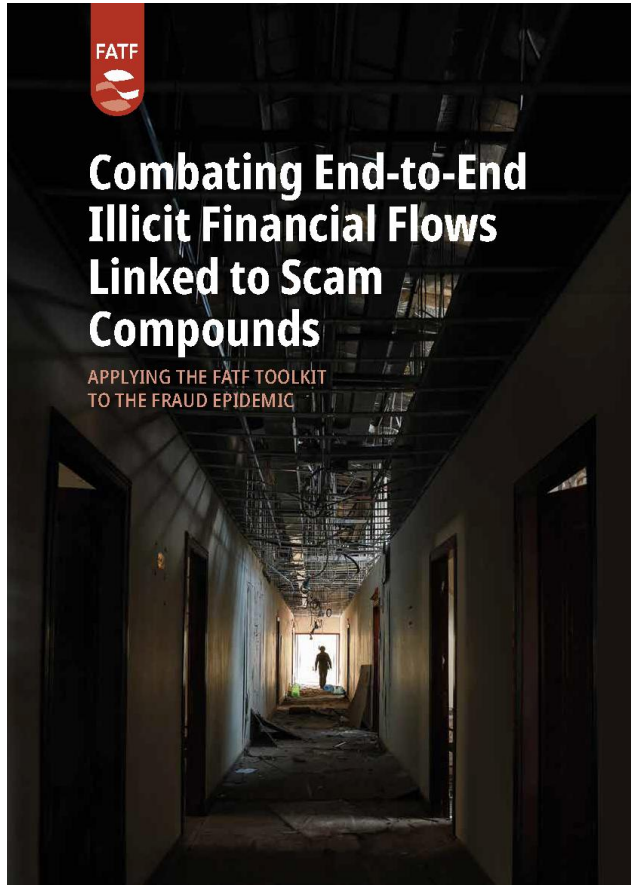
The financial response must be end-to-end

Examine upstream expenditure, victim payments and downstream proceeds to identify opportunities for prevention, disruption and recovery.

Connect capabilities, act early and focus on outcomes

Turn fragmented information into timely intervention, protect victims and sustainably disrupt criminal networks.

Next: Report on cyber-enabled fraud (February 2027) → LDF 2 (March) → Global Response Against Fraud (April)



Thank you!

Questions & Discussion

Download the FATF Fraud Part 1 report

https://www.fatf-gafi.org/content/fatf-gafi/en/news/combating-illicit-financial-flows-linked-to-scam-compounds.html

Read the FATF press release

https://www.fatf-gafi.org/content/fatf-gafi/en/publications/Methodsandtrends/combating-illicit-financial-flows-linked-to-scam-compounds.html