

**FATF**



**PROCEDURES FOR THE FATF  
FOURTH ROUND OF AML/CFT  
MUTUAL EVALUATIONS**

**October 2013**



FINANCIAL ACTION TASK FORCE

The Financial Action Task Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CFT) standard.

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## TABLE OF ACRONYMS

|                |   |
|----------------|---|
| <b>AML/CFT</b> | Anti-Money Laundering / Countering the Financing of Terrorism<br>(also used for <i>Combating the financing of terrorism</i> ) |
| <b>CDD</b>     | Customer Due Diligence  |
| <b>DNFBP</b>   | Designated Non-Financial Business or Profession   |
| <b>ECG</b>     | Evaluations and Compliance Group  |
| <b>ES</b>      | Executive Summary   |
| <b>FIU</b>     | Financial Intelligence Unit   |
| <b>FSAP</b>    | Financial Sector Assessment Programme   |
| <b>FSRB</b>    | FATF-Style Regional Body  |
| <b>FT</b>      | Financing of Terrorism  |
| <b>IO</b>      | Immediate Outcome   |
| <b>IFI</b>     | International Financial Institution (IMF and World Bank)  |
| <b>MER</b>     | Mutual Evaluation Report  |
| <b>ML</b>      | Money Laundering  |
| <b>NC</b>      | Non-compliant   |
| <b>PC</b>      | Partially Compliant   |
| <b>STR</b>     | Suspicious transaction report   |
| <b>SRB</b>     | Self-Regulatory Body  |
| <b>TC</b>      | Technical Compliance  |

## PROCEDURES FOR THE FATF FOURTH ROUND OF AML/CFT MUTUAL EVALUATIONS

### INTRODUCTION

1. The FATF is conducting a fourth round of mutual evaluations for its members based on the FATF Recommendations (2012), and the Methodology for Assessing Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems (2013), as amended from time to time. This document sets out the procedures that are the basis for that fourth round of mutual evaluations.

### I. SCOPE, PRINCIPLES AND OBJECTIVES FOR THE FOURTH ROUND

2. As set out in the Methodology, the scope of the evaluations will involve two inter-related components for technical compliance and effectiveness. The technical compliance component will assess whether the necessary laws, regulations or other required measures are in force and effect, and whether the supporting anti-money laundering (AML) / countering the financing of terrorism (CFT) institutional framework is in place. The effectiveness component will assess whether the AML/CFT systems are working, and the extent to which the country is achieving the defined set of outcomes.

3. There are a number of general principles and objectives that govern FATF mutual evaluations, as well as AML/CFT assessments conducted by the FATF-Style Regional Bodies (FSRBs), IMF or World Bank. The procedures should:

- a) Produce objective and accurate reports of a high standard in a timely way.
- b) Ensure that there is a level playing field, whereby mutual evaluation reports (MERs), including the executive summaries, are consistent, especially with respect to the findings, the recommendations and ratings.
- c) Ensure that there is transparency and equality of treatment, in terms of the assessment process, for all countries assessed.
- d) Seek to ensure that the evaluation and assessment exercises conducted by all relevant organisations and bodies (FATF, IMF, World Bank, FSRBs) are equivalent, and of a high standard.
- e) (i) be clear and transparent; (ii) encourage the implementation of higher standards, (iii) identify and promote good and effective practices, and (iv) alert governments and the private sector to areas that need strengthening.
- f) Be sufficiently streamlined and efficient to ensure that there are no unnecessary delays or duplication in the process and that resources are used effectively.

## II. CHANGES IN THE FATF STANDARDS

4. As a dynamic process, on-going work within the FATF could lead to further changes to the Recommendations, the Interpretive Notes or the Methodology. All countries should be evaluated on the basis of the FATF Recommendations and Interpretative Notes, and the Methodology as they exist at the date of the country's on-site visit. The report should state clearly if an assessment has been made against recently amended Standards. To ensure equality of treatment, and to protect the international financial systems, compliance with the relevant elements of the changes could be assessed as part of the follow-up process (see section IX below), if they have not been assessed or as part of the mutual evaluation.

## III. SCHEDULE FOR THE FOURTH ROUND

5. The schedule of mutual evaluations for the fourth round, and the number of evaluations to be prepared each year is primarily governed by the number of MERs that can be discussed at each Plenary meeting, and by the need to complete the entire round in a reasonable timeframe.

6. A schedule of mutual evaluations showing the fixed or proposed date of the on-site visit, of relevant Financial Sector Assessment Programme (FSAP) missions and the date for the Plenary discussion of the MER will be maintained. Any proposed changes to the evaluation dates will require Plenary approval. Normally two MERs will be discussed per Plenary, but this could, on an exceptional basis, extend to three MERs. Other relevant information that will be provided includes information on the countries which have volunteered to provide assessors for forthcoming mutual evaluations. The considerations underlying the sequence of evaluations were:

- Members' views on their preferred date - members are consulted on the possible dates for on-site visits and Plenary discussion of their MER, and this is taken into account in the schedule.
- The scheduled date of any possible FSAP mission – see section VIII below regarding the timing of the FSAP and of a mutual evaluation.
- The date of the last mutual evaluation or International Financial Institution (IFI) assessment.

## IV. PROCEDURES AND STEPS IN THE EVALUATION PROCESS

7. A summary of the key steps and timelines for the assessment team and the country in the FATF mutual evaluation process is set out at Appendix 1. Those steps are described more fully below. The assessed countries and assessment teams have the flexibility to extend the overall timeline by up to one or two months in order to plan around FATF Plenary meetings, events or holidays, or to adjust the date of the on-site visit to the most appropriate time. In practice, this may require an earlier start to the evaluation process as there is no scope for reducing the time allocated to the post-onsite stages of the process, and the assessed country and assessment team should therefore agree on the broad timeline of the evaluation at least 14 months before the FATF Plenary discussion.

## PREPARATION FOR THE ON-SITE VISIT

8. At least six months before the on-site visit or as early as possible, the Secretariat will fix the precise dates for the evaluation on-site visit as well as the timelines for the whole process in consultation with the country, and based on the timelines in Appendix 1 (some flexibility is permissible). The country will advise whether they wish to conduct the evaluation in English or French. The onus is on the country to demonstrate that it has complied with the Standards and that its AML/CFT regime is effective, hence, the country should provide all relevant information to the assessment team during the course of the assessment. As appropriate, assessors should be able to request or access documents (redacted if necessary), data, or other relevant information.

9. All updates and information should be provided in an electronic format and countries should ensure that laws, regulations, guidelines and other relevant documents are made available in the language of the evaluation and the original language.

### *(a) Information Updates on Technical Compliance*

10. The updates and information provided by the assessed country are intended to provide key information for the preparatory work before the on-site visit, including understanding the country's ML/TF risks, identifying potential areas of increased focus for the on-site, and preparing the draft MER. Countries should provide the necessary updates and information to the Secretariat no less than six months before the on-site. Prior to that, it would be desirable to have informal engagement between the country and the Secretariat.

11. In some countries AML/CFT issues are matters that are addressed not just at the level of the national government, but also at state/province or local levels. Countries are requested to note the AML/CFT measures that are the responsibility of state/provincial/local level authorities, and to provide an appropriate description of these measures. Assessors should also be aware that AML/CFT measures may be taken at one or more levels of government, and should examine and take into account all the relevant measures, including those taken at a state/provincial/local level. Equally, assessors should take into account and refer to supra-national laws or regulations that apply to a country.

12. Countries should rely on the questionnaire for the technical compliance update (see Appendix 3) to provide relevant information to the assessment team. Along with previous reports, this will be used as a starting basis for the assessment team to conduct the desk-based review on technical compliance. The questionnaire is a guide to assist countries to provide relevant information in relation to: (i) background information on the institutional framework; (ii) information on risks and context; (iii) information on the measures that the country has taken to meet the criteria for each Recommendation. Countries should complete the questionnaire and may choose to present other information in whatever manner they deem to be most expedient or effective.

### *(b) Information on Effectiveness*

13. Countries should provide information on effectiveness based on the 11 Immediate Outcomes identified in the effectiveness assessment no less than four months before the on-site. They should

set out fully how each of the core issues is being addressed as set out in each Immediate Outcome. It is important for countries to provide a full and accurate description (including examples of information, data and other factors) that would help to demonstrate the effectiveness of the AML/CFT regime.

**(c) *Composition and Formation of Assessment Team***

14. The assessors are confirmed by the President through the Secretariat. This will normally take place at least four months before the on-site, and will be coordinated with member countries that had earlier volunteered assessors for the proposed assessment. The President or the Executive Secretary will formally advise the country of the composition of the assessment team at the time the team is confirmed.

15. An assessment team will usually consist of four expert assessors (comprising at least one legal, financial<sup>1</sup> and law enforcement expert), principally drawn from FATF members, and will be supported by members of the FATF Secretariat. Depending on the country and the ML/TF risks, additional assessors or assessors with specific expertise may also be required. In selecting the assessors, a number of factors will be considered: (i) their relevant operational and assessment experience; (ii) language of the evaluation; (iii) nature of the legal system (civil law or common law) and institutional framework; and (iv) specific characteristics of the jurisdiction (e.g. size and composition of the economy and financial sector, geographical factors, and trading or cultural links), to ensure that the assessment team has the correct balance of knowledge and skills. Assessors should be very knowledgeable about the FATF Standards, and are required to attend a fourth round assessor training seminar before they conduct a mutual evaluation. Usually, at least one of the assessors should have had previous experience conducting an assessment.

16. In joint evaluations, the assessment team will be made up of assessors from both the FATF and the relevant FSRB(s) (see section VI) and will also be supported by members of the FATF Secretariat. For some other FATF evaluations, the Secretariat could, with the consent of the assessed country, invite an expert from an FSRB (member or Secretariat) or the IMF/World Bank<sup>2</sup> to participate as an expert on the assessment team, on the basis of reciprocity. Normally there should be no more than one, or in exceptional cases two, such experts per evaluation.

17. Due to the nature of the peer review process, the Secretariat will work to ensure that the mutuality of the process is maintained, and members should provide qualified experts for at least two assessments over the course of the fourth round. Countries that do not provide two assessors should make a financial contribution to the FATF in an amount equivalent to the cost of providing such assessors. Countries with greater capacity should provide more assessors. A list of countries' contribution of assessors for assessments will be maintained and monitored by the FATF's Evaluations and Compliance Group (ECG).

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<sup>1</sup> The assessment team should have assessors with expertise relating to the preventive measures necessary for the financial sector and designated non-financial businesses and professions.

<sup>2</sup> Participation (on a reciprocal basis) of experts from other observers that are conducting assessments, such as UNCTED, could be considered on a case by case basis.



**(d) Responsibilities of the Secretariat**

## 18. The Secretariat

- Supports the assessment team and the assessed country;
- Focuses on quality and consistency;
- Ensures compliance with process and procedures;
- Assists assessors and assessed country in the interpretation of the standards, methodology and process in line with past Plenary decisions;
- Ensures that assessors and assessed countries have access to relevant documentation;
- Project-leads the process and other tasks as indicated in these procedures.

**(e) Responsibilities of the Assessment Team (Assessors)**

19. The core function of the assessment team is, collectively, to produce an independent report (containing analysis, findings and recommendations) concerning the country's compliance with the FATF standards, in terms of both technical compliance and effectiveness. A successful assessment of an AML/CFT regime requires, at a minimum, a combination of financial, legal and law enforcement expertise, particularly in relation to the assessment of effectiveness. Experts therefore have to conduct an evaluation in a fully collaborative process, whereby all aspects of the review are conducted holistically. Each expert is expected to contribute to all parts of the review, but should take the lead on, or take primary responsibility for topics related to his or her own area of expertise. An overview of assessors' respective primary responsibilities should be shared with the assessed country, even if the assessment remains an all-team responsibility. As a result, assessors will be actively involved in all areas of the report and beyond their primary assigned areas of responsibilities.) It is also important that assessors are able to devote their time and resources to reviewing all the documents (including the information updates on technical compliance, and information on effectiveness), raising queries prior to the on-site, preparing and conducting the assessment, drafting the MER, attending the meetings (e.g. on-site, face-to-face meeting, and Plenary discussion), and adhere to the deadlines indicated.

20. The mutual evaluation is a dynamic and continuous process. The assessment team/Secretariat should engage and consult the assessed country on an on-going basis, commencing at least six months before the on-site. The country should indicate an identified contact person(s) or point(s) for the assessment. Throughout the process the Secretariat will ensure that the assessors can access all relevant material and that regular conference calls take place between assessors and the assessed country so as to ensure a smooth exchange of information and open lines communication.

**(f) Desk Based Review for Technical Compliance**

21. Prior to the on-site visit, the assessment team will conduct a desk-based review of the country's level of technical compliance, and the contextual factors and ML/TF risks. The review will be based on information provided by the country in the information updates on technical compliance, pre-existing information drawn from the country's third round MER, follow-up reports

and other credible or reliable sources of information. This information will be carefully taken into account, though the assessment team can review the findings from the previous MER and follow-up reports, and may highlight relevant strengths or weaknesses not previously noted. If the assessors reach a different conclusion to previous MERs and follow-up reports (in cases where the Standards and the legislation have not changed) then they should explain the reasons for their conclusion.

22. The technical compliance annex is drafted by the Secretariat on the basis of a comprehensive prior analysis by the assessors. This requires assessors to indicate if each sub-criterion is met, mostly met, partly met or not met and why. When drafting the TC Annex for assessors, the Secretariat takes into account the quality and consistency of mutual evaluation reports. Subsequent to the review, the assessment team will provide the country with a first draft of the technical compliance annex (which need not contain ratings or recommendations) about three months before the on-site. This will include a description, analysis, and list of potential technical deficiencies noted. The country will have one month to clarify and comment on this first draft on technical compliance.

23. In conducting the assessment, assessors should only take into account relevant laws, regulations or other AML/CFT measures that are in force and effect at that time, or will be in force and effect by the end of the on-site visit. Where relevant bills or other specific proposals to amend the system are made available, these will be referred to in the MER (including for the purpose of the recommendations to be made to the country) but should not be taken into account in the conclusions of the assessment or for ratings purposes.

#### ***(g) Ensuring Adequate Basis to Assess International Cooperation***

24. Six months before the on-site visit, FATF members and FSRBs<sup>3</sup> will be invited to provide information on their experience of international co-operation with the country being evaluated.

25. In addition, the assessment team and the country may also identify key countries which the assessed country has provided international cooperation to or requested it from, and seek specific feedback. The feedback could relate to: (i) general experience, (ii) positive examples, and (iii) negative examples, on the assessed country's level of international cooperation. The responses received will be made available to the assessment team and the assessed country.

#### ***(h) Identifying Potential Areas of Increased Focus for On-Site Visit***

26. The assessment team will have to examine the country's level of effectiveness in relation to all the 11 Immediate Outcomes during the on-site. The assessment team may also, based on its preliminary analysis (of both technical compliance and effectiveness issues) prior to the on-site, identify specific areas which it would pay more attention to during the on-site visit and in the MER. This will usually relate to effectiveness issues but could also include technical compliance issues. In doing so, the team will consult the country. In addition, delegations will be invited to provide any

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<sup>3</sup> FSRBs and their members will only be invited to provide this information where they are willing to reciprocally invite FATF members to provide the same type of information in relation to their mutual evaluations.

comments that they may have that would assist the team to focus on areas of higher risk that need increased focus.

27. Where there are potential areas of increased focus for the on-site, the assessment team should obtain and consider all relevant information and commence discussion of these areas approximately four months before the on-site, and consult the country at least two months before the on-site. The country should normally provide additional information regarding the areas which the assessment team would like to pay more attention to. While the prerogative lies with the assessment team, the areas for increased focus should, to the extent possible, be mutually agreed with the country, and should be set out in a draft scoping note. The scoping note should set out briefly (in no more than two pages) the areas for increased focus, and why these areas have been selected. The draft scoping note, along with relevant background information (e.g. the country's risk assessment(s)), should be sent to the reviewers (described in the section on quality and consistency, below) and to the country. Reviewers should, within one week of receiving the scoping note, provide their feedback to the assessment team regarding whether the scoping note reflects a reasonable view on the focus of the assessment, having regard to the material made available to them as well as their general knowledge of the jurisdiction. The assessment team should consider the merit of the reviewers' comments, and amend the scoping note as needed, in consultation with the country. The final version should be sent to the country, at least four weeks prior to the on-site, along with any requests for additional information on the areas of increased focus. The country should seek to accommodate any requests arising from the additional focus. The country should also consider holding a presentation on its risk and context at the start of the on-site visit for assessors to better evaluate the country's understanding of risks.

28. To expedite the mutual evaluation process, and to facilitate the on-site visit, the assessment team will, one week before the on-site visit, prepare a revised draft TC annex, draft TC text for MER, and an outline of initial findings/key issues to discuss on effectiveness. In order to facilitate the discussions on-site, the revised TC annex will be sent to the country at that time.

**(i) Programme for On-Site Visit (Pre-Plenary)**

29. The country (designated contact) should work with the Secretariat, and prepare a draft programme and coordinate the logistics for the on-site. The draft programme, together with any specific logistical arrangements, should be sent to the assessment team no later than eight weeks before the visit. Please see Appendix 2 for the list of authorities and businesses that would usually be involved in the on-site. To assist in their preparation, the assessment team should prepare a preliminary analysis identifying key issues on effectiveness, eight weeks before the on-site.

30. The draft programme should take into account the areas where the assessment team may want to apply increased focus. Where practical, meetings could be held in the premises of the agency/organisation being met, since this allows the assessors to meet the widest possible range of staff and to obtain information more easily. However, for some evaluations travelling between venues can be time consuming and wasteful, and generally, unless venues are in close proximity, there should be no more than two to three venues per day. The programme should be finalised at least three weeks prior to the on-site visit. The assessment team may also request additional meetings during the on-site.

31. Both in terms of the programme and more generally, the time required for interpretation, and for translation of documents, must be taken into account. During the on-site visit there also needs to be professional and well-prepared interpreters if interpretation from the country language to English/French is required. However, for the efficient use of time, meetings should generally be conducted in the language of the assessment.

**(j) Confidentiality**

32. All documents and information produced: (i) by an assessed country during a mutual evaluation exercise (e.g. updates and responses, documents describing a country’s AML/CFT regime, measures taken or risks faced (including those for which there will be increased focus), or responses to assessors’ queries); (ii) by the FATF Secretariat or assessors (e.g. reports from assessors, draft MER); and (iii) comments received through the consultation or review mechanisms, should be treated as confidential. They should only be used for the specific purposes provided and not be made publicly available, unless the assessed country and the FATF (and where applicable, the originator of the document) consents to their release. These confidentiality requirements apply to the assessment team, the Secretariat, reviewers, officials in the assessed country and any other person with access to the documents or information. In addition, at least four months before the on-site visit, the members of the assessment team and reviewers should sign a confidentiality agreement, which will include text regarding the need to declare a conflict of interest.

**ON-SITE VISIT**

33. The on-site visit provides the best opportunity to clarify issues relating to the country’s AML/CFT system, and assessors need to be fully prepared to review the 11 Immediate Outcomes relating to the effectiveness of the system, and clarify any outstanding technical compliance issues. Assessors should also pay more attention to areas where higher money laundering and terrorist financing risks are identified. Assessors must be cognisant of the different country circumstances and risks, and that countries may adopt different approaches to meet the FATF Standards and to create an effective system. Assessors thus need to be open and flexible, and seek to avoid narrow comparisons with their own national requirements.

34. Experience has shown that at least seven to eight days of meetings are required for countries with developed AML/CFT systems. A typical on-site visit could thus allow for the following.

- An initial half day preparatory meeting between the Secretariat and assessors.
- Seven to eight days of meetings<sup>4</sup> with representatives of the country, including an opening and closing meeting. Time may have to be set aside for additional or follow-up meetings, if, in the course of the set schedule, the assessors identify new issues that need to be explored, or if they need further information on an issue already discussed.

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<sup>4</sup> The assessment team should also set aside time midway through the on-site to review the progress of the mutual evaluation and where relevant, the identified areas of increased focus for the on-site initially.

- One to two days where assessors work on the draft MER (supported by the Secretariat), ensure that all the major issues that arose during the evaluation are noted in the report, and discuss and agree ratings, and key recommendations. The assessment team should provide a written summary of its key findings to the assessed country officials at the closing meeting.

35. The total length of the mission for a normal evaluation is therefore likely to be in the order of ten working days, but this could be extended for large or complex jurisdictions.

36. It is important that the assessment team be able to request and meet with all relevant agencies during the on-site. The country being evaluated, and the specific agencies met should ensure that appropriate staff are available for each meeting. The assessment team should be provided with a specific office for the duration of the on-site mission, and the room should have photocopying, printing and other basic facilities, as well as internet access.

37. Meetings with the private sector or other non-government representatives<sup>5</sup> are an important part of the visit, and generally, the assessors should be given the opportunity to meet with such bodies or persons in private, and without a government official present, if there is concern that the presence of the officials may inhibit the openness of the discussion. The team may also request that meetings with certain government agencies are restricted to those agencies only.

#### POST ON-SITE - PREPARATION OF DRAFT EXECUTIVE SUMMARY AND MER

38. There should be a minimum of twenty seven (27) weeks between the end of the on-site visit and the discussion of the MER in Plenary. The timely preparation of the MER and Executive Summary<sup>6</sup> will require the assessors to work closely with the Secretariat and the country. Depending on when the Plenary discussion is scheduled, the time period may also be extended or adjusted. In exceptional cases, and based on justified circumstances (and with the consent of the assessed country), a shorter period of time may be allowed for.

39. The steps in finalising a draft report for discussion at Plenary, and the approximate time that is required for each part, are set out in greater detail below (see also Appendix 1). With the aim to facilitate communication between the assessment team and the assessed country, the Secretariat should facilitate regular conference calls between all parties, in particular after the circulation of an updated draft MER. In their drafting of the first and second draft MER, assessors should aim to clarify as much as possible how information submitted by the assessed country was taken into account, if/where additional information is still needed, and state clearly if they are not willing to change their views on a particular topic.

<sup>5</sup> E.g. those listed in Appendix 2.

<sup>6</sup> The format for the Executive Summary and MER is contained in Annex II of the Methodology. Assessors should also pay attention to the guidance on how to complete the Executive Summary and MER, including with respect to the expected length of the MER (100 pages or less, together with a technical annex of up to 60 pages).

**(k) 1st Draft MER**

40. The assessment team will have six weeks to coordinate and refine the first draft MER (including the key findings, potential issues of note and priority recommendations to the country). The first draft MER will include the preliminary recommendations and ratings. This is then sent to the country for comments. The country will have four weeks to review and provide its comments on the first draft MER to the assessment team. During this time, the assessment team would have to be prepared to respond to queries and clarifications that may be raised by the country.

**(l) 2nd Draft MER and Executive Summary**

41. On receipt of the country's comments on the first draft MER, the assessment team will have four weeks to review the various comments and make further amendments, as well as prepare the Executive Summary. The second draft MER and Executive Summary will then be sent to the country and to the reviewers (approximately 14 weeks after the on-site). As in the case of the first draft, assessors should aim to clarify as much as possible, in writing, how specific information was taken into account in their analysis.

**(m) Initial Quality & Consistency Review**

42. As part of the FATF mutual evaluation process, there will be a quality and consistency review. The main functions of the initial reviewers are to ensure MERs are of an acceptable level of quality and consistency, and to assist both the assessment team and the assessed country by reviewing and providing timely input on the scoping note and the draft MER and Executive Summary (including any annexes) with a view to:

- Commenting on assessors' proposals for the scope of the on-site.
- Reflecting a correct interpretation of the FATF Standards and application of the Methodology (including the assessment of risks, integration of the findings on technical compliance and effectiveness, and areas where the analysis and conclusions are identified as being clearly deficient).
- Checking whether the description and analysis supports the conclusions (including ratings), and whether, based on these findings, sensible priority recommendations for improvement are made.
- Where applicable, highlighting potential inconsistencies with earlier decisions adopted by the FATF on technical compliance and effectiveness issues.
- Checking that the substance of the report is generally coherent and comprehensible.

43. The review will involve drawing on expertise from a pool of qualified volunteer experts. This pool would contain experts from FATF and FSRB delegations, FSRB Secretariat members, and the IFIs. To avoid potential conflicts, the reviewers selected for any given quality and consistency review will be from countries other than those of the assessors, and will be made known to the country and assessors in advance. Generally, three reviewers would be allocated to each assessment;

comprising two reviewers from the FATF, and one reviewer from another assessment body, each of whom could in principle focus on part of the report.

44. The reviewers will need to be able to commit time and resources to review the scoping note and the quality, coherence and internal consistency of the second draft MER, as well as consistency with the FATF Standards and FATF precedent. In doing so, the reviewers should have a copy of the comments provided by the country on the first draft MER. Reviewers need to be able to access all key supporting documents – from the assessed country’s technical compliance submission to its risk assessment. To ensure transparency, all comments from the reviewers will be disclosed to the assessors and country. The reviewers will have three weeks to examine the second draft MER and provide their comments to the assessment team. These comments will be forwarded to the assessed country. The reviewers for the quality and consistency review do not have any decision making powers or powers to change a report. It is the responsibility of the assessment team to consider the reviewers’ comments and then decide whether any changes should be made to the report. The assessment team will provide a short response to the Plenary regarding the changes it has made to the report based on the reviewers’ comments and on the decisions that it has made.

45. The assessed country will have the opportunity to submit further comments on the second draft MER, in parallel with the review process. After three weeks, the comments from the country on the second draft MER and reviewers’ as input for the face-to-face meeting.

46. Due to the nature of the peer review process, the Secretariat will work to ensure that the mutuality of the process is maintained, and members should provide qualified experts as reviewers. A list of past and forthcoming reviewers will be maintained and monitored by ECG.

#### **(n) Face-to-Face Meeting**

47. As is indicated in paragraph 44, following the conclusion of the initial review, the assessment team and the country will have three weeks to consider country and reviewers’ comments received on the second draft MER and Executive Summary, discuss likely changes and unresolved issues, and identify issues for discussion at the face-to-face meeting.

48. A face-to-face meeting is an important way to assist the country and assessment team to resolve outstanding issues. Hence, where requested by the assessed country, the assessment team (including Secretariat) and the country should have a face-to-face meeting to further discuss the second draft MER and Executive Summary. During this session, the assessment team and country should work to resolve any disagreements over technical compliance or effectiveness issues and identify potential priority issues for Plenary discussion. The face-to-face meeting should occur at least eight weeks before the Plenary (i.e. approximately 19 weeks after the on-site). As a rule, and whenever possible, the face-to-face meeting is also attended by the ECG co-chairs as this will assist the identification of key issues for Plenary discussions.

49. Subsequent to the face-to-face meeting, the assessment team will consider whether any further changes should be made to the draft MER and Executive Summary.

**(o) Identifying Issues for Plenary Discussion**

50. The revised Executive Summary and MER (third draft going to the Plenary), will then be sent to all members, associate members and observers five weeks prior to Plenary. The assessed country's comments on this draft will be circulated then as well. Where the original draft is in French, the English translation will also be distributed at this time. Delegations will have two weeks to provide any written comments on the MER and Executive Summary, and in particular, to identify any key issues that they wish to discuss in ECG/Plenary. The comments should focus on the key substantive issues, or on other high-level or horizontal aspects of the assessment, though other observations may also be made. The comments received will be made available to all delegations.

51. Based on the MER and Executive Summary, and comments received, the ECG co-chairs will engage the country, the assessment team and prepare a list of (usually five to seven) priority and substantive issues that will be discussed in ECG. This should take into account the issues that the assessed country and delegations are most keen to discuss. After consultation with the President, the list of key substantive issues for Plenary discussion will be distributed. The list of key issues for discussion in ECG would include key issues arising from the report (whether referenced by the country, the assessment team or delegations), as well as any areas of interpretation or inconsistency with other MERs adopted by the FATF.

52. The finalised list of key issues will be circulated to delegations two weeks before the Plenary discussion. Drafting amendments received on the Executive Summary or MER can be made after the Plenary, and will also take into account the decisions made. After discussions in ECG, a revised key issue document is submitted to the Plenary for discussions.

**(p) Respecting Timelines**

53. The timelines are intended to provide guidance on what is required if the reports are to be prepared within a reasonable timeframe, and in sufficient time for discussion in Plenary. It is therefore important that all parties respect the timelines.

54. Delays may significantly impact the ability of the Plenary to discuss the report in a meaningful way. The draft schedule of evaluations has been prepared so as to allow enough time between the on-site visit and the Plenary discussion. A failure to respect the timetables may mean that this would not be the case. By agreeing to participate in the mutual evaluation process, the country and the assessors undertake to meet the necessary deadlines and to provide full, accurate and timely responses, reports or other material as required under the agreed procedure. Where there is a failure to comply with the agreed timelines, then the following actions could be taken (depending on the nature of the default):

- a) Failure by the country - the FATF President may write to the head of delegation or the relevant Minister in the country. The Plenary will be advised as to reasons for deferral, and publicity could be given to the deferment (as appropriate) or other additional action considered. In addition the assessment team may have to finalise and conclude the report based on the information available to them at that time.



- b) Failure by the assessors, the reviewers or the Secretariat - the President may write a letter to or liaise with the head of delegation of the assessor or reviewer, or the FATF Executive Secretary (for the Secretariat).

55. The Secretariat will keep the Presidency advised of any failures so that the President can respond in an effective and timely way. The Plenary is also to be advised if the failures result in a request to delay the discussion of the MER.

### THE PLENARY DISCUSSION

56. The discussion of each MER and Executive Summary in Plenary (particularly the list of key issues)<sup>7</sup> will focus on high-level and key substantive issues, primarily concerning effectiveness. Where appropriate, important technical issues would also be discussed. Adequate time should always be set aside to discuss the country's response to the mutual evaluation and other issues. The discussion is likely, on average, to take three to four hours of Plenary time. The procedure for the discussion will be as follows:

- Assessment team briefly presents in high-level terms the key issues and findings from the report. The team will have the opportunity to intervene/comment on any issue concerning the Executive Summary or MER.
- Assessed country makes a short opening statement.
- The Plenary discusses the list of key issues identified by the ECG. This would usually be introduced briefly by ECG co-chairs.
- Adequate time (approximately half the Plenary's time) will be set aside to discuss the overall situation of the assessed country's AML/CFT regime and ML/TF risks, the priority actions and recommendations set out in the Executive Summary, the country's response to the mutual evaluation including any actions already taken, and the key findings.
- Time permitting, other issues could be raised from the floor, and discussed by the Plenary.

### ADOPTION OF THE MER AND EXECUTIVE SUMMARY

57. At the end of the Plenary discussion, the MER and the Executive Summary will be submitted to Plenary for adoption. The adopted report will be subject to further checks for typographical or similar errors.

58. If the MER and the Executive Summary are not agreed, then the assessors, the country and the Secretariat should prepare amendments to meet the issues raised by the Plenary. Where substantive changes are required, either because additional information is required to be added, or

<sup>7</sup> The Executive Summary will describe the key risks, the strengths and weaknesses of the system, and the priority actions for the country to improve its AML/CFT regime.

the report has to be substantially amended, then the Plenary could decide to: (a) defer adoption of the report, and agree to have a further discussion of an amended report at the following Plenary, or (b) where the required changes are less significant, adopt the report subject to it being amended, and the amended report being approved through a written process. The assessment team would be responsible for ensuring that all the changes agreed by the Plenary have been made. Following the discussion of the report, and prior to its formal adoption, the Plenary should discuss the nature of the follow-up measures that would be required (see section IX below).

59. The final report is a report of the FATF, and not simply a report by the assessors. As such, the Plenary will retain the final decision on the wording of any report, consistent with the requirements of the FATF Standards and Methodology. The Plenary will give careful consideration to the views of the assessors and the country when deciding on the wording, as well as take into account the need to ensure consistency between reports.

#### **PUBLICATION AND OTHER PROCEDURES FOLLOWING THE PLENARY (POST-PLENARY QUALITY AND CONSISTENCY REVIEW)**

60. Following the discussion of the report at the Plenary meeting, the Secretariat will amend all documents as necessary, and will circulate a revised version of the report to the country within one week of the Plenary. Within two weeks of receipt of the final version of the MER from the Secretariat, the country must confirm that the MER is accurate and/or advise of any typographical or similar errors in the MER. Care will be taken to ensure that no confidential information is included in any published report, including follow-up reports.

61. As required by the Universal Procedures for AML/CFT assessments, the Secretariat will then circulate the final version of the MER to FATF members, FSRBs and the IFIs, who have two weeks to advise the Secretariat, in writing, if they have serious concerns about the quality and consistency of the MER, and, if so, to indicate their specific concerns. Where the same specific concern(s) are identified by two or more delegations (of which at least one should have taken part in the adoption of the MER), then the Secretariat will prepare a short paper on those concerns which will include the views of the assessment team and the assessed country. The paper will then be distributed to ECG, which will decide whether the report has significant problems of quality and consistency, and, if so, refer the matter back to Plenary for consideration, including where appropriate making recommendations for appropriate action.

62. All MERs and Executive Summaries will be published on the FATF website to give timely publicity to an important part of the FATF's work:

- a) Where ECG has to consider concerns about quality and consistency the FATF will not publish the MER or Executive Summary until those issues are resolved.
- b) In any other case, the MER and Executive Summary should be published within six weeks of the Plenary meeting.

## V. EVALUATIONS OF NEW MEMBERS

63. Where a potential new member undergoes a mutual evaluation by the FATF in order to assess whether it meets the criteria for FATF membership, the procedures laid out in sections I to IV of these procedures will apply. If the criteria for membership are met, and the country is admitted as an FATF member, but if deficiencies are identified in the country's AML/CFT system, the Plenary shall apply the FATF's follow-up policy (section IX).

## VI. JOINT MUTUAL EVALUATIONS WITH FSRBS

64. The FATF's policy is that FATF members that are also members of FSRB(s) will undergo a joint evaluation by these bodies. Generally, the FATF will be the principal organiser, and will provide three assessors, while one to two assessors could be provided by the participating FSRBs. The FATF and the FSRB(s) Secretariats will participate. Reviewers should be provided by FATF, the FSRB(s), and another assessment body. To ensure adequate attention is given to consistency, a joint evaluation may use additional reviewers beyond the three set out in section IV(m). The first discussion of the MER should take place in the FATF, and given the additional measures adopted for joint evaluations, the presumption is that the FATF's view would be conclusive.

65. The process (including the FATF procedures for preparing the draft MER and Executive Summary) for joint evaluations would be the same as for other FATF evaluations, with the FSRB(s) and its/their members having opportunities to participate directly through being part of the assessment team, and also being able to provide comments and input like other delegations. FSRBs should allow reciprocal participation in mutual evaluation discussions for FATF members, and on this basis, the following measures should also apply for joint evaluations.

- A representative from the FSRB(s) will be given a specific opportunity to intervene during the Plenary discussion of the MER.
- All the FATF assessors on the assessment team are encouraged to attend the FSRB Plenary(ies) at which the joint evaluation report is considered, and at least one FATF assessor should attend the FSRB Plenary(ies). The same approach should be applied to IFI-led assessments of FATF members that are also members of FSRBs.
- In an exceptional case where a report was agreed within FATF but subsequently the FSRB identified major difficulties with the text of the report, then the FSRB Secretariat would advise the FATF Secretariat of the issues, and the issues should be discussed at the following FATF Plenary.
- Consideration will also be given to the timing of publication, if the MER has not been discussed in the FSRB(s), with a view to finding a mutually agreed publication date.
- If scheduling permits, the Plenary discussion of a joint MER may take place at a joint Plenary meeting of the FATF and the FSRB, with the full participation of all FATF and FSRB members.

66. For the evaluation of a member country of the Gulf Cooperation Council, the assessment team may adopt Arabic as the working language, provided that bilingual assessors, reviewers, and FATF and MENAFATF secretariat staff are available. In this case, laws and other documents would be provided in Arabic and meetings conducted in Arabic. The third draft report (post face-to-face meeting) would be translated into English, in time for circulation, which would be the primary language for Plenary discussion.

## VII. IMF OR WORLD BANK LED ASSESSMENTS OF FATF MEMBERS

67. The FATF is responsible for the mutual evaluation process for all of its members, and there is a presumption that the FATF will conduct the mutual evaluations<sup>8</sup> of all FATF members as part of this process. The presumption can be overridden at the discretion of the FATF Plenary on a case by case basis, with the country's agreement. For the purposes of the FATF fourth round of mutual evaluations, the FATF Plenary has discretion as to the number of FATF assessments that could be conducted by the IMF or World Bank (IFI), but the expectation is that there would be five to six IFI-led assessments during the fourth round of mutual evaluations (one a year), and such IFI-led assessments should be agreed and fixed on the same basis as other evaluations in the schedule (see section III).

68. For the FATF assessment schedule to be fixed with appropriate certainty and in a coordinated manner, the process leading to the Plenary decision as to which FATF countries will have an assessment led by an IFI team should be clear and transparent. In order for the evaluation schedule to be appropriately planned and assessment teams to be formed in sufficient time, it will be necessary for the FATF to be involved at an early stage in the process of determining which countries will be assessed by an IFI. The ECG will be informed at every Plenary as to the current status of the assessment schedule, including proposals as to whether assessments will be IFI-led, and the Plenary will decide on any such requests. Where the IMF or World Bank conduct an AML/CFT assessment as part of the FATF fourth round they should use procedures and a timetable similar to those of the FATF.

69. The FATF Plenary will in all cases have to approve an IFI assessment that is conducted under the FATF fourth round for it to be accepted as a mutual evaluation.

## VIII. CO-ORDINATION WITH THE FSAP PROCESS

70. The FATF Standards are recognised by the IFIs as one of 12 key standards and codes, for which Reports on the Observance of Standards and Codes (ROSCs) are prepared, often in the context of a Financial Sector Assessment Programme (FSAP). Under current FSAP policy, every FSAP and FSAP update should incorporate timely and accurate input on AML/CFT. Where possible, this input should be based on a comprehensive quality AML/CFT assessment, and in due course, on a follow-up assessment conducted against the prevailing standard. The FATF and the IFIs should therefore co-ordinate with a view to ensuring a reasonable proximity between the date of the FSAP mission

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<sup>8</sup> Including any follow up that may be required.

and that of a mutual evaluation or follow-up assessment conducted under the prevailing methodology, to allow for the key findings of that evaluation or follow-up assessment to be reflected in the FSAP; and members are encouraged to co-ordinate the timing for both processes internally, and with the FATF Secretariat and IFI staff.<sup>9</sup>

71. The basic products of the evaluation process are the MER and the Executive Summary (for the FATF) and the DAR and ROSC (for the IFIs)<sup>10</sup>. The Executive Summary, whether derived from a MER or follow-up assessment report, will form the basis of the ROSC. Following the Plenary, and after the finalisation of the Executive Summary, the summary is provided by the Secretariat to the IMF or World Bank so that a ROSC can be prepared, following a pro forma review.

72. The substantive text of the draft ROSC will be the same as that of the Executive Summary, though a formal paragraph will be added at the beginning:

“This Report on the Observance of Standards and Codes for the *FATF Recommendations and Effectiveness of AML/CFT Systems* was prepared by the Financial Action Task Force (FATF). The report provides a summary of [the/certain]<sup>11</sup> AML/CFT measures in place in [Jurisdiction] as at [date], the level of compliance with the FATF Recommendations, the level of effectiveness of the AML/CFT system, and contains recommendations on how the latter could be strengthened. The views expressed in this document have been agreed by the FATF and [Jurisdiction], but do not necessarily reflect the views of the Boards or staff of the IMF or World Bank.”

## IX. FOLLOW-UP PROCESS

73. The follow-up process is intended to: (i) encourage members’ implementation of the FATF Standards; (ii) provide regular monitoring and up-to-date information on countries’ compliance with the FATF Standards (including the effectiveness of their AML/CFT systems); (iii) apply sufficient peer pressure and accountability; and (iv) better align the FATF and FSAP assessment cycle.

74. Following the discussion and adoption of a MER, the country could be placed in either regular or enhanced follow-up. Regular follow-up is the default monitoring mechanism for all countries.

<sup>9</sup> If necessary, the staff of the IFIs may supplement the information derived from the ROSC to ensure the accuracy of the AML/CFT input. In instances where a comprehensive assessment or follow-up assessment against the prevailing standard is not available at the time of the FSAP, the staff of the IFIs may need to derive key findings on the basis of other sources of information, such as the most recent assessment report, and follow-up and/or other reports. As necessary, the staff of the IFIs may also seek updates from the authorities or join the FSAP mission for a review of the most significant AML/CFT issues for the country in the context of the prevailing standard and methodology. In such cases, staff would present the key findings in the FSAP documents: however, staff would not prepare a ROSC or ratings.

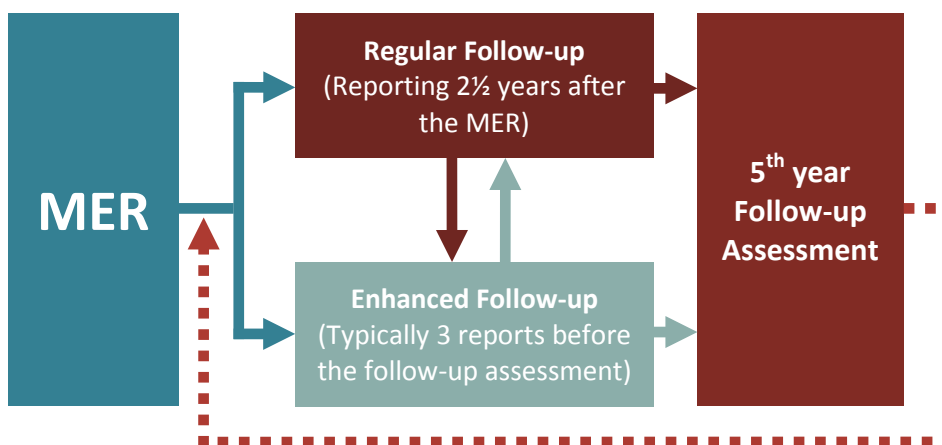
<sup>10</sup> The DAR and ROSC use the common agreed template that is annexed to the Methodology and have the same format, although the ROSC remains the responsibility and prerogative of the IMF/World Bank.

<sup>11</sup> For ROSCs based on an MER, the word “the” should be used; for ROSCs based on a MER follow-up assessment, the alternative wording “certain” would be used (since the follow-up assessment is not a comprehensive one)

Enhanced follow-up is based on the FATF’s traditional policy that deals with members with significant deficiencies (for technical compliance or effectiveness) in their AML/CFT systems, and involves a more intensive process of follow-up.

75. Whether under regular or enhanced follow-up, the country will have a follow-up assessment after five years. This is intended to be a targeted but more comprehensive report on the countries’ progress, with the main focus being on areas in which there have been changes, high risk areas identified in the MER or subsequently, on the priority areas for action. A schematic of the 4<sup>th</sup> round process is included below.

Figure 1. **Process of the 4<sup>th</sup> Round of Mutual Evaluations**



76. Countries may seek re-ratings for technical compliance before the 5<sup>th</sup> year follow-up assessment as part of the follow-up process. The general expectation is for countries to have addressed most if not all of the technical compliance deficiencies by the end of the 3<sup>rd</sup> year, and the effectiveness shortcomings by the time of the follow-up assessment.

**(a) Regular Follow-up**

77. Regular follow-up will be the default mechanism to ensure a continuous and on-going system of monitoring. This is the minimum standard that will apply to all members. Countries subject to regular follow-up will report back to the Plenary after two-and-a-half year from the adoption of the country’s MER, and will be subject to a follow-up assessment after five years.

**(b) Enhanced Follow-up**

78. The Plenary may decide, at its discretion, that the country should be placed in enhanced follow-up, which would result in the country reporting back more frequently than for regular follow-up. Countries in enhanced follow-up would typically first report back four Plenary meetings after the adoption of the country’s MER, and subsequently report twice more at intervals of three Plenary meetings. Plenary retains the discretion to vary the specific frequency of reporting. Minor technical compliance issues remaining after the third follow-up report (or the first report for regular follow-up) will be assessed during the follow-up assessment after the fifth year.

79. In deciding whether to place a country in enhanced follow-up, the Plenary would consider the following factors:

- a) After the discussion of the MER: a country will be placed immediately into enhanced follow-up if any one of the following applies:
  - (i) it has 8 or more NC/PC ratings for technical compliance, or
  - (ii) it is rated NC/PC on any one or more of R.3, 5, 10, 11 and 20, or
  - (iii) it has a low or moderate level of effectiveness for 7 or more of the 11 effectiveness outcomes, or
  - (iv) it has a low level of effectiveness for 4 or more of the 11 effectiveness outcomes.
- b) After the discussion of a regular follow-up report or the 5th year follow-up assessment: the Plenary could decide to place the country into enhanced follow-up at any stage, if a significant number of priority actions have not been adequately addressed on a timely basis.

80. In addition to more frequent reporting, the Plenary may also apply other enhanced measures to countries placed in enhanced follow-up, particularly if satisfactory progress is not achieved. Possible enhanced measures include:

- a) A letter could be sent from the FATF President to the relevant minister(s) in the member jurisdiction drawing attention to the lack of compliance with the FATF Standards.
- b) A high-level mission could be arranged to the member jurisdiction to reinforce this message. This mission would meet with Ministers and senior officials.
- c) In the context of the application of Recommendation 19 by its members, issuing a formal FATF statement to the effect that the member jurisdiction is insufficiently in compliance with the FATF Standards, and recommending appropriate action, and considering whether additional counter-measures are required.
- d) Suspending the jurisdiction's membership of the FATF until the prioritized recommendations have been implemented. Suspension would mean that the country would be considered as a non-member of the FATF for the period of the suspension, would not be able to attend FATF meetings or provide input into FATF processes except for the process to determine whether deficiencies have been adequately addressed.
- e) Terminate the membership of the jurisdiction.

81. Countries may move to regular follow-up at any time during the enhanced follow-up process in the following situations:

- a) Where the country entered enhanced follow-up on the basis of meeting a criterion in paragraph 79(a), the Plenary may decide that the country will be moved from

enhanced to regular follow-up following Plenary’s decision that the country no longer meets any of those criteria (i.e., after approving a request for re-ratings).

- b) The Plenary also has the discretion to decide to move the country to regular follow-up at any time it is satisfied that the country has made significant progress against the priority actions in its MER or has taken satisfactory action to address its deficiencies, even if the country still meets a criterion in paragraph 79(a).

82. Where countries in enhanced follow-up move to regular follow-up, the Plenary will decide the timing of the country’s next regular follow-up report or of the follow-up assessment.

### (c) Follow-up Reports

83. In preparation for the follow-up reports, the country will provide an update to the Secretariat setting out the actions it has taken or is taking to address the priority actions and recommendations, and deficiencies in its MER.

- **For regular follow-up reports**, as the expectation is that significant progress would have been made in the two-and-a-half year period since the MER was adopted, the report should focus on re-ratings for technical compliance and/or demonstrating progress in addressing the shortcomings in the MER.
- **For enhanced follow-up**, the first follow-up report should at least contain an outline of the country’s strategy for addressing the issues identified in their MER and exiting enhanced follow-up, for Plenary’s information. If not already contained in the first follow-up report, subsequent reports should focus on re-ratings for technical compliance and/or demonstrating progress in addressing the shortcomings in the MER.

84. The country will be asked to submit information regarding technical compliance (which may be used to justify re-ratings) and effectiveness (for information only).

- **Technical compliance updates** should be provided in a similar format to the Mutual Evaluation technical compliance questionnaire (see Appendix 3), in relation to the shortcomings identified in the MER.
- **Effectiveness updates** should include any information that goes towards addressing the priority actions or recommendations in the MER, such as the lists in the FATF Methodology on the Examples of Information that could support the conclusions on Core Issues for each Immediate Outcome. As with the Mutual Evaluation process, there is no fixed format for the effectiveness update.

85. Although effectiveness will not be re-assessed until the follow-up assessment, updates on effectiveness facilitate a better understanding by the FATF of the progress made over time. Plenary may refer to such updates in determining whether to move a country from enhanced follow-up to regular follow-up (or vice versa), or whether to apply other enhanced measures to countries in enhanced follow-up that do not achieve satisfactory progress.



86. Re-ratings for technical compliance will need to be approved by Plenary. Where a country wishes to seek technical compliance re-ratings, the update by the country should be submitted to the Secretariat at least 6 months in advance of Plenary meetings.

- **Peer review principle.** Assessments of a country's request for technical compliance re-ratings and preparation of the summary report will be undertaken by other members, consistent with the peer review principle of the Mutual Evaluation process.
- **Composition of the group of experts.** The group of experts may include those who were involved in that country's Mutual Evaluation, but may also consist of other experts nominated by their delegation or assigned by the ECG, if necessary. The experts will be chosen from a subgroup of delegations (open to all delegations to participate in) that will coordinate the analysis of re-ratings requests and conduct its business in writing. Experts from the subgroup will be assigned by the ECG Co-Chairs to review re-rating requests. The number of experts assigned to a report, and their expertise, will depend on the nature of the particular re-rating request.
- **Reporting of analysis and recommendations.** The group of experts should submit their analysis at least four weeks before the ECG/Plenary meeting for comments to all members, who have two weeks to comment on the draft. Depending on the comments received, the follow-up report may be first discussed at ECG before Plenary.
- **Consideration of follow-up reports.** All follow-up reports will be considered by Plenary, either as a discussion or information item. Follow-up reports may in some instances be first discussed at ECG but Plenary remains the only decision-making body.
- **Continued involvement of Secretariat.** The Secretariat will assist experts in achieving consistency in the application of the FATF Standards and Methodology, and will equally support the countries in follow-up. The Secretariat will also advise the ECG/Plenary on process and procedural issues (e.g., in cases where no progress has been made).

87. Follow-up reports that do not involve re-ratings should be submitted at least 2 months in advance of the relevant Plenary meeting. The Secretariat will conduct a desk-based analysis, and prepare a summary report with a cover note solely focusing on the follow-up process and progress.

88. In preparing the analysis and summary report for Plenary, the original assessors may be consulted, if available. The analysis and summary report will be provided to the country for its comments before it is sent to delegations. The report will contain a recommendation regarding the next step in the follow-up process.

89. Considering time constraints, ECG/Plenary may opt to prioritise follow-up reports for discussion that receive written comments and/or involve substantive issues. Examples of substantive issues include, but are not limited to:

- Requests for technical compliance re-ratings.
- Significant changes in a country leading to a decline in technical compliance or effectiveness.
- Insufficient progress made by a country against the priority actions in its MER.
- Recommendations to place a country in or out of enhanced follow-up.

#### **(d) 5th Year Follow-up Assessment**

90. The follow-up assessment is intended to provide a more comprehensive update on the country's AML/CFT regime. It is intended to serve a similar function as an update that is part of a country's Financial Sector Assessment Programme. This takes place five years after the adoption of the country's MER, and will occur regardless of whether the country has been in regular or enhanced follow-up. Should a country request to undertake its follow-up assessment before the fifth year, Plenary may approve the request on a case-by-case basis, considering the FATF's work plan and the available resources of members, ECG/Plenary, and the Secretariat.

91. The focus of the follow-up assessment is on the progress made by the country on the priority actions in its MER, and other areas where the country had significant deficiencies. The follow-up assessment could also examine any areas where the Standards had changed since the MER, other elements of the country's AML/CFT regime which had changed significantly as well as high risk areas identified in the MER or noted subsequently in the follow-up process.

92. The process for the follow-up assessment should include a short (2-3 days) on-site visit to assess improvements in effectiveness and other areas. This on-site visit is to be conducted by a small team of (e.g., one to three) experts drawn from countries (preferably experts that were on the original assessment team), and supported by the Secretariat. The team would prepare a progress assessment report for Plenary discussion and decision. Re-ratings on both technical compliance and effectiveness are possible, and Plenary will decide whether the country should then be placed in regular or enhanced follow up, with the process continuing as previously.

#### **(e) Publication of Follow-Up Reports**

93. The FATF publication policy applies to actions taken under the FATF's follow-up policy. Regular follow-up reports and follow-up assessment reports will be published. The Plenary will retain flexibility on the frequency with which enhanced follow-up reports are published, but they will be published whenever there is a re-rating.

94. For follow-up reports, only the technical compliance analysis is published by the FATF, as effectiveness updated are not analysed and discussed by Plenary until the follow-up assessment. Analysis of effectiveness will be included in the publication of the follow-up assessment. If requested by a country, a link will be provided from the FATF website to a website of the country on which it has placed additional updates or other information relevant to the actions it has taken to enhance its AML/CFT system, including for effectiveness.

## APPENDIX 1 – TIMELINES FOR THE 4<sup>TH</sup> ROUND MUTUAL EVALUATION PROCESS

| Date <sup>12</sup>                   | Week | Key Indicative Milestones <sup>13</sup>  |  |                      |
|--------------------------------------|------|--|--|----------------------|
|                                      |      | <i>for Assessment Team</i>   | <i>for the Country<sup>14</sup></i>  | <i>for Reviewers</i> |
| At least 6 months before the on-site | -26  | <ul style="list-style-type: none"> <li>■ Commence research and desk-based review on technical compliance (TC).</li> <li>■ Confirm (or find) assessors drawn from countries which had volunteered<sup>15</sup>. President to formally advise country of the assessors once confirmed.</li> <li>■ Invite delegations to provide information about (a) assessed country’s risk situation and any specific issues which should be given additional attention by assessors, (b) their international cooperation experiences with the assessed country.</li> </ul> | <ul style="list-style-type: none"> <li>■ Designate contact point(s) or person(s) and set up an internal coordination mechanisms (as necessary)<sup>16</sup>.</li> <li>■ Respond to technical compliance update by providing updated information on new laws and regulations, guidance, institutional framework, risk and context.</li> </ul> |                      |

<sup>12</sup> Differences between the timeline expressed in months and the timeline expressed in weeks are part of the flexibility that assessors and the assessed country have when determining the calendar.

<sup>13</sup> Interaction between assessors, secretariat and country is a dynamic and continuous process. The assessment team should engage the assessed country as soon and as much as reasonably possible, and seeking and provision of information will occur throughout the process. Countries should respond to queries raised by assessment team in a timely manner.

<sup>14</sup> The country would have to commence preparation and review of its AML/CFT regime for compliance with the FATF Standards more than six months prior to the on-site.

<sup>15</sup> The assessment team should comprise at least four assessors, including at least one legal, law enforcement, and financial expert. Depending on the country and risks, additional assessors with the relevant expertise may be sought.

<sup>16</sup> Contact person(s) should ideally be familiar or trained in the FATF Standards before the commencement of the process.

| Date <sup>12</sup>                | Week | Key Indicative Milestones <sup>13</sup>   |  |   |
|-----------------------------------|------|---|--|---|
|                                   |      | <i>for Assessment Team</i>  | <i>for the Country<sup>14</sup></i>  | <i>for Reviewers</i>  |
| 6 months before the on-site       | -26  | <ul style="list-style-type: none"> <li>■ Prepare preliminary draft TC annex.</li> <li>■ Analyse country's assessment of risk and discuss potential areas of increased focus for on-site<sup>17</sup>.</li> <li>■ Confirm reviewers (drawn from pool of experts).</li> </ul>   | <ul style="list-style-type: none"> <li>■ Provide response on effectiveness based on the 11 Immediate Outcomes and the underlying Core Issues (including as relevant supporting information and data).</li> </ul> |   |
| 3 months before the on-site visit | -13  | <ul style="list-style-type: none"> <li>■ Send first Draft of TC annex (need not contain ratings or recommendations) to country for comments.</li> </ul>   | <ul style="list-style-type: none"> <li>■ Contact point(s) or person(s) to engage Secretariat to prepare for the on-site.</li> </ul>  |   |
| 2 months before the on-site visit | -9   | <ul style="list-style-type: none"> <li>■ Advise and consult country on preliminary areas of increased focus for on-site. This could involve preliminary discussions on the assessment team's impressions on the country's ML/TF risks.</li> <li>■ Send draft scoping note to reviewers.</li> <li>■ Prepare a preliminary analysis identifying key issues on effectiveness.</li> </ul> | <ul style="list-style-type: none"> <li>■ Provide comments on draft TC assessment.</li> <li>■ Provide draft programme for on-site visit to the assessment team.<sup>18</sup></li> </ul>                           | <ul style="list-style-type: none"> <li>■ Review draft scoping note</li> </ul> |
| 1 month before the on-site visit  | -4   | <ul style="list-style-type: none"> <li>■ Final date for members and FSRBs to provide specific information on their international co-operation experiences with the country.</li> <li>■ Finalise areas of increased focus for on-site visit, and key government agencies and private sector to bodies meet.</li> </ul>   |  |   |

<sup>17</sup> This may identify a need to request additional experts with other specific expertise for the assessment team.

<sup>18</sup> Contact point(s) or person(s) to identify and inform key government agencies and private sector bodies that would be involved for the on-site.

| Date <sup>12</sup>                     | Week | Key Indicative Milestones <sup>13</sup>   |   |                      |
|--|------|---|---|----------------------|
|  |      | <i>for Assessment Team</i>  | <i>for the Country<sup>14</sup></i>   | <i>for Reviewers</i> |
| At least 3 weeks before the on-site    | -3   | <ul style="list-style-type: none"> <li>Finalise programme and logistics arrangements for on-site.</li> </ul>  |   |                      |
| At least 2 week before the on-site     | -2   | <ul style="list-style-type: none"> <li>Assessment team to prepare revised draft TC annex, draft TC text for MER, and outline of initial findings/key issues to discuss on effectiveness. Where possible a working draft MER prepared. Revised draft TC annex sent to country.</li> </ul>                                    | <ul style="list-style-type: none"> <li>Country to provide responses to any outstanding questions from the assessment team.</li> </ul> |                      |
| <b>On-site Visit</b>                   |      |   |   |                      |
| Usually 2 weeks (but may vary)         | 0    | <ul style="list-style-type: none"> <li>Conduct opening and closing meetings with country. A written summary of key findings is to be provided at the closing meeting.</li> <li>Where relevant, assessment team to review the identified areas for greater focus for the on-site.</li> <li>Discuss and draft MER.</li> </ul> |   |                      |
| <b>After the on-site visit</b>         |      |   |   |                      |
| Within 6 weeks of on-site visit        | 6    | <ul style="list-style-type: none"> <li>Assessment team to prepare the complete first draft MER and send to country for comments.</li> </ul>   |   |                      |
| Within 4 weeks of receipt of draft MER | 10   | <ul style="list-style-type: none"> <li>Review and provide inputs on queries that country may raise.</li> </ul>  | <ul style="list-style-type: none"> <li>Respond to first draft MER.</li> </ul>   |                      |

| Date <sup>12</sup>                           | Week | Key Indicative Milestones <sup>13</sup>   |  |   |
|--|------|---|--|---|
|  |      | <i>for Assessment Team</i>  | <i>for the Country<sup>14</sup></i>  | <i>for Reviewers</i>  |
| Within 4 weeks of receiving country comments | 14   | <ul style="list-style-type: none"> <li>Review country's response on first draft of MER. Prepare and send second draft MER to country and reviewers. Send country comments to reviewers.</li> </ul>  |  |   |
| Minimum – 10 weeks before the Plenary        | 17   | <ul style="list-style-type: none"> <li>Engage the assessed country to discuss further changes to the draft MER, and identify issues for discussion at the face-to-face meeting.</li> <li>Circulate second set of assessed country comments, reviewers' comments, and assessment team's responses to reviewers, to the ECG team in the FATF secretariat.</li> </ul>  | <ul style="list-style-type: none"> <li>Respond to second draft MER.</li> </ul> | <ul style="list-style-type: none"> <li>Provide comments on second draft MER.</li> </ul> |
| Minimum – 8 weeks before the Plenary         | 19   | <ul style="list-style-type: none"> <li>Conduct face-to-face meeting to discuss the second draft MER &amp; ES.</li> <li>Work with country to resolve disagreements and identify potential priority issues for Plenary discussions.</li> <li>If French language assessment, send final draft MER &amp; ES for translation. [Teams may consider starting their assessment process earlier to have additional translation time].</li> </ul> |  |   |
| Minimum - 5 weeks before Plenary             | 22   | <ul style="list-style-type: none"> <li>Send final draft MER &amp; ES, together with reviewers comments, assessed country's views and assessment team response to all delegations for comments (two weeks).</li> </ul>   |  |   |

| Date <sup>12</sup>               | Week | Key Indicative Milestones <sup>13</sup>  |   |                      |
|----------------------------------|------|--|---|----------------------|
|                                  |      | <i>for Assessment Team</i>   | <i>for the Country<sup>14</sup></i>   | <i>for Reviewers</i> |
| Minimum – 3 weeks before Plenary | 24   | <ul style="list-style-type: none"> <li>■ Deadline for written comments from delegations.</li> </ul>  |   |                      |
| Two-week period before Plenary   | 25   | <ul style="list-style-type: none"> <li>■ Engage country and assessors on priority issues, and other comments received on MER or ES.</li> <li>■ Circulate (a) compilation of delegation comments, and (b) finalised list of priority issues to be discussed in Plenary.</li> <li>■ Review and provide inputs on priority issues, and other comments received on MER or ES.</li> </ul> | <ul style="list-style-type: none"> <li>■ Work with assessment team on priority issues, and other comments received on MER or ES.</li> </ul> |                      |
| Plenary Week                     | 27   | <p><b><u>Discussion of MER*</u></b></p> <ul style="list-style-type: none"> <li>■ The Executive Summary is to be published at the end of the Plenary week together with any official communication from the FATF.</li> </ul>  |   |                      |

**Post Plenary – Publication and Finalisation of MER\***

The MER adopted by Plenary is to be published as soon as possible, and within six weeks, once the assessment team has reviewed it to take into account additional comments raised in Plenary, and the country confirms that the report is accurate and/or advises of any consistency, typographical or similar errors in the MER. This period to publication is inclusive of any post-Plenary quality and consistency review as required by the Universal Procedures for AML/CFT assessments.

## APPENDIX 2 – AUTHORITIES AND BUSINESSES TYPICALLY INVOLVED FOR ON-SITE VISIT

### Ministries:

- Ministry of Finance.
- Ministry of Justice, including central authorities for international co-operation.
- Ministry of Interior.
- Ministry of Foreign Affairs.
- Ministry responsible for the law relating to legal persons, legal arrangements, and non-profit organisations.
- Other bodies or committees to co-ordinate AML/CFT action, including the assessment of the money laundering and terrorist financing risks at the national level.

### Criminal justice and operational agencies:

- The FIU.
- Law enforcement agencies including police and other relevant investigative bodies.
- Prosecution authorities including any specialised confiscation agencies.
- Customs service, border agencies, and where relevant, trade promotion and investment agencies.
- If relevant - specialised drug or anti-corruption agencies, tax authorities, intelligence or security services.
- Task forces or commissions on ML, FT or organised crime.

### Financial sector bodies:

- Ministries/agencies responsible for licensing, registering or otherwise authorising financial institutions.
- Supervisors of financial institutions, including the supervisors for banking and other credit institutions, insurance, and securities and investment.
- Supervisors or authorities responsible for monitoring and ensuring AML/CFT compliance by other types of financial institutions, in particular bureaux de change and money remittance businesses.



- Exchanges for securities, futures and other traded instruments.
- If relevant, Central Bank.
- The relevant financial sector associations, and a representative sample of financial institutions (including both senior executives and compliance officers, and where appropriate internal auditors).
- A representative sample of external auditors.

**DNFBP and other matters:**

- Casino supervisory body;
- Supervisor or other authority or Self-Regulatory Body (SRB) responsible for monitoring AML/CFT compliance by other DNFBPs;
- Registry for companies and other legal persons, and for legal arrangements (if applicable);
- Bodies or mechanisms that have oversight of non-profit organisations, for example tax authorities (where relevant);
- A representative sample of professionals involved in non-financial businesses and professions (managers or persons in charge of AML/CFT matters (e.g. compliance officers) in casinos, real estate agencies, precious metals/stones businesses as well as lawyers, notaries, accountants and any person providing trust and company services);
- Any other agencies or bodies that may be relevant (e.g. reputable academics relating to AML/CFT and civil societies).

Efficient use has to be made of the time available on-site, and it is therefore suggested that the meetings with the financial sector and DNFBP associations also have the representative sample of institutions/DNFBP present.

## APPENDIX 3 – QUESTIONNAIRE FOR TECHNICAL COMPLIANCE UPDATE

### BACKGROUND AND KEY DOCUMENTS

Countries should list the principal laws and regulations in their AML/CFT system, and give a brief, high-level summary of their scope. The (translated) text of these laws should be provided to assessors. It is preferable to assign each document a unique number or name to ensure references are consistent. These numbers should be listed here.

Countries should list the main competent authorities responsible for AML/CFT policy and operations, and summarise their specific AML/CFT responsibilities.

Countries could also briefly note any significant changes to their AML/CFT system which have taken place since the last evaluation or since they exited the follow-up process. This includes new AML/CFT laws, regulations and enforceable means and new competent authorities, or significant reallocation of responsibility between competent authorities.

1. *[Example – “The principal laws relevant to AML/CFT are:*

- *Money Laundering Act (1963) (document L1) – establishes a criminal offence of money laundering*
- *Proceeds of Crime Act (2007) (document L2) – sets a legal framework for confiscation of the proceeds of crime*
- *National Security Act (2005) (document L3) – establishes a criminal offence of terrorist financing and a legal framework for implementing targeted financial sanctions*
- *Financial Sector Act (1999) (document L4) – provides the legal basis for financial sector regulation and supervision and sets out the basic AML/CFT obligations on firms.*

2. *[Optional: Example – “Since the last evaluation, Country X has passed the ‘Law on Suspicious Transaction Reporting (2009)’ and established an FIU. Responsibility for investigating suspicious transactions has been transferred from the Ministry of Interior to the FIU.*

### RISK AND CONTEXT

Countries should provide assessors with available documents about the ML/TF risks in their country. They should list each document they provide, and briefly describe their scope. Countries should also note any important considerations about risk and context which they wish to bring to the attention of assessors. This should not duplicate information included in the documents provided. If countries wish to highlight specific contextual factors, they should provide documentation on these.

Countries should describe the size and structure of their financial and DNFBP sectors, using the tables in Annex I.

### TECHNICAL COMPLIANCE INFORMATION

Countries should provide information on their technical compliance with each of the Criteria used in the FATF Methodology.

For each criterion, countries should, as a minimum, set out the reference (name of instrument, article or section number) that applies. Countries should always specifically refer to the specific clauses of their laws, enforceable means, or other mechanisms which are relevant to each criterion. If necessary countries should also briefly explain the elements of their laws, enforceable means, or other mechanisms which implement the criterion, (e.g. an outline of the procedures followed, or an explanation of the interaction between two laws). Countries could also note whether the law or enforceable means referred to has changed since the last MER or follow-up report.

The (translated) text of all relevant laws, enforceable means, and other documents should be provided separately (but as early as possible).

Countries should provide brief factual information only – there is no need for lengthy argument or interpretation. There is no need to set out each criterion in full. Information could be provided in the following form:

#### Recommendation 1

##### Criterion 1.1

86. *[Example – “Country X has conducted separate risk assessments on Money Laundering (attached as document R1) and on Terrorist Financing (edited public version attached as document R2). These risk assessments are both used as the basis for the National Strategic Plan on AML/CFT (attached as document R3) which brings together both ML and TF risks.”]*

##### Criterion 1.2

87. *[Example – “The Minister of Finance has overall responsibility for AML/CFT. The National Strategic Plan on AML/CFT (document R3) assigns responsibility for ML risk assessment to the National Police Authority (page 54), and for TF risk assessment to the Interior Ministry (page 55). Actions are coordinated through the National AML/CFT Coordinating Committee (terms of reference on page 52).”]*

##### Criterion 1.3

88. *[Example – “Both ML and TF risk assessments are required to be updated on an annual basis (document R3, pages 54, 55)”]*

##### Criterion 1.4

89. *[Example – “The ML risk assessment is a public document (document R1). The TF risk assessment is confidential but available to selected staff of all relevant competent authorities. A public*

*version of the TF assessment is prepared which sets out key findings for financial institutions, and DNFBPs (document R2).”]*

*etc.*

**ANNEX 1 TO THE QUESTIONNAIRE FOR TECHNICAL COMPLIANCE UPDATE:  
SIZE AND STRUCTURE OF THE FINANCIAL AND DNFBP SECTORS**

**AML/CFT PREVENTIVE MEASURES FOR FINANCIAL INSTITUTIONS AND DNFBPS (R.10 TO R.23)**

| <b>Type of Entity*</b>                      | <b>No. Licensed / Regulated / Registered</b> | <b>AML/CFT Laws** / Enforceable Means for Preventive Measures</b> | <b>Date in Force or Last Updated (where applicable)</b> | <b>Other additional Information (e.g. highlights of substantive changes etc.)***</b> |
|---|--|---|---|--|
| <b>Banks</b>                                |  |   |   |  |
| <b>Life Insurers</b>                        |  |   |   |  |
| <b>Securities</b>                           |  |   |   |  |
| <b>MVTS</b>                                 |  |   |   |  |
| <b>Casinos</b>                              |  |   |   |  |
| <b>Lawyers</b>                              |  |   |   |  |
| <b>Notaries</b>                             |  |   |   |  |
| <b>Accountants</b>                          |  |   |   |  |
| <b>Precious Metals &amp; Stones Dealers</b> |  |   |   |  |
| <b>Trust and Company Service Providers</b>  |  |   |   |  |
| <b>Others</b>                               |  |   |   |  |

\* Additional rows may be added for other type of financial institutions and DNFBPs. Countries may also choose to have more granular and specific classification of the types of financial institutions and DNFBPs.

\*\* Countries should indicate the specific provisions in the AML/CFT laws that set out the CDD, record keeping and STR reporting obligations.

\*\*\* Where there have been changes since its last update or where relevant, countries should also set out the specific provisions in the AML/CFT laws or enforceable means and key highlights of the obligations for other preventive measures (e.g. politically exposed persons (PEPs), wire transfers, internal controls and foreign branches and subsidiaries etc.).

**LEGAL PERSONS AND ARRANGEMENTS (R.8, R.24 AND R.25)**

| Type of Legal Persons / Arrangements* | No. Registered<br><i>(where available)</i> | Applicable Laws / Regulations / Requirements | Date in Force or Last Updated<br><i>(where applicable)</i> | Other additional Information<br><i>(e.g. highlights of substantive changes etc.)**</i> |
|---------------------------------------|--|--|--|--|
|                                       |  |  |  |  |
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\* Additional rows may be added for other type of legal persons or arrangements. Countries may also choose to have more granular and specific classification of the types of legal persons or arrangements.

\*\* Countries should indicate the specific provisions in the applicable laws / regulations / requirements and key highlights that set out the obligations to maintain the requisite information in R.24 (e.g. basic and beneficial ownership) and R.25 (e.g. settlors, trustees, protectors (if any), the (class of) beneficiaries, and any other natural person exercising control) respectively.