APG Third Round Mutual Evaluation Procedures

2019

Asia/Pacific Group on Money Laundering

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Table of Abbreviations

AML/CFT	Anti-money laundering/countering the financing of terrorism (also used for *combating the financing of terrorism*)
C	Compliant
DNFBP	Designated non-financial business and profession
ECG	Evaluations and Compliance Group (of the FATF)
ES	Executive summary
FATF	Financial Action Task Force
FIU	Financial intelligence unit
FSAP	Financial Sector Assessment Programme
FSRB	FATF-Style Regional Body
FUA	Follow-up assessment
FUR	Follow-up report
GIFCS	Group of International Finance Centre Supervisors
IO	Immediate Outcome
IFI	International Financial Institution (IMF and World Bank)
LC	Largely compliant
ME	Mutual evaluation
MER	Mutual evaluation report (including executive summary)
MEC	Mutual Evaluation Committee (of the APG)
ML	Money laundering
NC	Non-compliant
PC	Partially compliant
TC	Technical compliance
TF	Terrorist financing

APG THIRD ROUND MUTUAL EVALUATION PROCEDURES FOR AML/CFT 2019

Introduction

1. The APG is conducting a third round of mutual evaluations (MEs) of its members based on the FATF Recommendations (2012), and the Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of anti-money laundering / counter financing of terrorism (AML/CFT) Systems ("the 2013 Assessment Methodology"), as amended from time to time. This document sets out the procedures that are the basis for that third round of mutual evaluations.

Background

2. The FATF's *High-Level Principles and Objectives for the relationship between the FATF and the FSRBs* sets out that there will be a set of core elements which should apply to all AML/CFT assessment bodies, which are set out in the *FATF's Consolidated Processes and Procedures for Mutual Evaluations and Follow-Up ("Universal Procedures").* Under the *Universal Procedures,* all AML/CFT assessment bodies (i.e. FATF, FATF-style regional bodies (FSRBs), IMF and the World Bank) will conduct the next round of assessments in accordance with the FATF 2013 Methodology as updated from time to time. In principle, FSRBs' and International Financial Institutions' (IFI) assessment procedures should be the same as, or close to, those of the FATF, although with some flexibility in the procedural arrangements. The *Universal Procedures* call on all AML/CFT assessment bodies to periodically update their procedures to remain in keeping with the Universal Procedures when the Universal Procedures are updated. All FSRBs' and IFIs' evaluation procedures will be checked against the updated *Universal Procedures.*

3. A the APG's 2013 Annual Meeting, APG members agreed that the APG would use the 2013 Assessment Methodology for the APG's third round of MEs. At the APG's 2014 Annual Meeting, APG members adopted the APG Third Round Mutual Evaluation Procedures, which were based on the FATF's February 2014 *Universal Procedures*.

4. The FATF has adopted amendments to its *Universal Procedures* each year since 2016. The APG has considered and adopted amendments to the APG Third Round Mutual Evaluation Procedures for AML/CFT each year. This includes incorporating changes arising from the amended Universal Procedures and other refinements taking into account the circumstances and processes of the APG and members' experience in applying the procedures. A list of the previous amendments to these procedures is included at Annex 1.

5. At the APG's 2019 Annual Meeting, APG members adopted further amendments and refinements to these procedures.

I. Scope, Principles and Objectives for the APG's Third Round

6. Using the 2013 Assessment Methodology, APG members (and observers, where agreed by members) may be assessed in one of four ways:

i. by an APG mutual evaluation;

ii. by a joint FATF/APG evaluation, or by the International Monetary Fund (IMF) or World Bank, for members of the APG who are also members of the FATF. Where the member is also a

member of another FATF-style regional body (FSRB), the evaluation may be conducted as a joint FATF/APG/FSRB evaluation;

iii. by a joint APG/FSRB or Group of International Finance Centre Supervisors (GIFCS) evaluation, or the IFIs, for members of the APG who are also members of another FSRB or the GIFCS, but not members of the FATF; or

iv. by an IFI assessment.

7. In each case, the APG will need to consider and adopt the mutual evaluation report (MER), or detailed assessment report (DAR) when the evaluation is conducted by an IFI, of the APG member, irrespective of which body undertook the evaluation.

8. As set out in the 2013 Assessment Methodology, the scope of evaluations will involve two inter-related components: technical compliance (TC) and effectiveness. The TC component will assess whether the necessary laws, regulations or other required measures are in force and effect, and whether the supporting AML/CFT institutional framework is in place. The effectiveness component will assess whether the AML/CFT systems are working, and the extent to which the member is achieving the defined set of outcomes.

9. There are a number of general principles and objectives that govern procedures for APG MEs, as well as assessments conducted by the FATF, other FSRBs, IMF or World Bank. The procedures should:

i. Produce objective and accurate reports of a high standard in a timely way.

ii. Ensure that there is a level playing field, whereby MERs, including the executive summaries, are consistent, especially with respect to the findings, the recommendations and ratings.

iii. Ensure that there is transparency and equality of treatment, in terms of the assessment process, for all members assessed.

iv. Seek to ensure that the evaluations and assessment exercises conducted by all relevant organisations and bodies (APG, FATF, IMF, World Bank, other FSRBs, GIFCS) are equivalent, and of a high standard.

v. (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.

vi. Be sufficiently streamlined and efficient to ensure that there are no unnecessary delays or duplication in the process and that resources are used effectively.

vii. Make it clear that the onus is on the member being assessed to demonstrate that it has complied with the Standards and that its AML/CFT regime is effective.

viii. Specify that 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 the time of, or will be in force and effect by the end of, the on-site visit.

10. Members are responsible for starting preparation for their ME as they see fit in order to meet the requirements laid out in these procedures and the assessment methodology. Preparation may include undertaking or updating risk assessment(s); forming an ME working group; evaluating coordination and resourcing requirements; and undertaking a self-assessment against the methodology, including initial collation of statistics etc, and could be initiated a few years prior to the ME.

11. As early as possible, the member being evaluated should indicate to the assessment team an identified coordinator and contact person(s) for the ME process to ensure adequate coordination and clear channels of communication between the secretariat and the assessed member. The coordinator

should have the appropriate seniority to be able to coordinate with other authorities effectively and make certain decisions when required to do so. The coordinator should also have an understanding of the ME process and be able to perform or ensure quality control of responses provided by other agencies The coordinator would also be responsible for coordinating logistics and planning with the assessment team.

12. The Secretariat should engage with and consult the member to be assessed on an ongoing basis throughout the evaluation process. This may include early engagement with higher level authorities to obtain support for and coordination of the evaluation for the entirety of the process and training for the assessed country to familiarise stakeholders with the evaluation process.

II. Changes in the FATF Standards

13. As a dynamic process, ongoing work within the FATF has led and may lead to further changes to the FATF Recommendations, the Interpretive Notes or the 2013 Assessment Methodology. All members will be evaluated on the basis of the FATF Recommendations and Interpretative Notes, and the 2013 Assessment Methodology, as they exist at the date of the member's on-site visit. The report should state clearly if an assessment has been made against recently amended Standards.

14. To ensure equality of treatment, and to protect the international financial system, compliance with the relevant elements of the changes to the FATF Recommendations, the Interpretive Notes or the 2013 Assessment Methodology are assessed as part of the follow-up process (see Section X below). This occurs whenever TC re-ratings are sought, or generally by the end of the third year following adoption of the MER.

III. Schedule for the APG's Third Round

15. The schedule of MEs for the APG's third 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 APG annual meeting, resource considerations, and by the need to complete the entire round in a reasonable timeframe and, at least initially, by the end of the APG's current mandate (currently 2020). On this basis, initially seven MERs were scheduled to be discussed per annual meeting during the third round. However, noting changes made by the FATF in June 2014 to its fourth round schedule for resource and other reasons, which also arose in the APG, members agreed at the 2014 Annual Meeting to extend the third round schedule by three years to conclude in 2023, and to reduce the average number of evaluations to approximately five (5) per year.

16. A schedule of MEs showing the proposed year and indicative date of the on-site visit, the dates of relevant Financial Sector Assessment Program (FSAP) missions by the IFIs and the date for the plenary discussion of the MER will be maintained. In addition, the APG secretariat will confirm the date of the on-site visit in consultation with the authorities of the member being evaluated. Any proposed changes to the year in which the on-site is scheduled will require plenary approval, but not the date of the on-site as long as it remains within the approved year.

17. The considerations underlying the sequence of evaluations are:

i. The sequence of evaluations followed in the APG's second round of evaluations;

ii. 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;

iii. The scheduled date of any possible FSAP mission (see section IX below regarding the timing of the FSAP and an ME);

iv. The date of the last ME or IFI assessment.

IV. Procedures and Steps in the Evaluation Process

18. A summary of the key steps and timelines for the assessment team and the assessed member in the APG mutual evaluation process is set out at Appendix 1. Those steps are described more fully below. Assessed members and assessment teams may commence the process up to two months earlier, including the submission of the TC update by the assessed member, in order to accommodate circumstances such as translation requirements, timing of annual meetings, or other events or holidays.

Preparation for the on-site visit

19. At least nine months before the on-site visit, the secretariat will finalise the timelines for the whole ME process in consultation with the assessed member. This will include the dates for the ME on-site visit and will be based on the timelines in Appendix 1 (some flexibility is permissible).

20. The onus is on the member to demonstrate that it has complied with the Standards and that its AML/CFT regime is effective. The member should, therefore, provide all relevant information to the assessment team as early as possible during the course of the ME. As appropriate, assessors should be able to request or access documents (redacted if necessary), data and other relevant information.

21. All updates and information should be provided in an electronic format and members should ensure that laws, regulations, guidelines and other relevant documents are made available in English and the original language.

(a) Information updates on technical compliance

22. The updates and information provided by the assessed member will provide key information that will enable the preparatory work to be carried out prior to the on-site visit. This preparatory work includes understanding the member's ML and TF risks, identifying potential areas of increased or reduced focus for the on-site (through a scoping exercise), and preparing the draft TC annex. Members should provide the necessary updates and information to the secretariat no less than six months before the on-site visit, or up to eight months if agreed. Prior to that, it is desirable to have informal engagement between the member and the secretariat.

23. For some members, AML/CFT issues are addressed not just at the national government level, but also at state/provincial or local levels. Such members will need to indicate the AML/CFT measures that are the responsibility of state/provincial/local level authorities and provide an appropriate description of these measures. Assessors should also be aware that AML/CFT measures may be implemented at one or more levels of government. Assessors should therefore examine and take into account to the extent practical all the relevant measures, including those taken at a state/provincial/local level. Equally, assessors should take into account and refer to any supra-national laws or regulations that apply to a member.

24. Members should rely on the questionnaire for the TC update (see Appendix 5(a))[1] to provide relevant information to the assessment team. Along with the previous MER and follow-up reports (FURs), this will be used as a starting basis for the assessment team to conduct the desk-based review of TC. The questionnaire is a guide to assist members to provide relevant information in relation to: (i) background information on the legal and institutional framework; (ii) information on risks and context; (iii) information on the measures that the member has taken to meet the criteria for each Recommendation.

25. Members should complete the TC questionnaire carefully and may also choose to present other additional information in whatever manner they deem to be most expedient or effective.

(b) Information on effectiveness

26. Members should provide detailed information on effectiveness based on the 11 Immediate Outcomes set out in the 2013 Assessment Methodology no less than four months before the on-site. Members should set out fully how each of the core issues, as set out in each Immediate Outcome, is being addressed. It is important for members 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. The APG secretariat will provide the template to assessed members to use. An example, to be used on a voluntary basis by members, of how to present the effectiveness information is contained in Appendix 5(b)[2].

(c) Composition and formation of assessment teams

27. Assessors are initially selected by the APG secretariat. This will take place approximately nine months, and at least six months, before the on-site and will be coordinated with any member that had earlier volunteered assessors for the proposed assessment. The APG secretariat will submit the list of assessors to the member undergoing the evaluation for information and comment before the visit. Any requests for changes to the composition of the team will be taken into account, but the final decision concerning the composition of the team will rest with the APG secretariat.

28. An assessment team will usually consist of at least six expert assessors (normally comprising two legal, two financial[3] and two FIU/law enforcement experts), principally drawn from APG members, and will be supported by members of the APG secretariat. Depending on the member and the ML and TF risks, additional assessors or assessors with specific expertise may also be required.

29. In selecting the assessors, a number of factors will be considered: (i) their relevant operational and assessment experience; (ii) nature of the legal system (civil law or common law) and institutional framework; and (iii) 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 a suitable balance of knowledge and skills. Assessors should be very knowledgeable about the FATF Standards, and are required to attend an assessor training workshop

[1] The APG secretariat may amend the template on an ongoing basis to reflect the most recent amendments to the FATF Recommendations and Assessment Methodology or any other procedural amendments.
[2] The APG secretariat may amend the template on an ongoing basis to reflect the most recent amendments to the FATF Recommendations and Assessment Methodology or any other procedural amendments.
[3] 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.

on the 2013 Assessment Methodology before they undertake the on-site visit and conduct an ME. Preferably, at least one of the assessors should have had previous experience conducting an ME.

30. In joint evaluations, the assessment team will be made up of assessors from both the APG and the FATF/other FSRB/GIFCS, as appropriate (see section VII), and will be supported by members of the APG and/or other secretariat staff. For some other APG evaluations, the APG secretariat could, with the consent of the assessed member, invite an expert (member or secretariat) from another FSRB, GIFCS, FATF, or the IMF/World Bank[4] to participate as an expert on the assessment team, on the basis of reciprocity. Further, in certain circumstances, an expert may be invited from a non-AML/CFT assessment body. Normally there should be no more than one, or in exceptional cases two, such experts per evaluation from other bodies on the assessment team.

31. Where appropriate, the APG secretariat may also select an additional assessor to form part of the assessment team for developmental purposes. Such an assessor will normally be an expert who has not previously participated in an ME or will be from a member that has not previously been involved in an ME.

32. Due to the nature of the peer review process, the secretariat will work to ensure that the mutuality of the process is maintained, and all members should provide qualified experts. Members with greater capacity should provide more assessors. A list of members' contribution of assessors for evaluations under the APG's third round will be maintained and monitored by the secretariat and the Mutual Evaluation Committee (MEC) and distributed to members and observers for information at each annual meeting.

(d) Responsibilities of assessment teams

33. The core function of the assessment team is, collectively, to produce an independent report (containing analysis, findings and recommendations) concerning the member's compliance with the FATF standards, in terms of both TC and effectiveness. A successful evaluation of an AML/CFT regime requires, at a minimum, a combination of financial, legal, FIU 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 member. Nevertheless, the assessment remains an all-team responsibility and as such, assessors will be actively involved in all areas of the report including those beyond their assigned primary areas of responsibility.

34. The exact division of responsibilities will depend on the size and makeup of the assessment team, and the specific expertise of each assessor. However, an *example* of the division of primary responsibilities that <u>may</u> apply is as follows:

- *Technical Compliance (example only)*:
  - Legal: R.3, R.4, R.5 to R.7, R.24 and R.25, R.36 to R.39
  - Financial: R.9 to R.19, R.26 and R.27, R.22 and R.23, R.28, R.35
  - FIU/Law Enforcement: R.20 and R.21, R.29, R.30 to R.32

[4] 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.

- All: R.1 and R.2, R.33 and R.34, R.8, R.40

- *Effectiveness (example only):*
  - Legal: IO.2, IO.5, IO.7, IO.8, IO.9[5]
  - Financial: IO.3, IO.4
  - FIU/Law Enforcement: IO.6, IO.7, IO.8, IO.9
  - All/Other: IO.1, IO.10, IO.11

35. It is important that assessors are able to devote their time and resources to reviewing all the documents (including the information updates on TC, and information on effectiveness), raising queries prior to the on-site, preparing for and conducting the on-site, drafting the MER, attending the meetings (e.g., on-site visit, face-to-face meeting, and plenary discussion), and keeping to the deadlines indicated.

36. The ME is a dynamic and continuous process. The assessment team/secretariat will engage and consult the assessed member on an ongoing basis, commencing at least nine months before the on-site visit. Throughout the process, the secretariat will ensure that the assessors have access to all relevant material and that regular communication takes place between assessors and the assessed member to ensure effective exchange of information. The assessment team is also to seek clarification from the assessed member on issues that are not clear.

(e) Responsibilities of the APG Secretariat

37. The secretariat will, among other things:

i. Facilitate identification of suitable assessors;
ii. Provide impartial support to both the assessment team and the assessed member;
iii. Focus on quality and consistency, including on ratings;
iv. Ensure compliance with process and procedures;
v. Assist assessors and assessed member in the interpretation of the standards, methodology and process in line with past plenary decisions;
vi. Ensure that assessors and assessed members have access to relevant documentation; and
vii. Coordinate the process and other tasks outlined in these procedures.

(f) Desk-based review of technical compliance and pre-mutual evaluation visit

38. Prior to the on-site visit, the assessment team will conduct a desk-based review of the member's level of TC, and the contextual factors and ML/TF risks. The review will be based on information provided by the member in the questionnaire/information updates on TC, pre-existing information drawn from the member's second round MER, FURs and other credible or reliable sources of information. The assessment team may also review the findings from the previous MER and FURs and highlight relevant strengths or weaknesses not previously noted. If the assessment team reaches a different conclusion to previous MERs and FURs (in cases where the Standards and the relevant laws,

[5] IO.7 to IO.9 may be assessed jointly by the legal and law enforcement assessors.

regulations or other AML/CFT measures have not changed) then they should explain the reasons for their conclusion.

39. Subsequent to its review, the assessment team will provide the member with a first draft of the TC annex approximately three months before the on-site visit. This will include a description, analysis and list of potential technical deficiencies, including indications of whether each sub-criterion is met, mostly met, partly met or not met and why. The first draft need not contain ratings or recommendations. The member will have one month to clarify and comment on the first draft TC annex.

40. If needed and on a voluntary basis, the assessment team may undertake a pre-mutual evaluation visit to the member to discuss the first draft of the TC annex and other matters related to the evaluation, including the member's effectiveness response, team's scoping note, and on-site requirements. The timing of such a meeting will be agreed between the assessment team and the member. To maximise the benefits of such a meeting, it should be after the member has received the first draft of the TC annex.

41. 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, as appropriate, be referred to in the MER (including for the purpose of the recommendations to be made to the member) but will not be taken into account for ratings purposes.

(g) Ensuring adequate basis to assess international cooperation

42. At least six months before the on-site visit, APG members, the FATF[6] and FSRBs[7] will be invited to provide information on their experience of international cooperation with the member being evaluated, including any comments that may assist the assessment team in identifying areas of lower and higher risk that require increased or reduced focus during the on-site (see sub-section *(h)* below). Information on international cooperation should be provided at least three months before the on-site.

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

(h) The scoping note and final preparations for the on-site visit

44. To support the assessment of effectiveness in relation to the 11 Immediate Outcomes, prior to the on-site visit the assessment team may identify specific areas to which it would pay more or less attention during the on-site visit and in the MER. This is based on the team's preliminary analysis of both TC and effectiveness issues, including international input provided through the process outlined above at sub-section *(g)*, and will usually relate to effectiveness issues but could also include TC issues.

[6] Noting the FATF 2015 policy of releasing such requests from FSRBs to its members only three times a year, being February, June and October.

[7] FATF and FSRB members will only be invited to provide this information where they are willing to reciprocally invite APG members to provide the same type of information in relation to their mutual evaluations.

In doing so, the team will consult the member and, as outlined below, the scoping note prepared by the team will be reviewed by an external quality and consistency review team.

45. Where there are potential areas of increased or reduced focus for the on-site visit, the assessment team should obtain and consider all relevant information and commence discussion of these areas approximately four to six months before the on-site, and consult the member at least two months before the on-site. The member should normally provide additional information regarding the areas for increased/reduced focus. While the prerogative lies with the assessment team, the areas for increased/reduced focus should, to the extent possible, be mutually agreed with the member 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/reduced focus and why these areas have been selected. The draft scoping note, along with relevant background information (e.g., the member's risk assessment(s)), should be sent to the external reviewers (described in the section on quality and consistency, below) and to the member two months before the on-site visit.

46. External reviewers should, within two weeks 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 member. The assessment team should consider the merit of the external reviewers' comments, and amend the scoping note as needed, in consultation with the member. The final version should be sent to the member and the external reviewers at least four weeks prior to the on-site visit, along with any requests for additional information and/or on-site meetings on the areas of increased focus. The member should seek to accommodate any requests arising from the additional or reduced focus. The member should also consider presenting on its risk and context at the start of the on-site visit for assessors to better evaluate the member's understanding of its AML/CFT risks.

47. To assist in their preparation, the assessment team should prepare a preliminary analysis identifying key issues on effectiveness, four weeks before the on-site visit.

48. To expedite the ME process, and to facilitate discussions on-site, one week before the on-site visit the assessment team will share with the member being assessed a revised draft TC annex and an outline of initial findings/key issues to discuss on effectiveness.

(i) Programme for the on-site visit

49. The member (designated contact) should work with the secretariat and prepare a draft programme and coordinate the logistics for the on-site visit. The draft programme, together with any specific logistical arrangements, should be worked on two months prior to the on-site and finalised with the assessment team no later than two weeks before the visit. At Appendix 2 is a list of authorities and businesses that would usually be involved in the on-site visit. The assessment team may also request additional meetings during the on-site visit.

50. The draft programme should take into account the areas where the assessment team may want to apply increased focus. To reduce travel time between venues and security challenges, and to ensure the availability of suitable premises, meetings should generally be held at one venue or just a few venues per day allowing for maximum use of meeting times by the team. However, in some circumstances it may be warranted for meetings to be held in the premises of the agency/organisation being met.

51. Both in terms of the programme and more generally, the time required for interpretation, and for translation of documents, must be taken into account (see paragraph 58).

(j) Confidentiality

52. All documents and information produced: (i) by an assessed member during a mutual evaluation exercise (e.g., updates and responses, documents describing a member'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 APG 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 member and the APG (and where applicable, the originator of the document) consents to their release. Assessors and external reviewers should use password protected computers/devices and USBs for saving, viewing or transferring confidential materials related to the mutual evaluation. These confidentiality requirements apply to the assessment team, the secretariat, external reviewers, officials in the assessed member and any other person with access to the documents or information. In addition, prior to the on-site visit the members of the assessment team and external reviewers should sign a confidentiality agreement, which will include text regarding the need to declare a conflict of interest.

On-site visit

53. The on-site visit provides the best opportunity to clarify issues relating to the member's AML/CFT system. Assessors need to be fully prepared to review the 11 Immediate Outcomes relating to the effectiveness of the system and clarify any outstanding TC issues. Assessors should also pay more attention to areas where higher ML and TF risks are identified. Assessors must be cognisant of different members' circumstances and risks; and that members may adopt different approaches to meet the FATF Standards and to create an effective system. Assessors need to be open and flexible and seek to avoid narrow comparisons with their own jurisdictional requirements.

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

i. An initial half-day preparatory meeting between the secretariat and assessors.

ii. Seven to eight days of meetings[8] with representatives of the member, the private sector or other relevant non-government bodies or persons[9], including an opening and closing meeting. The opening meeting should consider including an overview of the member's understanding of risk, to complement the write-ups of the member's national risk assessment(s). The programme of meetings should take into account the areas where the assessment team may want to apply increased and reduced focus. 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.

iii. One to two days where the assessment team works on the draft MER, ensures that all the major issues that arose during the evaluation are noted in the report, and discusses and agrees on preliminary ratings, and key recommendations. The assessment team should provide a written summary of its key findings to the assessed members' officials at the closing meeting.

[8] 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.

[9] Generally, assessors should be given the opportunity to meet with such bodies or persons in private without a government official present, not only 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.

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

56. It is important that the assessment team be able to request and meet with all relevant agencies during the on-site. The member being evaluated, and the specific agencies met, should ensure that appropriate staff members are available for each meeting. While the level and type of officer required will vary from agency to agency, generally speaking members should ensure that both senior managers, who can 'speak for' the agency/jurisdiction at a policy level, as well as 'operational' staff who can if necessary answer detailed questions on AML/CFT implementation, are present at each meeting. Agencies should be made aware by the member that they may be asked quite detailed and probing questions. The persons present should therefore be familiar with the content of the member's technical compliance and effectiveness responses, especially as it relates to their area of expertise, and be prepared for detailed questions relating to that response. Adequate time should be allocated for each meeting.

57. Other than for transportation and interpretation purposes, there may be no need for a dedicated officer to 'escort' the assessment team during its meetings, though this can be helpful. If the coordinating agency wishes to have an officer attend meetings with the team, the officer will do so as an observer and their inclusion will be at the discretion of the assessment team.

58. Where English is not an official language of the assessed member, the process of translation of relevant laws, regulations and other documents should start at an early stage, so that they can be provided to the assessment team in a timely fashion, e.g., English translation of the TC update and relevant laws, regulations etc., must be provided at least six months before the on-site, and the effectiveness response including relevant documents (court cases) at least four months before the on-site. The assessment team should also be provided with the relevant laws or other documents in the language of the member, since translations of technical texts are not always perfect. During the on-site visit, professional and well-prepared interpreters are needed if the member's officials are not fluent in English. The member being evaluated will need to provide the interpreters. Simultaneous interpretation is preferable in order to save time during the discussion, but not mandatory.

59. It is the responsibility of the member being evaluated to provide necessary security and transportation arrangements. All transportation during the visit, both to and from the airport and between appointments, is the responsibility of the member being assessed.

60. The assessment team should be provided with a dedicated room for the duration of the on-site visit. The room should have wireless internet access, and access to photocopying, printing and other basic facilities.

61. Scheduled lunches should be relatively short and, if necessary, working lunches may be arranged. Formalities should be dispensed with to the extent possible during the visit. For example, formal dinners should be kept to a minimum.

62. Gift giving to the assessment team, either at the pre ME, the onsite or face to face meeting, should be avoided, and any gifts, if provided, should be of low monetary value.

Post on-site – preparation of the draft mutual evaluation report

63. There should be an adequate amount of time, at least 27 weeks, between the end of the on-site visit and the discussion of the MER in plenary. The steps in finalising a draft MER for discussion at

plenary, and the approximate time that is required for each part, are set out in detail below (noting the timeline set out at Appendix 1).

64. The timely preparation of the MER and executive summary[10] will require the assessors to work closely with the secretariat and the member. The period may also be extended or adjusted and based on justified circumstances (and with the consent of the assessed member), a shorter period of time may be allowed for.

65. With the aim of facilitating communication between the assessment team and the assessed member, the secretariat should coordinate regular conference calls between all parties, in particular after the circulation of an updated draft MER. When writing the draft MERs and/or during calls, assessors and/or secretariat should aim to clarify as much as possible (subject to resource and time constraints) how information submitted by the assessed member was taken into account[11], if/where additional information is still needed. The assessment team will seek further clarification from the assessed member about information submitted via telecon if needed.

(a) First draft MER

66. The assessment team shall complete as much as possible of the first draft MER during the on-site visit. The assessment team will then have six weeks to coordinate and refine the first draft MER (including the key findings, ratings, potential issues of note and priority recommendations to the member). The first draft MER is then sent to the member for comment. The member will have at least four weeks to review and provide its comments on the first draft MER. During this time, the member may seek clarification on the first draft MER and the assessment team should be prepared to respond to queries and clarifications that may be raised by the member.

(b) Second draft MER and executive summary

67. On receipt of the member's comments on the first draft MER, the assessment team will have four weeks to review the comments and make further amendments, as well as prepare the executive summary. Approximately 14 weeks after the on-site, the second draft MER and executive summary will be sent to the external reviewers and the assessed member for comment. Every effort should be made to ensure that the revised draft is as close to a final draft MER as possible.

(c) Quality & consistency review

68. In addition to the secretariat's ongoing work to ensure quality and consistency (Q & C), as part of the APG ME process, there will be an external Q &C review. An external Q & C review team will be formed for each ME to review the scoping note before the on-site (per section IV(h) above) and to review the second draft of the MER.

69. The secretariat will work to ensure that the mutuality of the process is maintained. To assist with this, members and observers should provide qualified experts as external reviewers. A list of past and forthcoming external reviewers will be maintained and monitored by the secretariat and circulated to members and observers for information at the annual meeting.

[10] 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).

[11] Assessors need not include all information submitted by the assessed member, and should exercise discretion in determining which information is relevant.

70. The main functions of the external reviewers are to ensure MERs are of an acceptable level of Q & C; and to assist the assessment team and the assessed member by reviewing and providing timely input on the scoping note and the draft MER (including any annexes) with a view to:

i. Commenting on assessors' proposals for the scope of the on-site, including on whether the assessors' draft scoping note reflects a reasonable view on the focus of the assessment (see paragraph 44 above).

ii. Reflecting a correct interpretation of the FATF Standards and application of the 2013 Assessment Methodology (including the assessment of risks, integration of the findings on TC and effectiveness and areas where the analysis and conclusions are identified as being clearly deficient).

iii. Checking whether the description and analysis supports the conclusions (including ratings); and whether, based on these findings, sensible priority recommendations for improvement are made.

iv. Where applicable, highlighting potential inconsistencies with earlier decisions adopted by the FATF and/or APG on technical compliance and effectiveness issues.

v. Checking that the substance of the report is generally coherent and comprehensible.

71. The Q & C review process will be conducted through the MEC. The APG secretariat/MEC will invite qualified volunteer experts from APG members and observers to participate in review teams. Qualified volunteer experts (i.e., trained in the 2013 Assessment Methodology) will include experts from members and secretariats of the APG, FATF, other FSRBs, GIFCS, and staff of the IFIs and other observer organisations.

72. To avoid potential conflicts of interest, the external reviewers selected for any given Q & C review will be from members other than those of the assessors, and will be made known to the member and assessors in advance. Generally, at least three external reviewers will be allocated to each assessment; comprising at least two reviewers from the APG and at least one reviewer (non APG member) from the FATF, another FSRB, GIFCS, the IMF/World Bank or other observer organisations, each of whom could in principle focus on certain parts of the report. The secretariat will determine the final make-up of each external review team.

73. The external reviewers will need to be able to commit time and resources to review:

i. the scoping note; and

ii. the quality, coherence and internal consistency of the second draft MER, taking into account consistency with the FATF Standards and APG and FATF precedents. In doing so, the external reviewers should have a copy of the comments provided by the member on the first draft MER. External reviewers will also be provided with access to all key supporting documents, including the assessed member's TC submission and available risk assessments.

74. As noted in paragraph 46 above, the external reviewers will have two weeks to examine the scoping note and provide their comments to the APG secretariat for dissemination to the assessment team. The assessment team will consider the merit of the external reviewers' comments, and amend the scoping note as needed, in consultation with the member.

75. The external reviewers and assessed member will have three weeks to examine the second draft MER and provide their comments to the APG secretariat for dissemination to the assessment team. The APG secretariat will also conduct an internal review for Q & C.

76. The external reviewers' comments will also be provided to the assessed member. The assessed member should work to provide the assessment team with its response to the external reviewers' comments on the second draft MER ahead of the face to face meeting.

77. The external reviewers for the Q & C 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 external reviewers' comments and then decide whether any changes should be made to the report.

78. The assessment team will provide a short written response to the plenary on the decisions that it has made and any changes it has made to the report based on the reviewers' comments. The assessment team's response shall be distributed to the global network with the final draft MER.

79. As noted in paragraph 75 above, the assessed member will have the opportunity to submit comments on the second draft MER in parallel with the review process. The comments from the member and the external reviewers will be used as input for any revisions to the MER and for the face-to-face meeting, as described at *(n)* of this section.

(d) Revision of draft MER and face-to-face meeting

80. Following the conclusion of the internal review by the secretariat and receipt of the external reviewers' comments, and any comments from the assessed member on the second draft MER and/or on the external reviewers' comments, the assessment team and the member will have at least three weeks to consider those comments in preparation for the face-to-face meeting. Assessors should respond to all substantive comments by external reviewers and the secretariat should liaise with external reviewers as needed to facilitate this process. During this time they shall discuss likely changes and unresolved issues, and identify issues for further discussion. The member shall also provide the assessment team with its responses to the external reviewers' comments.

81. A face-to-face meeting will be undertaken to discuss the draft MER, following the external reviewers' and member's comments on the second draft. The face-to-face meeting should ideally be held at least eight weeks before the annual meeting, and would normally be held in the jurisdiction of the assessed member, but it could be held elsewhere at a location mutually agreed upon by the assessment team and the assessed member.

82. The second draft, and any issues identified subsequently, shall serve as the basis for discussion during the face-to-face meeting. If time permits, and as appropriate and if agreed by all the parties, the assessment team may prepare a third draft of the MER prior to, and for discussion at, the face-to-face meeting.

83. The timing, scope and duration of the face-to-face meeting will be determined through consultation between the assessment team and the assessed member, reflecting key issues with the progress of the assessment. In order to make the most efficient use of the limited time available during the face-to-face meeting, the assessed member should provide the assessment team with a list of priority issues for discussion at the face-to-face meeting at least one week prior to the meetings.

84. Following the face-to-face meeting, the assessment team and the member may, if needed, brief the MEC co-chairs of key issues discussed, including any unresolved issues. The assessment team will also consider if any further changes are to be made to the draft MER. Where significant substantive changes are made to the MER after the face-to-face meeting, the secretariat will consider circulating a revised draft MER to the external reviewers for a further review on targeted issues.

85. Following completion of the third draft, unless otherwise agreed between the assessment team and assessed member, at this stage the TC Annex will be considered complete with any remaining substantive disagreements between assessment team and assessed member to be resolved in the MEC and plenary.

86. The assessment team and assessed member should work to (i) resolve any disagreements over the content of the second and third draft MER, and (ii) identify potential issues for plenary discussion before the final draft MER is circulated to members and observers for consideration prior to the annual meeting. This cannot be left to the margins of the annual meeting, as late amendments to the draft MER would preclude proper plenary discussion and consideration of the draft MER.

87. The final draft MER, together with a summary of the conclusions of the external review and assessors' responses and assessed member's formal response to the final draft MER, will be sent to all members and observers at least five weeks (ideally six weeks) prior to plenary for their comments.

(e) Identifying issues and preparing for plenary discussion

88. Delegations (all members of the global network) will have two weeks to provide any written comments on the final draft MER and, in particular, to identify any key issues that they wish to discuss in the MEC meeting or 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.

89. Based on the final draft MER, and comments received, the secretariat will engage the member and assessment team and reviewers and prepare a list of up to eight priority and substantive issues for inclusion in the key issues document that will be discussed in the MEC prior to referral to the plenary. The preparation of the list of key issues should take into account the issues that the assessed member and delegations are most keen to discuss and include one item on priority, strategic recommendations. The list of priority issues for discussion will include key issues arising from the final draft MER (whether referenced by the member, the assessment team or delegations), as well as any areas of possible interpretation issues or inconsistency with other MERs adopted by the APG or FATF. Examples of priority issues are strategic deficiencies/recommendations, key ML/TF risks, ratings, interpretation of laws and standards, and findings on effectiveness.

90. When an assessed member disagrees with a TC or effectiveness rating or analysis, in addition to presenting its argument for disagreement, the member should prepare a proposed alternative analysis to be presented in the key issues document. This analysis will be substituted as appropriate into the MER if the MEC endorses and the plenary agrees to the call for an upgrade or downgrade, or amended analysis. The assessment team should be consulted in the drafting and shown the proposed alternative analysis during the preparation of the key issues document to allow the team to provide feedback and to ensure assessors are aware of the proposed alternative, but not for the team's endorsement. If needed, the secretariat will consult with the MEC co-chairs before finalising the list of issues to be discussed initially by the MEC.

91. The secretariat will circulate the finalised list of priority issues, the "key issues document (KID)", to delegations two weeks before the plenary discussions. After discussions in MEC early in the plenary week, a revised KID will be submitted to the plenary for discussion by way of an MEC co-chairs' report.

92. It is likely that the member and the assessment team will meet to discuss the draft MEC co-chairs' report prior to its circulation to plenary. If the assessed member requests it, an additional preparation meeting can also be held in the margins of the annual meeting shortly before MEC/plenary discussion

of the MER (normally on the weekend immediately prior to the annual meeting). However, such meetings will be restricted to discussion of the process adoption of the draft MER, not substantive issues, and the final draft MER will not be subject to further change before the MEC discussion.

(f) The MEC discussion

93. All members and observers are encouraged to attend the MEC discussion of key issues pertaining to the final draft MER, as set out in the KID. The MEC meeting is aimed at facilitating plenary discussion of the final draft MER by refining or potentially resolving issues identified by the assessment team, the assessed member or any delegation. While the plenary retains the final decision on the wording of any MER, consistent with the requirements of the FATF Standards and Methodology, it is expected that the plenary will only need to consider, on an exception basis, minor textual amendments to the MER or technical compliance issues as agreed to by the MEC. This will allow the plenary to focus on more substantive MER issues without compromising the right of members in plenary to raise concerns, make final decisions and to adopt reports.

94. The MEC meeting and discussion of the final draft MER shall:

i. Be chaired by the MEC co-chairs and open to all APG members and observers.

ii. Feature the assessment team and suitable representatives from the assessed member able to discuss issues in the final draft MER.

95. The MEC meeting and discussion of the final draft MER will consider the (up to eight) priority issues in the KID and attempt to reach a conclusion for each issue, time permitting. The delegation that raised the priority issue will be asked to briefly outline that item to which the assessment team or assessed member, as appropriate, will respond[12]. The issue will be opened for other delegations to respond to. Upon determining any consensus or not, the MEC co-chairs will note whether any amendment is required/agreed to or not. The MEC will need to endorse and the plenary to agree upon any amended analysis presented as an annex to the key issues document in the event of support by the MEC and/or plenary for a TC or effectiveness upgrade or downgrade.

96. The MEC meeting and discussion of the final draft MER will result in an updated KID by way of an MEC co-chairs' report that will be circulated for the plenary discussion on the MER. The MEC co-chairs' report will include information on the discussion and the status of unresolved/resolved key issues. Unresolved key issues will be presented in the report as active for discussion by the plenary. Resolved issues will remain in the report but be moved to an item for discussion by exception.

(g) Plenary discussion

97. The plenary discussion of each final draft MER, particularly priority issues as outlined in the KID,[13] will focus on high level and key substantive issues. Adequate time will be set aside to discuss the member's response to the key issues and other issues, including any significant and unresolved issues. The discussion is managed by the APG Co-Chairs and will likely, on average, take three to four hours of plenary time. The procedure for the plenary discussion will be as follows:

i. The assessment team will briefly present, in high-level terms, the key issues and findings from the report.

[12] If the delegation which raised the issue is not present, the MEC Co-Chair will summarise the issue.

[13] The executive summary will describe the key risks, the strengths and weaknesses of the system, and the priority actions for the member to improve its AML/CFT regime.

ii. The assessed member will make a short opening statement. This may include a brief outline of any remaining areas of disagreement from the member's perspective.

iii. The plenary will discuss the list of priority issues identified in the MEC co-chairs' report. This would usually be introduced briefly by the MEC co-chairs, with the assessors, the assessed member and secretariat having the opportunity to provide additional information. The plenary will need to endorse any amended analysis presented as an annex to the key issues document in the event of support by the MEC and/or plenary for an upgrade or downgrade.

iv. Time will be set aside to discuss the overall situation of the assessed member's AML/CFT regime and ML/TF risks, the priority actions and recommendations set out in the executive summary, the member's response to the MER, including on ratings and any actions already taken, and the key findings.

v. An APG member that has an expert on the assessment team will not be constrained from either supporting or not supporting a proposal for a change to the MER, including a possible rating upgrade or downgrade.

vi. It is the role of the APG Co-Chairs to control meeting procedure and agenda timings, and therefore to decide on how discussion of a request for a rating upgrade or downgrade will be handled, including whether to hear first from members objecting or from members supporting an upgrade or downgrade depending on the circumstances of the issues at hand. Where there are multiple proposals for rating upgrades or downgrades, each affected FATF Recommendation or Immediate Outcome will be discussed one at a time.

vii. The consensus rule applicable to MEC and plenary consideration of mutual evaluation reports will be consistent with those applied by the Global Network and/or APG governance documents.

viii. Time permitting, other issues could be raised from the floor, and discussed by the plenary. The member and assessment team may be called on to respond to any issues raised.

98. The plenary discussion of a joint APG/FATF MER, having already been adopted by the FATF with the opportunity for input from APG members, will be abbreviated, as follows[14]:

i. The APG or FATF secretariat or an assessor will introduce the report and summarise the process leading up to the annual meeting, the main findings of the joint report and outline the key issues that were discussed in the FATF when the report was adopted. The secretariat or an assessor will outline the decisions of the FATF that resulted in changes, including any rating changes to the report.

ii. The assessed member may provide a brief statement, should it choose to.

iii. The plenary will discuss the report.

99. This process will likely, on average, take up one hour of plenary time.

[14] See also section VII below.

100. All observers are permitted to attend discussions of APG MERs. Such representatives may participate by making comments, asking questions or suggesting changes to a draft MER but do not participate in the formal adoption of an MER, which is a matter for APG members only.

101. The FATF secretariat's representative at the plenary will be expected to assist and advise on all issues relating to the interpretation of the Recommendations and the quality and consistency aspects of the draft MER. The plenary discussion will provide members and observers adequate opportunity to raise and discuss concerns about quality and consistency of an MER.

(h) Adoption of the MER

102. At the end of the plenary discussion, the final draft MER will be submitted to plenary for adoption.

103. If the wording of the MER is not agreed upon, then the assessors, the member and the secretariat shall prepare amendments to address the issues raised by the plenary for discussion before the plenary concludes, or the plenary may adopt the MER subject to it being amended. The assessors, the secretariat and the assessed member will be responsible for ensuring that all the changes agreed to by the plenary have been made. If agreement cannot be reached before the plenary concludes or subsequent to the conclusion of the plenary (per paragraph 106 below), then the secretariat will finalise the amendments to the report in line with the decisions taken by the plenary during the discussion and adoption of the report.

104. The final report is a report of the APG and not simply a report by the assessors. As such, the plenary will retain the final decision on the wording of any report (including any minor textual changes to the report that the plenary decides is needed), consistent with the requirements of the FATF Standards and Methodology. The plenary will consider the views of the assessors and the assessed member when deciding on the wording, as well as take into account the need to ensure consistency between reports.

105. At the point of the formal adoption of the MER, the plenary will discuss and decide on the nature of the follow-up measures that are required (see section X below).

(i) Procedures Following the Plenary (Post-Plenary Q & C Review)

106. Following the discussion and adoption of the MER at the plenary meeting the secretariat, in collaboration with the assessment team, will amend all documents as necessary, including substantive changes and further checks for typographical or similar errors. The secretariat will circulate a revised version of the report to the member within two weeks of the plenary. Within two weeks of receipt of the final version of the MER from the secretariat, the member 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.

(j) Respecting timelines throughout the ME process

107. The timelines are intended to provide guidance on what is required if 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.

108. Delays may significantly affect the ability of the plenary to discuss the report in a meaningful way. The draft schedule of evaluations has been prepared 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 member 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):

i. Failure by the member to provide a timely or sufficiently detailed response to the TC update, or response on the core issues on effectiveness, could lead to deferral of the mutual evaluation – the Executive Secretary or the APG Co-Chairs may write to the member's primary contact point or relevant Minister. APG members are to be advised as to the reasons for the deferral and publicity could be given to the deferral (as appropriate).

ii. Failure by the member to provide a timely response to the draft MER – the Executive Secretary or the APG Co-Chairs may write a letter to the member's primary contact point or relevant Minister. Where the delay results in a report not being discussed at the next annual meeting, members are to be advised of the reasons for deferral. APG members may consider whether the deferral amounts to a breach of APG membership requirements and what action, if any, may need to be taken. In addition, the assessment team may have to finalise and conclude the report based on the information available to them at that time.

iii. Failure by the assessors to provide timely or sufficiently detailed reports or responses at any stage of the mutual evaluation process, including the revision and amendment of the report in order to reflect decisions taken by the Plenary – the Executive Secretary or the APG Co-Chairs may write a letter to, or liaise with, the primary contact point for the member, or organisation, from which the assessor has come.

iv. Failure by the reviewers to provide timely comments on the risk scoping and 2nd draft MER – the Executive Secretary or the APG Co-Chairs may write a letter to the primary contact point for the member, or organisation, from which the reviewer has come.

v. Failure by the secretariat to provide timely reports at any stage of the mutual evaluation process – the APG Co-Chairs may write a letter to, or liaise with, the Executive Secretary.

109. The secretariat will keep the APG Co-Chairs advised of any failures so that the APG Co-Chairs 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.

V. Ex-Post Review of Major Quality and Consistency Problems

Post-plenary quality and consistency review

110. All draft MERs, FURs and follow-up assessments (FUAs)(see section X below) will be circulated to all assessment bodies, as outlined above.

111. Where an FATF or FSRB member, the FATF secretariat, FSRB secretariat or an IFI (together, the global network) considers that an APG MER, FUR or FUA has significant problems of quality and consistency, it should, wherever possible, raise such concerns with the APG prior to adoption. The, assessment team and assessed member should consider and work to appropriately address the concerns.

112. Nevertheless, in highly exceptional situations significant concerns about the quality and consistency of a report may remain after its adoption. To address such issues, the post-plenary Q&C

process can be applied to prevent the publication of reports with significant quality and consistency problems and ensuring that poor quality assessments do not damage the APG and FATF brand.

113. The post-plenary Q&C review process applies to all APG MERs (including their executive summaries), detailed assessment reports (DARs)[15] (including their executive summaries), FURs with technical compliance re-ratings and FUARs, regardless of which assessment body prepared the report.[16] The exception is FURs with TC re-ratings where no Q&C issues are raised through the pre-plenary review process or during the relevant MEC or plenary discussions. Such FURs are not subject to the post-plenary review process and should ordinarily be published within six weeks after their adoption by the APG.

Steps in the post-plenary Q&C process

114. After adoption of the MER, FUR or FUA, the APG will amend all documents as necessary and will circulate a revised version of the report to the member within one week of the plenary. Within two weeks of receipt, the member must confirm that the report is accurate and/or advise of any typographical or similar errors. Care will be taken to ensure that no confidential information is included in any published report. The APG will then forward the final version of the report to the FATF secretariat.

115. The FATF secretariat will then circulate the report to all the FATF members, FSRBs and the IFIs, along with a template for their members to refer any Q&C issues for consideration. Members of the global network who identify any serious or major Q&C issues have two weeks to advise the FATF and APG secretariats[17] in writing, using the template provided to indicate their specific concerns and how these concerns meet the substantive threshold.[18]

116. To be considered further in this process, a specific concern should be raised by at least two of the following parties: FATF or FSRB members[19] or secretariats or IFIs, at least one of which should have taken part in the adoption of the report. Otherwise, the post-plenary Q&C review process is complete, the FATF secretariat will advise the APG secretariat and delegations accordingly and the report will be published.[20]

117. If two or more parties identify a specific concern, the Co-Chairs of the FATF Evaluations and Compliance Group (ECG) will review the concern to determine whether *prima facie* it meets the substantive threshold and procedural requirements. To aid in this decision, the FATF secretariat will liaise with the APG secretariat to provide the ECG Co-Chairs with any necessary background information on the issue, including (where relevant and appropriate):

i. information submitted by parties raising the Q&C issue.

ii. background information on any related comments raised at the pre-plenary stage.

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[16] In this section, MERs, FURs and FUARs are collectively referred to as *reports*.
[17] Or other assessment body secretariats if the report is not an APG report.
[18] The substantive threshold is *when serious and major issues of quality and consistency are identified, with the potential to affect the credibility of the FATF brand as a whole*.
[19] Not including the assessed member.
[20] Ordinarily publication would happen within six weeks of the report being adopted if no further steps in the post-plenary Q&C process are needed.

iii. the rationale for the relevant rating/issue under discussion based on the facts in the MER and/or any relevant Co-Chairs' report or summary record from the MEC/Plenary meeting where the report was discussed (including whether the issue was discussed in detail, the outcome of those discussions and any reasons cited for maintaining or changing the rating or report).

iv. objective cross-comparisons with previous FATF reports that have similar issues.

v. the report's consistency with the corresponding parts of the Methodology.

vi. any connection or implications for the ICRG process. and

vii. what next steps might be appropriate.

118. If the ECG Co-Chairs conclude that *prima facie* the substantive threshold and procedural requirements are met, the FATF secretariat will circulate the report to all FATF delegations for consideration by the ECG along with a decision paper prepared by the FATF secretariat in consultation with the APG. On the other hand, if the ECG Co-Chairs conclude that *prima facie* the substantive threshold and procedural requirements are not met, the issue would not be taken forward for discussion, but a short note explaining the Co-Chair's position would be presented to ECG for information.

119. Issues identified less than four to six weeks before the FATF Plenary will be discussed at the next FATF Plenary to ensure sufficient time for consultation among secretariats and preparation of the decision paper. The decision paper prepared by the FATF secretariat in consultation with the APG will include the background information listed above in paragraph 117 to the extent that it is relevant and appropriate.

120. The ECG will decide whether the report meets the substantive threshold (serious or major issues of Q&C with the potential to affect the credibility of the FATF brand as a whole). Examples of situations meeting this substantive threshold include:

i. the ratings are clearly inappropriate and are not consistent with the analysis;

ii. there has been a serious misinterpretation of the Standards, Methodology and/or Procedures;

iii. an important part of the Methodology has been systematically misapplied; or

iv. laws that are not in force and effect have been taken into account in the analysis and ratings of a report.

121. If the ECG determines that the Q&C issue meets the substantive threshold, it will refer the matter to the FATF Plenary along with clear recommendations on what action would be appropriate (e.g. requesting that the relevant assessment body reconsiders the report and/or makes appropriate changes before any publication). On the other hand, if ECG decides that the report does not meet the substantive threshold, the FATF secretariat will advise the assessment body and delegations that the post-plenary Q&C review is complete, and the report will be published.

122. Where ECG has referred a post-APG plenary Q&C issue, the FATF Plenary will discuss the matter and decide on the appropriate action. The FATF secretariat will advise the APG of the FATF Plenary's decision. If the APG declines to respond to the action requested by the FATF, the FATF Plenary will consider what further action may be necessary. The APG will not publish the report until the issue is resolved within FATF and the APG and the FATF Secretariat advises that the post-plenary Q&C review process is complete.

123. Following completion of the post-plenary Q&C review process, the APG will publish the report on its website. Additionally, the FATF publishes all reports on its website to give timely publicity to an important part of the work of the FATF and the global network.

VI. Evaluations of Non-Members

124. If agreed by the APG plenary, in exceptional circumstances, the APG may conduct or participate in an assessment of an APG observer jurisdiction. The procedures laid out in sections I to V of this document will apply. If necessary, the APG secretariat will coordinate arrangements with the secretariat of another assessment body.

VII. Joint Mutual Evaluations with the FATF and other FSRBs or GIFCS

125. The FATF's policy is that FATF members that are also members of an FSRB or multiple FSRBs will undergo a joint evaluation by these bodies. This is also the APG's policy, resources permitting. The FATF will be the principal organiser, and will normally provide three or four assessors, while one to two assessors will be provided by the participating FSRB(s). The FATF and the FSRB(s) secretariats will participate. Reviewers should be provided by FATF, the APG, other FSRB(s), and/or 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) of the FATF fourth round mutual evaluation procedures. The first discussion of the MER should take place in the FATF and, given the additional measures adopted by the FATF for joint evaluations (outlined below), the general presumption is that the FATF's view would be conclusive.

126. The process (including the APG and FATF procedures for preparing the draft MER and executive summary) for joint evaluations are the same as for other APG evaluations, with the APG and its members having opportunities to participate directly through being part of the assessment team, and also being able to provide comments and input. The APG will allow reciprocal participation in mutual evaluation discussions for FATF members, and on this basis, the following measures will also apply for joint evaluations.

i. A representative from the APG will be given a specific opportunity to intervene during the FATF plenary discussion of the MER.

ii. All the FATF assessors on the assessment team are encouraged to attend the APG plenary at which the joint evaluation report is considered, and at least one FATF assessor should attend the APG plenary. The same approach should be applied to IFI-led assessments of joint APG/FATF members.

iii. In an exceptional case where a report was agreed within FATF but subsequently the APG identified major difficulties within the text of the report, then the APG secretariat would advise the FATF secretariat of the issues, and the issues should be discussed at the following FATF plenary.

iv. Consideration will also be given to the timing of publication, if the MER has not been discussed in the APG, with a view to finding a mutually agreed publication date.

v. If scheduling permits, the plenary discussion of a joint MER may take place at a joint plenary meeting of the APG and the FATF, with the full participation of all APG and FATF members.

127. The APG may undertake joint assessments with other FSRBs or GIFCS when an APG member is also a member or observer of another FSRB or GIFCS, but not of the FATF. Where an APG member is a member/observer of another FSRB or GIFCS, and not of the FATF, the principal organiser will be either the APG or the other FSRB or GIFCS, based on discussions between the joint member and the APG secretariat, and the other FSRB or GIFCS secretariat. The composition of the assessment team and the process for adoption of the MER will be decided after close consultation between the joint member and the two secretariats. If scheduling permits, the plenary discussion of a joint MER may take place at a joint plenary meeting of the APG and the respective FSRB, with the full participation of both FSRBs.

VIII. IMF or World Bank Led Assessments of APG Members

128. The APG is responsible for the mutual evaluation process for all of its members, and there is a presumption that the APG will conduct the mutual evaluations[21] of all APG members as part of this process. This presumption can be overridden at the discretion of the APG plenary on a case-by-case basis, and with the evaluated member's agreement. For the purposes of the APG third round of mutual evaluations, the APG plenary has discretion as to the number of APG evaluations that could be conducted by the IFIs. However, it is not expected that the IFIs would be permitted to conduct more than two APG evaluations in any given year.

129. For the APG assessment schedule to be finalised with appropriate certainty and in a coordinated manner, the process leading to the plenary decision as to which APG members 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 APG to be involved at an early stage in the process of determining which members will be assessed by an IFI. The FATF's ECG will be informed at every plenary as to the status of the IFIs assessment schedule. The IFIs are also expected to inform the APG secretariat of any proposals to assess an APG member and the plenary will decide on any such requests. Where the IMF or World Bank conduct an AML/CFT assessment as part of the APG third round they should use procedures and a timetable similar to those of the APG.

130. The APG plenary will in all cases have to consider and adopt an IFI assessment that is conducted under the APG third round for it to be accepted as an APG mutual evaluation.

IX. Coordination with the IFI's FSAP Process

131. 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 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, in the case of the APG, on an MER follow-up assessment (FUA), conducted against the prevailing standard. The APG and the IFIs should therefore coordinate with a view to ensuring a reasonable proximity between the date of the FSAP mission and that of a mutual evaluation or a MER FUA conducted under the prevailing methodology, to allow for the key findings

[21] Including any follow up that may be required.

of that evaluation or MER FUA to be reflected in the FSAP. Members are encouraged to coordinate the timing for both processes internally and with the APG secretariat and IFI staff.[22]

132. The basic products of the evaluation process are the MER and the executive summary (for the APG) and the DAR and ROSC (for the IFIs)[23]. The executive summary, whether derived from an MER or FUAR, 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.

133. 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 Asia/Pacific Group on Money Laundering. The report provides a summary of [the/certain][24] 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 APG and [*Jurisdiction*], but do not necessarily reflect the views of the boards or staff of the IMF or World Bank."

X. Follow-up Processes

134. The APG's follow-up process is in accordance with the the global network's *Universal Procedures* and the FATF's fourth round procedures. The APG's follow-up process has been adapted to suit the specific needs and nature of the APG's diverse membership and current levels of implementation in the region, and bearing in mind practical/resource considerations.

135. The APG's follow-up process is intended to: (i) encourage members' implementation of the FATF Standards; (ii) provide regular monitoring and up-to-date information on members' 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 APG and FSAP assessment cycle.

136. Re-ratings for technical compliance may only me made with membership approval, which will be sought by written (out-of-session) process in the first instance (as outlined below). There will be no re-ratings for effectiveness of any of the 11 Immediate Outcomes during the follow-up process. Re-ratings for effectiveness are possible only as part of the follow-up assessment (FUA) conducted approximately five years after adoption of the MER (see *MER Follow-up Assessment (on-site)*, below).

137. When TC re-ratings are sought as part of the follow-up process, or generally by the end of the third year following adoption of the MER, the follow-up report (FUR) will also assess compliance with

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[22] 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 FUA 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 MER, FUR 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 but not prepare a ROSC or ratings.

[23] The DAR uses a similar template to that of the common agreed template that is annexed to the Methodology.

[24] For ROSCs based on an MER, the word "the" should be used; for ROSCs based on a MER FUA, the alternative wording "certain" would be used (since the FUA is not a comprehensive one).

any FATF standards that have been revised since the last day of the on-site visit. FURs with TC re-ratings are subject to quality and consistency review by the Global Network.

Timing of follow-up reporting and adoption

138. From calendar year 2020, the APG will move to a staggered approach to the filing of progress reports by members and for out-of-session adoption of FURs each year. Staggering FUR reporting and adoption at four-monthly intervals across the year more evenly distributes APG's FUR workload. This will assist to better manage the demand on the Mutual Evaluation Committee (MEC), secretariat, reviewers, members and the global network.

139. All members under APG follow-up will be in one of three reporting streams, which will determine the timing for each annual follow-up review. **Annex 2** sets out the allocation of members in the three reporting streams.

140. Separate dates will apply for submission of progress reports in each of the three streams. These will be 1 February, 1 June and 1 October each year for each of the respective streams.

141. Members will also be required to indicate one month before these submission dates on which Recommendations a re-rating will be requested, to allow the review team to be formed. These dates will be used for both regular (biennial) and enhanced follow-up, and decisions will be taken at each annual meeting to confirm the timing of filing progress reports. Progress made after a jurisdiction's set reporting deadline will not be considered. The draft FURs will then be discussed in the MEC and adopted (where possible) approximately 3-4 months after the progress report is provided through an out-of-session process or, if necessary, after discussion by the plenary at the annual meeting (as outlined below).

142. Other FUR procedures will remain unaltered, including the types of follow-up (regular, enhanced and enhanced (expedited)), strict cut-off dates for progress to be included in the progress report submitted by the assessed member and reflected in the FUR findings, and the MEC considering all FURs out-of-session. FURs that give rise to major disagreements (including those to which the assessed member raises an objection) will continue to be referred to the APG annual meeting for consideration and decision.

Modes of follow-up - FURs

143. Members may, at any stage, including following the discussion and adoption of a MER, decide to place a member under either regular or enhanced follow-up:

i. Regular follow-up is the default monitoring mechanism, and is based on a system of biennial reporting.

ii. Enhanced follow-up is based on the APG's membership policy and deals with members with significant deficiencies (for technical compliance or effectiveness) in their AML/CFT systems through a more intensive process of follow-up.

144. ***Secretariat/Review team analysis***: The member's progress report will be analysed either by the secretariat or by an APG review team comprised of experts from APG members and observers (drawing on former assessment team members whenever possible), as follows:

- Secretariat: The secretariat will prepare the analysis report where there are no re-ratings of technical compliance.
- Review team: A review team will conduct the analysis where there is a re-rating/possible re-rating for technical compliance [from NC or PC to LC or C] either upon request by the member, or arising from a preliminary secretariat review.

145. ***Analysis Report****:* This is a desk-based review. Examples of substantive issues to be considered in the analysis report include:

i. Re-ratings for technical compliance [to LC or C]: Re-ratings on any one or more of the 40 FATF Recommendations rated NC or PC will be possible upon request by the assessed member or if deemed appropriate. Re-rating requests will not be considered where the review team determines that the legal, institutional or operational framework is unchanged since the MER or previous FUR and there have been no changes to the FATF Standards or their interpretation, unless there is a consistency issue. Where such changes have been made, they will be analysed to determine whether the member has sufficiently addressed the underlying key deficiencies identified in the MER to warrant a re-rating. The general expectation is for members to have addressed most if not all of the technical compliance deficiencies by the end of the third year following adoption of the MER.[25]

ii. If any of the FATF Standards have been revised since the end of the ME on-site visit (or previous FUR, if applicable), the member will be assessed for compliance with all revised standards at the time its re-rating request is considered (including cases where the revised Recommendation was rated LC or C).

iii. Significant changes in the member leading to an increase or a decline in technical compliance.

iv. Insufficient progress made by the member against the priority actions in its MER.

v. Sufficient or insufficient progress made against specific actions agreed by members as part of the follow-up process in more serious cases.

vi. The report recommends placing the member on enhanced follow-up.

146. When preparing the FUR, the secretariat/review team may consult the original assessors, if available. The FUR will contain a recommendation(s) regarding the next steps in the follow-up process, together with the analysis of compliance. The draft FUR should be provided to the assessed member for comments before it is sent to the global network for consideration and to APG members for adoption (see sections (c) and (d) below).

(a) Regular Follow-up

147. Regular follow-up will be the default mechanism to ensure a continuous and ongoing system of monitoring. This is the minimum standard that will apply to all members. Members subject to regular follow-up will report to the plenary every two years.

148. ***Biennial reporting***: Members on regular follow-up will provide a progress report to the secretariat on a biennial basis after adoption of the MER. The progress report should submitted by the reporting deadline set in the schedule at Annex 2 and confirmed at the previous annual meeting. The

[25] It is up to the plenary to determine the extent to which its members are subject to this general expectation, depending on the member's context. Additional time will be given to members to make any changes resulting from revisions to the FATF standards made following the adoption of the MER.

progress report will set out the actions the assessed member has taken since adoption of the MER/previous FUR. This should include relevant changes to the laws, regulations, guidance and relevant data, as well as other contextual and institutional information. The expectation is that satisfactory progress would have been made. The reporting template to be used is at Appendix 3[26].

(b) Enhanced Follow-up

149. The plenary may decide at its discretion, either when a member's MER is adopted or at any other time, that the member should be placed on enhanced follow-up. This will result in the member reporting more frequently than for regular follow-up, and may involve other measures being taken under the *Graduated Steps* (refer paragraph 165 below).

150. **Criteria – Enhanced Follow-Up**: In deciding whether to place a member on enhanced follow-up, the plenary will consider the following factors:

a) After the discussion of the MER: a member will be placed immediately on enhanced follow-up if any one of the following applies:
   (i) it has eight 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 seven or more of the 11 effectiveness outcomes, or
   (iv) it has a low level of effectiveness for five or more of the 11 effectiveness outcomes.
b) After the discussion of a FUR: the plenary may decide to place the member on enhanced follow-up at any stage in the regular follow-up process, if any one of the following applies:
   (i) a significant number of priority actions have not been adequately addressed on a timely basis, or
   (ii) its level of technical compliance changed to a level that the plenary agrees is equivalent to NC/PC on any one or more of R.3, 5, 10, 11 and 20.

151. Members may move off enhanced follow-up onto regular follow-up in the following situations:

a) Where the member entered enhanced follow-up solely on the basis of meeting the technical compliance criteria in paragraph 150(a)(i) and/or (ii) above, the plenary may decide to remove the member from enhanced follow-up where the plenary agrees that the member no longer meets that criteria for enhanced follow-up (after the re-ratings process).
b) The member no longer meets the criteria for enhanced follow-up based on the re-ratings for both technical compliance and effectiveness after the 5th year FUA (refer section (c) below).

152. **Additional criteria – Enhanced Follow-up (Expedited)**: Members with very serious deficiencies may be placed under the category of enhanced follow-up (expedited):

a) After the discussion of the MER: a member will be placed immediately on enhanced follow-up (expedited) if either of the following applies:
   (i) it has 10 or more of the following 13 Recommendations rated NC/PC for technical compliance: R.3, 5, 10, 11, 20; and, R.1. R.4, R.6, R.26, R.29, R.36, R.37, R.40; or

[26] The APG secretariat may amend the template on an ongoing basis to reflect the most recent amendments to the FATF Recommendations and Assessment Methodology or any other procedural amendments.

(ii) it has a low or moderate level of effectiveness for nine or more of the 11 effectiveness outcomes.

b) After the discussion of a FUR: the plenary could decide to place the member on enhanced follow-up (expedited) at any stage in the follow-up process, if a significant number of priority actions have not been adequately addressed on a timely basis (for members already subject to enhanced follow-up) or in exceptional circumstances such as a significant decline in technical compliance or effectiveness (for members on regular follow-up).

153. Members may move off enhanced follow-up (expedited) onto enhanced follow-up at any time during the enhanced follow-up process in the following situations:

a) The plenary decides that it is satisfied that the member has made significant progress against the priority actions in its MER, or has taken satisfactory action to address its deficiencies (after the re-rating process), even if the member still meets the criterion outlined at paragraph 152(a)(ii) above.

b) The member no longer meets the criteria for enhanced follow-up based on the re-ratings for both technical compliance and effectiveness after the 5th year FUA (refer section *(c) MER Follow up Assessment (on-site)* below).

154. **Annual Reporting**: Members on enhanced follow-up will provide a short (one to two page) summary of progress against the recommendations contained in their MER one year after adoption of the MER, as part of other reports. Members on enhanced follow-up will provide their first detailed FUR by the reporting deadline set in the schedule at **Annex 2** and confirmed at the previous annual meeting on an annual basis beginning approximately two years after adoption of the MER. The member should send the detailed progress report to the secretariat setting out the actions it has taken since its MER, or is taking to address the priority actions and recommendations, and deficiencies outlined in its MER. This should include relevant changes to laws, regulations, guidance etc., as well as relevant data and information, and other contextual and institutional information. The expectation is that satisfactory progress should be reported in each detailed progress report, failing which the member could be moved to expedited reporting. The reporting template to be used is at Appendix 3.[27]

155. **Expedited Reporting**: For members placed on enhanced follow-up (expedited) on adoption of the member's MER, or at any other time, the plenary will decide on the frequency and time of the member's follow-up reporting. The plenary may impose quarterly reporting, and in the most serious cases, monthly reporting requirements, until such time the issues have been satisfactorily addressed. The reporting template to be used is at Appendix 3[27].

156. Reports submitted by members on enhanced and enhanced (expedited) reporting will be analysed in accordance with the procedures set out at paragraphs 146 to 148 above.

157. **ICRG**: For members subject to review by the International Cooperation Review Group (on the basis of an agreed ICRG action plan), no follow-up reporting to the APG is expected on the Recommendations that are included in an ongoing ICRG action plan. However, overall progress on each Recommendation is still expected to be achieved, including on parts of Recommendations that are not covered by the ICRG action plan, under the normal timelines, or as soon as the member has completed its ICRG action plan (if this is after the regular timelines).

158. APG analysis reports may draw on any ICRG review report adopted by the FATF within the 12 months prior to the Annual Meeting. Although reliance will generally be placed on the analysis of

[27] The APG secretariat may amend the template on an ongoing basis to reflect the most recent amendments to the FATF Recommendations and Assessment Methodology or any other procedural amendments.

compliance with the FATF Recommendations contained in the ICRG report(s), an APG analysis will not be bound by the conclusions of the ICRG report. For technical compliance re-rating purposes, an APG review team may need to update and complement the analysis contained in the ICRG report (e.g. where additional information is provided by the member or an ICRG action plan item does not cover all the essential criteria for a particular FATF Recommendation).

Global Q & C Review for FURs

159. FURs involving TC re-ratings are to be subject to quality and consistency (Q&C) review by the Global Network. In particular:

i. all draft FURs with TC re-ratings should be circulated to all members and observers, including the FATF Secretariat (for circulation to FATF members), at least five weeks prior to consideration by the MEC (4-monthly meeting) and/or plenary meeting (see next section for details of the FUR adoption process, including the circumstances in which an FUR will be considered by members in plenary at the annual meeting). All delegations then have two weeks to provide written comments on the draft;

ii. if no comments are received, the FUR will be submitted to the MEC for consideration and endorsement (see next section). If comments are received on the draft FUR (including from the assessed member), the draft FUR will be revised as appropriate and, if needed (that is, if there are substantive changes to the FUR), recirculated to the global network for comment in accordance with sub-paragraph (i) above ;

iii. where there are major disagreements between the review team and the assessed member on the findings contained in the FUR after the FUR has been revised and recirculated (e.g. re-ratings) and/or major issues raised by two or more delegations through the global Q & C process which cannot be resolved, the FUR will need to be considered in plenary (see next section for details). In these circumstances, the secretariat will circulate a short list of the most significant issues to members and observers at least two weeks prior to the MEC (annual meeting) and/or plenary discussion of the FUR;

iv. the MEC (meeting held in the margins of the annual meeting) and/or plenary discussion should prioritise discussion of these issues and should be limited in time and scope; and

v. after adoption, and prior to publication, final FURs with TC re-ratings should be provided to the FATF Secretariat and all other assessment bodies for consideration in the global Q&C ex-post review process. The Global Network will have two weeks to notify the APG and FATF Secretariats in writing of any serious or major Q&C issues. FURs where no issues are raised through the pre-plenary review process would not be subject to this ex-post review process.

FUR Adoption Process

160. In summary, all FURs must be adopted by the APG membership. FURs will be adopted either out-of-session, or – if either the assessed member or two or more delegations raise concerns about an FUR, or the MEC otherwise decides to refer an FUR for plenary consideration – at an APG annual (plenary) meeting (see also the process flow-chart at Appendix 4).

161. **FURs without re-ratings**: FURs with no TC re-ratings will be submitted to the MEC for consideration and endorsement out-of-session in the first instance (at one of the MEC's 4-monthly meetings), before being submitted to all members for consideration and adoption through an out-of-session process. The MEC will also consider and recommend the appropriate follow-up status of jurisdictions and next steps for the membership's consideration. Members will have two weeks to comment on the draft FUR. If no comments are received (including from the assessed member), the

report will deemed approved and proceed to publication. If two or more members (not including the assessed member), or the assessed member, raise concerns regarding the FUR, then the FUR will not be adopted and will be referred to the annual meeting (plenary) for consideration and adoption (per then process outlined at paragraph 162 below).

162. **FURS with re-ratings**: FURs involving TC re-ratings will be discussed by the MEC following the completion of the Q&C process outlined at paragraph 159 above. Following endorsement by the MEC (at one of its 4-monthly meetings):

i. FURs which are not disputed by the reviewed jurisdiction, and are not subject to concerns raised by two or more delegations, will be submitted to all members for out-of-session consideration and adoption;

ii. if no comments are received (including from the assessed member) the report will be deemed approved and will proceed to publication. The MEC may however use its discretion as to whether it chooses to recommend out-of-session adoption of an FUR that has been disputed by one member, or by any observers or other members of the global network during the review process, or to refer such an FUR to the annual meeting for consideration and adoption in plenary;

iii. if comments are received, the report will be referred to the next annual meeting for consideration and adoption in plenary. The MEC will advise assessed member of any objections to the out-of-session adoption of an FUR, including any concerns raised regarding the content of a FUR. The FUR will then be considered in accordance with the procedures set out at paragraphs 159(iii) to (v) above:

    a. depending on the comments received, the FUR may first be discussed at the MEC before plenary. Where there are major disagreements between the review team and the assessed member on the findings contained in the FUR (e.g. re-ratings), and/or major issues raised through the pre-plenary review process, the secretariat will compile a short list of the most significant issues, and will circulate this to all members and observers at least two weeks prior to the MEC and/or plenary discussion. The MEC and/or plenary discussion should prioritise discussion of these issues and should be limited in time and scope. Although FURs will first be discussed at MEC, plenary remains the only decision-making body;

    b. with consideration to time constraints, the MEC may opt to prioritise discussion of FURs that involve (a) re-ratings for technical compliance, or (b) proposals to change the mode of follow-up, such as, from enhanced follow-up to enhanced follow-up (expedited);

    c. the scope and time for any plenary discussions of FURs with TC re-ratings will generally be limited to a maximum of one hour, and only if, in the the view of the APG Co-chairs, the discussion could feasibly result in a re-rating. Plenary will not discuss an individual criterion rating unless it will affect an overall Recommendation rating.

163. **Membership action**: The MEC will make recommendations to the membership for reports involving the application of less serious membership action (graduated steps (i)-(ii) in paragraph 165). The MEC through the GC will make recommendations to the membership for reports involving the application of more serious membership action (refer graduated steps (iii)-(vi) in paragraph 165) and the reports will be circulated to members for adoption at the annual meeting or out-of-session, where appropriate.

164. **Membership decisions**: Whether through the out-of-session process or plenary discussion, APG members will consider and adopt all FURs and decide on the category of follow-up, e.g., enhanced follow-up (expedited), including frequency and timing of reports; enhanced follow-up; or regular follow-up. Where expedited reports are involved (or under exceptional circumstances), this could be done out-of-session and not at the annual meeting. In the exceptional case that it comes to the plenary's attention that a member has significantly lowered its compliance with the FATF standards, the plenary may request the member to address any new deficiencies as part of the follow-up process.

165. **Graduated Steps**: In addition to more frequent reporting, the membership may also apply other enhanced measures to members placed on enhanced follow-up, as follows:

i. Send a letter from the APG Co-Chairs to the relevant Minister(s) drawing their attention to the evaluated member's lack of implementation/progress against the FATF standards and/or with APG ME follow-up requirements and/or membership requirements.

ii. Arrange a high-level visit. This visit would meet with Ministers and senior officials.

iii. Refer the matter to the FATF for possible consideration under the FATF's ICRG process.

iv. In the context of the application of Recommendation 19 by members, issuing a formal APG statement to the effect that the member is insufficiently in compliance with the FATF Standards, and recommending appropriate action, and considering whether additional counter-measures are required.

v. Suspend a member from some/all APG activities until membership requirements are met.

vi. Terminate APG membership.

166. Step (i) above will apply to all members placed on enhanced follow-up. Subsequent steps may be applied to members on enhanced follow-up (expedited), as determined by the membership.

Modes of follow up – MER Follow-up Assessment (FUA) '5th Year Follow-Up'

167. All assessed members will also have a FUA to assess progress on effectiveness. This will take place approximately five years after the adoption of the member's MER. Should a member request to undertake its FUA before the fifth year, plenary may approve the request on a case-by-case basis, considering the APG's work plan, possible IMF/World Bank FSAPs and the available resources of members, MEC/plenary, and the secretariat.

168. The FUA is intended to provide a more comprehensive update on the member's AML/CFT regime and to serve a similar function to an update that is part of a member's FSAP. The focus of the FUA is on the progress made by the member on the priority actions in its MER and other areas where the member had significant deficiencies. The FUA could also examine any areas where the Standards had changed since the MER, other elements of the member's AML/CFT regime that had changed significantly, as well as high-risk areas identified in the MER or noted subsequently during the follow-up process.

169. The process for the FUA should include a short (up to five day) 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. up to three) experts covering all three sectoral areas (legal, preventive and law enforcement/FIU), if needed, and drawn from members or observers (preferably experts that were on the original assessment team) and supported by the secretariat. The team will prepare a FUA report for comment by the assessed member and reviewers prior to circulation for MEC discussion, and then plenary discussion and decision. FUA will be subject to the Q&C process as outlined above in relation to MERs.

Re-ratings on both technical compliance and effectiveness are possible and the plenary will decide whether the member should then be placed on regular or enhanced follow up, including applicable reporting timeframes and other measures.

Publication of FURs and FUAs

170. The APG publication policy applies to actions taken under the APG's follow-up policy. FURs with re-ratings and FUAs will be published. The plenary will retain flexibility on the frequency with which FURs without re-ratings are published. If requested by a member, a link will be provided from the APG website to a website of the member 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.

171. As outlined above, after adoption, and prior to publication, final FURs with TC re-ratings should be provided to the FATF Secretariat and the global network for consideration in the post-plenary Q&C review process described in the post-plenary quality and consistency review section of these Procedures. Follow-up reports where no issues are raised through the pre-plenary review process or during the MEC or plenary discussions are not subject to this post-plenary Q&C review process.

172. The APG can amend previously published FURs if factual inaccuracies are discovered at a later date. This process would be conducted by the APG secretariat with confirmation through the MEC and GC.

Follow-up for joint APG/FATF Members and other joint evaluations

173. The follow-up process will differ for APG members subject to FATF follow-up processes. For the APG's joint APG/FATF members, the APG will rely primarily on the FATF's follow-up process for both FURs and FUAs. This will avoid duplication between the two bodies. For FATF members placed under regular follow-up, the first report to the APG will be the first available report provided to the FATF, which will be 2½ years after the FATF's adoption of the MER. Joint APG/FATF members' FURs and any associated FATF Secretariat analysis will be distributed to all APG members and tabled at the MEC for adoption by members out of session. For members of the APG who are also members of another FSRB or the GIFCS, but not members of the FATF, the APG follow-up procedures as described above in (a) to (d) of this section will apply, in consultation with the other assessing body.

174. Any FUAs conducted jointly by the FATF and APG will be adopted subject to the global network review and Q&C processes. The FUA report will be considered and adopted by the FATF and will, at that time, be deemed to be adopted by the APG. The APG may include the FUA on the annual meeting agenda as an information item.

175. In an exceptional case where a FUR or FUA was agreed within FATF but subsequently the APG identified major difficulties within the text of the report, then the APG secretariat would advise the FATF secretariat of the issues.

Annex 1 - Background to changes in the APG's 3rd Round ME Procedures

1. At the APG's 2012 Annual Meeting, APG members:
   - Adopted the 2012 FATF 40 Recommendations;
   - Agreed on the completion of the APG's second round of mutual evaluations under the Revised Procedures for APG Mutual Evaluations 2012.
2. At the FATF's October 2012 Plenary, the FATF :
   - Adopted the High Level Principles and Objectives for FATF and FATF-style regional bodies (FSRBs), which include a set of core elements that should apply to all AML/CFT assessment bodies.
3. At the APG's 2013 Annual Meeting, APG members:
   - Agreed that the APG would use the 2013 Assessment Methodology for the APG's third round of evaluations.
4. At the FATF's February 2014 Plenary, the FATF:
   - Adopted the Universal Procedures for AML/CFT Assessments (Including on Quality and Consistency) that should form the basis for the evaluations conducted by all AML/CFT assessment bodies.
5. At the APG's 2014 Annual Meeting, APG members:
   - Adopted the APG Third Round Mutual Evaluation Procedures for AML/CFT 2014.
   - Noted that the Procedures are consistent with the Universal Procedures for AML/CFT Assessments (Including on Quality and Consistency); and
   - Agreed to extend the third round mutual evaluation schedule and to reduce the average number of evaluations from seven (7) per year to approximately five (5) per year.
6. At the FATF plenaries in June 2014 and October 2015 the FATF:
   - Published its amended fourth round procedures and follow-up processes respectively.
7. At the APG's 2015 Annual Meeting, APG members:
   - Agreed to amend, as appropriate, the APG's third round procedures to reflect amendments made by the FATF to its fourth round procedures and to consider the implications of the new ICRG procedures for the third round procedures.
8. FATF's February 2016 Plenary, the FATF:
   - Adopted updates to Universal Procedures for AML/CFT Assessments.
9. At the APG's 2016 Annual Meeting, APG members:
   - Adopted amendments to the APG Third Round Mutual Evaluation Procedures for AML/CFT, including incorporating changes arising from the amended Universal Procedures.

10. At the FATF's February 2017 Plenary, the FATF:

    - Adopted updates to Universal Procedures for AML/CFT Assessments.

11. At the APG's 2017 Annual Meeting, APG members:

    - Adopted amendments to the APG Third Round Mutual Evaluation Procedures for AML/CFT, including incorporating changes arising from the amended Universal Procedures.

12. At the APG's 2018 Annual Meeting, APG members:

    - Adopted amendments to the APG Third Round Mutual Evaluation Procedures for AML/CFT, including incorporating changes arising from the amended Universal Procedures.

13. At the APG's 2019 Annual Meeting, APG members adopted changes to the procedures that reflected the updated FATF Universal Procedures (discussed in February and June 2019[28]) and a number of streamlining measures. These changes included:

    - moving to three 'streams' of FUR reporting staggered across the calendar year to better distribute to the demand on APG resources across each year;
    - restricting the re-rating of Recommendations rated largely compliant (LC) only to cases where a Recommendation has changed since the member was last assessed (this measure is already part of APG procedures);
    - prohibiting re-rating requests where the member's legal, institutional or operational framework remains unchanged, unless there is a consistency issue;
    - adopting FURs through a written process unless two or more delegations (not including the assessed member) raise the same concern (the APG adopted a similar mechanism in 2018 allowing for out-of-session adoption of FURs by the GC if no more than three or four members or the assessed member raised a concern. Further streamlining of the APG process to comply with the changes to the Universal Procedures, whereby following earlier consultation and MEC endorsement, FURs will be circulated directly to the membership (rather than to the GC) for out-of-session adoption); and
    - generally limiting the scope and time for any Plenary discussions of FURs with TC re-ratings to one hour, and only if in the the view of the APG Co-chairs, the discussion could feasibly result in a re-rating (already observed by the APG in practice).

[28] These changes have been discussed at length in the ECG (see FATF/PLEN/RD(2019)15). They are already reflected in the FATF's revised mutual evaluation procedures adopted in June 2019 and will be finalised through changes to the Universal Procedures to be adopted in October 2019. These APG procedures will be reviewed and, if necessary, amended through an out-of-session process following adoption of the revised Universal Procedures in October 2019.

Annex 2 - APG members' follow-up reporting deadlines ('streams')

Report by 1 February	Report by 1 June	Report by 1 October	FURs each year
2020			
Cambodia Thailand Mongolia Myanmar Pakistan Philippines	Samoa Sri Lanka Bangladesh Palau Solomon Islands	Vanuatu Fiji Bhutan Cook Islands	15
2021			
Cambodia Thailand Mongolia Myanmar Pakistan Philippines	Samoa Sri Lanka Bangladesh Palau Solomon Islands Vietnam	Vanuatu Fiji Bhutan Macao, China Chinese Taipei Tonga	18
2022			
Cambodia Thailand Mongolia Myanmar Pakistan Philippines Nepal	Samoa Sri Lanka Bangladesh Palau Solomon Islands Vietnam Brunei Darussalam Lao PDR	Vanuatu Fiji Bhutan Cook Islands Tonga Marshall Islands	21
2023			
Cambodia Thailand Mongolia Myanmar Pakistan Philippines Nepal Papua New Guinea Afghanistan	Samoa Sri Lanka Bangladesh Palau Solomon Islands Vietnam Brunei Darussalam Lao PDR	Vanuatu Fiji Bhutan Macao, China Chinese Taipei Tonga Marshall Islands Maldives	25
2024			
Cambodia Thailand Mongolia Myanmar Pakistan Philippines Nepal Papua New Guinea Afghanistan Timor Leste	Samoa Sri Lanka Bangladesh Palau Solomon Islands Vietnam Brunei Darussalam Lao PDR Nauru	Vanuatu Fiji Bhutan Cook Islands Tonga Marshall Islands Maldives Niue	27

APPENDIX 1 – TIMELINES FOR THE THIRD ROUND MUTUAL EVALUATION PROCESS

Date	Week	Key Indicative Milestones[1]		
		for Assessment Team	*for the Member[2]*	*for Reviewers*
Before the on-site visit				
At least six (6) months before the on-site [The assessed member, assessment team and secretariat may consider starting the assessment process earlier to have additional translation time, or for other reasons.]	-24	• Commence research and desk-based review on technical compliance (TC). • Confirm (or find) assessors drawn from members which had volunteered[3]. Secretariat to formally advise member of the assessors once confirmed. • Invite delegations to provide information about (a) assessed member's risk situation and any specific issues that should be given additional attention by assessors, (b) their international cooperation experiences with the assessed member.	• Designate contact point(s) or person(s) and set up internal coordination mechanisms (as necessary)[4]. • Respond to technical compliance (TC) update by completing TC questionnaire and providing updated information on new laws and regulations, guidance, institutional framework, risk and context.	
Four (4) months before the on-site	-16	• Prepare preliminary draft TC annex. • Analyse member's assessment of risk and discuss potential areas of increased focus for on-site[5]. • Confirm reviewers (drawn from pool of experts).	• Provide response on effectiveness based on the 11 Immediate Outcomes and the underlying Core Issues (including as relevant supporting information and data).	
Three (3) months before the on-site visit	-12	• Send first Draft of TC annex (need not contain ratings or recommendations) to member for comments.	• Contact point(s) or person(s) to engage with secretariat to prepare for the on-site.	
Two (2) months before the on-site visit	-8	• Advise and consult member on preliminary areas of increased focus for on-site. This could involve preliminary discussions on the assessment team's impressions of the member's ML/TF risks. • Send draft scoping note to reviewers.	• Provide comments on draft TC assessment. • Commence work on draft programme for on-site visit	• Review draft scoping note

[1] Interaction between assessors, secretariat and member is a dynamic and continuous process. The assessment team should engage the assessed member as soon and as much as reasonably possible. The seeking and provision of information will occur throughout the process. Members should respond to queries raised by assessment team in a timely manner.
[2] The member would have to commence preparation and review of its AML/CFT regime for compliance with the FATF Standards more than 6 months prior to the on-site.
[3] The assessment team should comprise at least five assessors, including at least one legal, law enforcement and financial expert. Depending on the member and risks, additional assessors with the relevant expertise may be sought.
[4] Contact person(s) should ideally be familiar or trained in the FATF Standards before the commencement of the process.
[5] This may identify a need to request additional experts with other specific expertise for the assessment team.

Date	Week	Key Indicative Milestones[1]		
		for Assessment Team	*for the Member[2]*	*for Reviewers*
		• Prepare a preliminary analysis identifying key issues on effectiveness.		
One (1) month before the on-site visit	-4	• Final date for members and FSRBs to provide specific information on their international co-operation experiences with the member. • Finalise areas of increased or reduced focus for on-site visit, and key government agencies and private sector bodies to meet.	Provide draft programme for on-site visit to the assessment team[6].	
At least two (2) week before the on-site	-2	• Finalise programme and logistics arrangements for on-site.		
		• Assessment team to prepare revised draft TC annex and an outline of initial findings/key issues to discuss on effectiveness. Where possible a working draft MER prepared. Revised draft TC annex sent to member.	• Member to provide responses to any outstanding questions from the assessment team.	
On-site visit				
Usually two (2) weeks (but may vary)	0	• Conduct opening and closing meetings with member. A written summary of key findings is to be provided at the closing meeting. • Where relevant, assessment team to review the identified areas for greater or lesser focus for the on-site. • Discuss and draft MER.		
After the on-site visit				
Within six (6) weeks of on-site visit	6	• Assessment team to prepare the complete first draft MER, and send to member for comments.		
Within four (4) weeks of receipt of draft MER	10	• Review and provide inputs on queries that member may raise.	• Respond to first draft MER.	
Within four (4) weeks of receiving	14	• Review member's response on first draft of MER. Prepare and send second draft MER & ES to		

[6] Contact point(s) or person(s) to identify and inform government agencies and private sector bodies that will be involved in the on-site.

Date	Week	Key Indicative Milestones[1]		
		for Assessment Team	*for the Member[2]*	*for Reviewers*
member comments		member and reviewers for comment. Send member comments to reviewers.		
Minimum – ten (10) weeks before the Plenary	17	• Engage the assessed member to discuss further changes to the draft MER, and identify issues for discussion at the face-to-face meeting. • Circulate second set of assessed member's comments to assessment team, reviewers' comments, and assessment team's responses to assessed member, and assessed member's responses to reviewers' comments to assessment team.	• Provide comments on second draft MER (three weeks to provide comments)	Provide comments on second draft MER, (three weeks to provide comments)
Minimum – eight (8) weeks before the Plenary	19+	• Conduct face-to-face meeting to discuss the second draft MER and comments received (or third draft MER, time permitting). • Work with assessed member to resolve disagreements and identify potential priority issues for plenary discussions.		
Minimum five (5) weeks before plenary (ideally six (6) weeks)	22+	• Send final draft MER & ES, together with reviewers' comments, assessed member's views and assessment team response to all delegations for comments (two weeks)		
Minimum three (3) weeks before plenary	24	• Deadline for written comments from delegations • Engage member and assessors on priority issues and other comments received on MER or ES		
Minimum two (2) weeks before plenary	25+	• Review and provide inputs on priority issues and other comments received on MER and ES • Circulate (a) compilation of delegation comments, and (b) finalised list of priority issues ('key issues document') to be discussed in MEC and plenary.	• Work with assessment team on priority issues, and other comments received on MER or ES	
Plenary Week	27+	<u>Pre-Plenary Discussions (if needed)</u> • Meet with the assessed member to discuss the mechanics and process for adoption of the report, not substantive issues, and the draft MER will not	• Meet with the assessment team to discuss the mechanics and process for adoption of the report, not substantive issues, and the draft	

Date	Week	Key Indicative Milestones[1]		
		for Assessment Team	*for the Member[2]*	*for Reviewers*
		be subject to further change before the plenary discussion, unless in exceptional circumstances.	MER will not be subject to further change before the plenary discussion, unless in exceptional circumstances.	
Plenary week	27+	**<u>Mutual Evaluation Committee (MEC) meeting – discussion of key issues</u>**		
Plenary Week	27[7]+	**<u>Discussion of MER*</u>** • Members discuss and then adopt the MER and executive summary.		
Post-Plenary – Publication and Finalisation of MER*				
The MER adopted by plenary is to be published as soon as possible. Within one (1) week: - The assessment team reviews the MER to take into account additional comments raised in plenary, checks again for typographical errors, and sends to member. Within two (2) weeks: - The member confirms that the report is accurate and/or advises of any consistency, typographical or similar errors in the MER. - The FATF, FSRBs, or IFIs advise the FATF Secretariat and the APG Secretariat, in writing, if they have serious concerns about the quality and consistency of the MER, and if so, to indicate their specific concerns. - The APG will not publish the MER, or ES until those issues are resolved. Within six (6) weeks**:** - Where there is no such review process then the reports should be published within six weeks of adoption.				

[7] Normally 27 weeks but the period may also be extended or adjusted and based on justified circumstances (and with the consent of the assessed member).

Asia/Pacific Group on Money Laundering

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, non-profit organisations, and proliferation financing
- 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
- Supreme court or appellate or district court (where appropriate and needed)
- 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 - DETAILED FOLLOW-UP REPORT

*Note that the template is a modified version of that provided by the FATF in **October 2017,** issued under its fourth round procedures and for use by FSRBs in conducting follow up on mutual evaluation reports conducted under the 2013 Methodology.*

MEMBER:

REPORT TYPE: [regular/enhanced/enhanced expedited follow-up]

DUE DATE: [1 February/1 June/1 October]

*** Completed template to be emailed to the APG secretariat at mail@apgml.org ***

PUBLICATION: In accordance with the APG 3rd Round ME Procedures 2019, Section X, paragraph 170, regular follow-up reports, and the follow-up assessment report (five years after the MER) will be published. The plenary will retain flexibility on the frequency with which enhanced follow-up reports are published, at a minimum reports will be published whenever there is a re-rating.

OVERVIEW [1]

In this section, members should outline their high-level commitment and strategy for addressing the issues identified in the member's MER and for exiting enhanced follow-up, as well as the compliance enhancing steps taken to date.

When members are seeking technical compliance re-ratings in their follow-up report, this section should clearly indicate for which Recommendations members request a re-rating. Please note that under the APG's revised procedures, members may only seek an upgrade for Recommendations rated non-compliant (NC) or partially compliant (PC).

1. [Example – Member X plans to address most if not all of the shortcomings identified by 2021. A national strategy has been developed and endorsed by the government, prioritizing the following areas:

- *_____]*

2. [Example – The following steps/measures were already taken:

- *_____]*

3. [Example – In light of the progress made since the last follow-up report, Member X would like to seek technical compliance re-ratings for Recommendations xx, xx, and xx.]

[1] For the **1st follow-up report** of members in **enhanced follow-up**, this overview section should be the primary focus of the follow-up report (unless the member is requesting re-ratings in that report). For **other follow-up reports**, especially those with requests for re-ratings, (both regular and enhanced), members should concentrate on the subsequent sections (on background, risk and context, and the technical compliance update).

BACKGROUND, RISK, AND CONTEXT

Members should highlight any significant developments to their AML/CFT system that have taken place since the mutual evaluation or the last follow-up report. This includes:

- New AML/CFT laws, regulations and enforceable means. The (translated) text should be provided, along with a brief, high-level summary of their scope.
- New coordination arrangements, competent authorities, or significant reallocation of responsibility between competent authorities.
- New risk and context information, including new national risk assessments, predicate or ML/TF threat profile, and significant changes to the structure of the financial and DNFBP sectors. This information will assist follow-up assessors in weighing the relative importance of each criterion in the re-rating.

4. [Example – Since the mutual evaluation, Member X has passed the 'Law on Suspicious Transaction Reporting (2019)' (see Annex A for the full text) that came into effect on DD-MM-YYYY.]

5. [Example – Responsibility for investigating suspicious transactions has been transferred from the Ministry of Interior to the FIU as of DD-MM-YYYY, according to Government Order number XXXX.]

6. [Example – Member X has completed and published its revised 2019 ML risk assessment (Annex B).]

TECHNICAL COMPLIANCE UPDATE

Instructions for assessed countries: Use the first three columns of this table to report back on what actions (if any) have been taken to address the technical deficiencies identified in your mutual evaluation report (MER) for Recommendations rated as **NC/PC only,** and implement new requirements where the FATF Standards have changed since your MER was adopted. As is the case with mutual evaluations, it is the responsibility of the assessed country to demonstrate that its AML/CFT system is compliant with the Recommendations. On this basis, the third column should explain the actions taken since the MER was adopted, including cross-references to specific legislation, enforceable means, or other relevant mechanisms. All relevant legislation should be submitted with the below table.

Members should provide brief information only – there is no need for lengthy argument or interpretation.

The fourth column of this table will be used by the review team or secretariat to document their analysis of the information provided.

Criterion	**Deficiency cited in MER / New requirements where FATF Standards have changed since MER** *(Use 1 row per deficiency/new requirement)*	**Actions taken** *(To be filled in by the country, along with the previous 2 columns)*	**Analysis & conclusions** *(To be filled in by the Secretariat/group of experts/review group)*
Recommendations where the country is **seeking an upgrade**			
[E.g. C.3.5]	[E.g. Quote the deficiencies for this criterion as reflected in the MER *Summary of Technical Compliance – Key Deficiencies* table]	[E.g. Briefly describe the actions taken to address the deficiencies for this criterion]	[E.g. Record your analysis and conclusions on the extent to which the actions taken by the assessed country address this deficiency]
			[E.g. Recommendation XX is rated XX, based on progress made since the MER was adopted.]

Recommendations where the FATF **Assessment Methodology has changed since the MER** (depending on date of your on-site visit/change to Methodology[2]). *This section should be updated where you are seeking a TC re-rating for the relevant Recommendation or generally by the end of the third year following adoption of your MER.*			
c.2.3	[E.g. Where the FATF Standards have changed since the MER, quote the new requirements from the latest version of the FATF Assessment Methodology.]	[E.g. Briefly describe the actions taken to address the new requirements for this criterion]	[E.g. Record your analysis and conclusions on the extent to which the actions taken by the assessed country address this deficiency]
c.2.5			
c.5.2 bis			
c.7.4			
c.7.5			
c.8.1			
c.8.2			
c.8.3			
c.8.4			
c.8.5			
c.8.6			
c.15.3			
c.15.4			
c.15.5			
c.15.6			

[2] See attached table for a list of the changes to the Methodology and the dates on which they occurred.

c.15.7			
c.15.8			
c.15.9			
c.15.10			
c.15.11			
c.18.2(b) and (c)			
c.21.2			
Other Recommendations rated NC/PC for which the country **is not seeking an upgrade**			
[E.g. R.24]	[E.g. Quote the deficiencies for this criterion as reflected in the MER *Summary of Technical Compliance – Key Deficiencies* table]	[E.g. Briefly describe any actions taken to date to address these deficiencies]	[No analysis needed here, as this information is being reported for information only.]

Which Recommendations have changed?

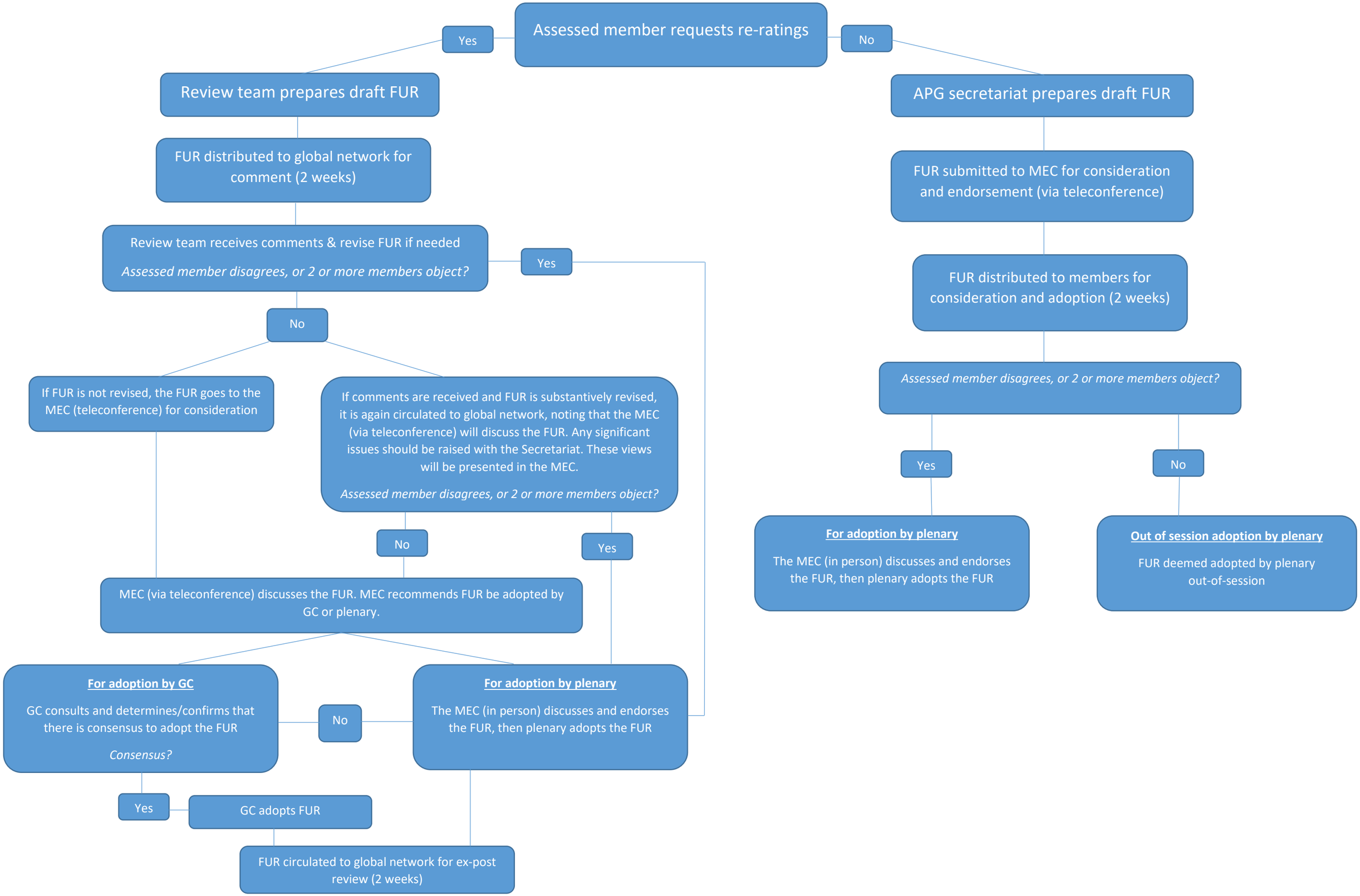
We have attached an extract from the current FATF Methodology which gives a detailed overview of changes. In brief, the changes to the methodology for assessing technical compliance are as follows:

R.2 – Oct 2018 addition of 2.5 on data protection and privacy rules, and addition of "and exchange information domestically" into 2.3.
R.5 - Feb 2016 addition of 5.2bis and Feb 2017 addition of "or other assets" into 5.2, 5.3 and 5.4.
R.7 - Nov 2017 amendments to 7.4(c) & 7.5(a) – UNSCR reference changed from 1737 to 2231. Addition of UNSCR 2231 into 7.5(b).
R.8 – Oct 2016 amendment of whole recommendation.
R.15 – Oct 2019 addition of 15.3-15.11 to include virtual assets and virtual asset service providers.
R.18 – Feb 2018 additions within 18.2(b) and (c) to add sharing of information related to usual activity.
R.21 – Feb 2018 addition of last sentence to 21.2 on provisions not intended to inhibit information sharing under R.18.

What is required to be reported?

Members must report on changed Recommendations in the Technical Compliance Update table of their progress report. Members should note the new elements of the Recommendation, and if/how their laws or enforceable means cover this new requirement. Supporting evidence (e.g. copies of relevant laws) should be provided where necessary.

APPENDIX 4 - FUR ADOPTION PROCESS FLOW-CHART



Asia/Pacific Group on Money Laundering

APPENDIX 5(A) – QUESTIONNAIRE FOR TECHNICAL COMPLIANCE UPDATE

APG THIRD ROUND MUTUAL EVALUATIONS

[*NAME OF MEMBER*]

CONTENT

PART A:

QUESTIONNAIRE FOR TECHNICAL COMPLIANCE UPDATE

Note: This should be provided to the APG Secretariat at least six months before the scheduled on-site visit by the assessment team.

[Date]

QUESTIONNAIRE FOR TECHNICAL COMPLIANCE UPDATE

BACKGROUND AND KEY DOCUMENTS

Jurisdictions 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.

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

Jurisdictions 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 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, Jurisdiction 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

Jurisdictions should provide assessors with available documents about the ML/TF risks in their jurisdiction. They should list each document they provide, and briefly describe their scope. Jurisdictions 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 jurisdictions wish to highlight specific contextual factors, they should provide documentation on these.

Jurisdictions should describe the size and structure of their financial and DNFBP sectors, using the tables in Annex 1.

TECHNICAL COMPLIANCE INFORMATION

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

For each criterion, jurisdictions should, as a minimum, set out the reference (name of instrument, article or section number) that applies. Jurisdictions should always specifically refer to the specific clauses of their laws, enforceable means, or other mechanisms which are relevant to each criterion. If necessary jurisdictions 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). Jurisdictions 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).

Jurisdictions 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 ASSESSING RISKS AND APPLYING A RISK-BASED APPROACH[1]

OBLIGATIONS AND DECISIONS FOR COUNTRIES

Risk assessment

1.1 Countries[2] should identify and assess the ML/TF risks for the country,

86. [Example – "Jurisdiction 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."]

1.2 Countries should designate an authority or mechanism to co-ordinate actions to assess risks.

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)."]

1.3 Countries should keep the risk assessments up-to-date.

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

1.4 Countries should have mechanisms to provide information on the results of the risk assessment(s) to all relevant competent authorities and self-regulatory bodies (SRBs), financial institutions and DNFBPs.

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*

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1 The requirements in this recommendation should be assessed taking into account the more specific risk based requirements in other Recommendations. Under Recommendation 1 assessors should come to an overall view of risk assessment and risk mitigation by countries and financial institutions/DNFBPs as required in other Recommendations, but should not duplicate the detailed assessments of risk-based measures required under other Recommendations. Assessors are not expected to conduct an in-depth review of the country's assessment(s) of risks. Assessors should focus on the process, mechanism, and information sources adopted by the country, as well as the contextual factors, and should consider the reasonableness of the conclusions of the country's assessment(s) of risks.

2 Where appropriate, ML/TF risk assessments at a supra-national level should be taken into account when considering whether this obligation is satisfied.

TF assessment is prepared which sets out key findings for financial institutions, and DNFBPs (document R2)."]

Risk mitigation

1.5 Based on their understanding of their risks, countries should apply a risk-based approach to allocating resources and implementing measures to prevent or mitigate ML/TF.

1.6 Countries which decide not to apply some of the FATF Recommendations requiring financial institutions or DNFBPs to take certain actions, should demonstrate that:

(a) there is a proven low risk of ML/TF; the exemption occurs in strictly limited and justified circumstances; and it relates to a particular type of financial institution or activity, or DNFBP; or

(b) a financial activity (other than the transferring of money or value) is carried out by a natural or legal person on an occasional or very limited basis (having regard to quantitative and absolute criteria), such that there is a low risk of ML/TF.

1.7 Where countries identify higher risks, they should ensure that their AML/CFT regime addresses such risks, including through: (a) requiring financial institutions and DNFBPs to take enhanced measures to manage and mitigate the risks; or (b) requiring financial institutions and DNFBPs to ensure that this information is incorporated into their risk assessments.

1.8 Countries may allow simplified measures for some of the FATF Recommendations requiring financial institutions or DNFBPs to take certain actions, provided that a lower risk has been identified, and this is consistent with the country's assessment of its ML/TF risks[3].

1.9 Supervisors and SRBs should ensure that financial institutions and DNFBPs are implementing their obligations under Recommendation 1[4].

OBLIGATIONS AND DECISIONS FOR FINANCIAL INSTITUTIONS AND DNFBPS

Risk assessment

1.10 Financial institutions and DNFBPs should be required to take appropriate steps to identify, assess, and understand their ML/TF risks (for customers, countries or

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3 Where the FATF Recommendations identify higher risk activities for which enhanced or specific measures are required, countries should ensure that all such measures are applied, although the extent of such measures may vary according to the specific level of risk.

4 The requirements in this criterion should be assessed taking into account the findings in relation to Recommendations 26 and 28.

geographic areas; and products, services, transactions or delivery channels)[5]. This includes being required to:

(a) document their risk assessments;

(b) consider all the relevant risk factors before determining what is the level of overall risk and the appropriate level and type of mitigation to be applied;

(c) keep these assessments up to date; and

(d) have appropriate mechanisms to provide risk assessment information to competent authorities and SRBs.

Risk mitigation

1.11 Financial institutions and DNFBPs should be required to:

(a) have policies, controls and procedures, which are approved by senior management, to enable them to manage and mitigate the risks that have been identified (either by the country or by the financial institution or DNFBP);

(b) monitor the implementation of those controls and to enhance them if necessary; and

(c) take enhanced measures to manage and mitigate the risks where higher risks are identified.

1.12 Countries may only permit financial institutions and DNFBPs to take simplified measures to manage and mitigate risks, if lower risks have been identified, and criteria 1.9 to 1.11 are met. Simplified measures should not be permitted whenever there is a suspicion of ML/TF.

5 The nature and extent of any assessment of ML/TF risks should be appropriate to the nature and size of the business. Competent authorities or SRBs may determine that individual documented risk assessments are not required, provided that the specific risks inherent to the sector are clearly identified and understood, and that individual financial institutions and DNFBPs understand their ML/TF risks.

RECOMMENDATION 2	NATIONAL CO-OPERATION AND CO-ORDINATION

2.1 **Countries should have national AML/CFT policies which are informed by the risks identified, and are regularly reviewed.**

2.2 **Countries should designate an authority or have a co-ordination or other mechanism that is responsible for national AML/CFT policies.**

2.3 **Mechanisms should be in place to enable policy makers, the Financial Intelligence Unit (FIU), law enforcement authorities, supervisors and other relevant competent authorities to co-operate, and where appropriate, co-ordinate and exchange information domestically with each other concerning the development and implementation of AML/CFT policies and activities. Such mechanisms should apply at both policymaking and operational levels.**

2.4 **Competent authorities should have similar co-operation and, where appropriate, co-ordination mechanisms to combat the financing of proliferation of weapons of mass destruction.**

2.5 **Countries should have cooperation and coordination between relevant authorities to ensure the compatibility of AML/CFT requirements with Data Protection and Privacy rules and other similar provisions (e.g. data security/localisation).**[6]

[6] For purposes of technical compliance, the assessment should be limited to whether there is co-operation and, where appropriate, co-ordination, whether formal or informal, between the relevant authorities.

RECOMMENDATION 3	MONEY LAUNDERING OFFENCE

3.1 **ML should be criminalised on the basis of the Vienna Convention and the Palermo Convention (see Article 3(1)(b)&(c) Vienna Convention and Article 6(1) Palermo Convention)[7].**

3.2 **The predicate offences for ML should cover all serious offences, with a view to including the widest range of predicate offences. At a minimum, predicate offences should include a range of offences in each of the designated categories of offences[8].**

3.3 **Where countries apply a threshold approach or a combined approach that includes a threshold approach[9], predicate offences should, at a minimum, comprise all offences that:**

- **(a) fall within the category of serious offences under their national law; or**
- **(b) are punishable by a maximum penalty of more than one year's imprisonment; or**
- **(c) are punished by a minimum penalty of more than six months' imprisonment (for countries that have a minimum threshold for offences in their legal system).**

3.4 **The ML offence should extend to any type of property, regardless of its value, that directly or indirectly represents the proceeds of crime.**

3.5 **When proving that property is the proceeds of crime, it should not be necessary that a person be convicted of a predicate offence.**

3.6 **Predicate offences for money laundering should extend to conduct that occurred in another country, which constitutes an offence in that country, and which would have constituted a predicate offence had it occurred domestically.**

3.7 **The ML offence should apply to persons who commit the predicate offence, unless this is contrary to fundamental principles of domestic law.**

3.8 **It should be possible for the intent and knowledge required to prove the ML offence to be inferred from objective factual circumstances.**

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7 Note in particular the physical and material elements of the offence.

8 Recommendation 3 does not require countries to create a separate offence of "participation in an organised criminal group and racketeering". In order to cover this category of "designated offence", it is sufficient if a country meets either of the two options set out in the Palermo Convention, *i.e.* either a separate offence or an offence based on conspiracy.

9 Countries determine the underlying predicate offences for ML by reference to (a) all offences; or (b) to a threshold linked either to a category of serious offences or to the penalty of imprisonment applicable to the predicate offence (threshold approach); or (c) to a list of predicate offences; or (d) a combination of these approaches.

3.9 **Proportionate and dissuasive criminal sanctions should apply to natural persons convicted of ML.**

3.10 **Criminal liability and sanctions, and, where that is not possible (due to fundamental principles of domestic law), civil or administrative liability and sanctions, should apply to legal persons. This should not preclude parallel criminal, civil or administrative proceedings with respect to legal persons in countries in which more than one form of liability is available. Such measures are without prejudice to the criminal liability of natural persons. All sanctions should be proportionate and dissuasive.**

3.11 **Unless it is not permitted by fundamental principles of domestic law, there should be appropriate ancillary offences to the ML offence, including: participation in; association with or conspiracy to commit; attempt; aiding and abetting; facilitating; and counselling the commission.**

RECOMMENDATION 4	CONFISCATION AND PROVISIONAL MEASURES

4.1 Countries should have measures, including legislative measures, that enable the confiscation of the following, whether held by criminal defendants or by third parties:

(a) property laundered;

(b) proceeds of (including income or other benefits derived from such proceeds), or instrumentalities used or intended for use in, ML or predicate offences;

(c) property that is the proceeds of, or used in, or intended or allocated for use in the financing of terrorism, terrorist acts or terrorist organisations; or

(d) property of corresponding value.

4.2 Countries should have measures, including legislative measures, that enable their competent authorities to:

(a) identify, trace and evaluate property that is subject to confiscation;

(b) carry out provisional measures, such as freezing or seizing, to prevent any dealing, transfer or disposal of property subject to confiscation[10];

(c) take steps that will prevent or void actions that prejudice the country's ability to freeze or seize or recover property that is subject to confiscation; and

(d) take any appropriate investigative measures.

4.3 Laws and other measures should provide protection for the rights of *bona fide* third parties.

4.4 Countries should have mechanisms for managing and, when necessary, disposing of property frozen, seized or confiscated.

[10] Measures should allow the initial application to freeze or seize property subject to confiscation to be made *ex-parte* or without prior notice, unless this is inconsistent with fundamental principles of domestic law.

RECOMMENDATION 5	TERRORIST FINANCING OFFENCE

5.1 **Countries should criminalise TF on the basis of the Terrorist Financing Convention[11].**

5.2 **TF offences should extend to any person who wilfully provides or collects funds or other assets by any means, directly or indirectly, with the unlawful intention that they should be used, or in the knowledge that they are to be used, in full or in part: (a) to carry out a terrorist act(s); or (b) by a terrorist organisation or by an individual terrorist (even in the absence of a link to a specific terrorist act or acts).[12]**

5.2bis **TF offences should include financing the travel of individuals who travel to a State other than their States of residence or nationality for the purpose of the perpetration, planning, or preparation of, or participation in, terrorist acts or the providing or receiving of terrorist training.**

5.3 **TF offences should extend to any funds or other assets whether from a legitimate or illegitimate source.**

5.4 **TF offences should not require that the funds or other assets: (a) were actually used to carry out or attempt a terrorist act(s); or (b) be linked to a specific terrorist act(s).**

5.5 **It should be possible for the intent and knowledge required to prove the offence to be inferred from objective factual circumstances.**

5.6 **Proportionate and dissuasive criminal sanctions should apply to natural persons convicted of TF.**

5.7 **Criminal liability and sanctions, and, where that is not possible (due to fundamental principles of domestic law), civil or administrative liability and sanctions, should apply to legal persons. This should not preclude parallel criminal, civil or administrative proceedings with respect to legal persons in countries in which more than one form of liability is available. Such measures should be without prejudice to the criminal liability of natural persons. All sanctions should be proportionate and dissuasive.**

5.8 **It should also be an offence to:**

(a) attempt to commit the TF offence;

(b) participate as an accomplice in a TF offence or attempted offence;

(c) organise or direct others to commit a TF offence or attempted offence; and

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11 Criminalisation should be consistent with Article 2 of the International Convention for the Suppression of the Financing of Terrorism.

12 Criminalising TF solely on the basis of aiding and abetting, attempt, or conspiracy is not sufficient to comply with the Recommendation.

(d) contribute to the commission of one or more TF offence(s) or attempted offence(s), by a group of persons acting with a common purpose[13].

5.9 TF offences should be designated as ML predicate offences.

5.10 TF offences should apply, regardless of whether the person alleged to have committed the offence(s) is in the same country or a different country from the one in which the terrorist(s)/terrorist organisation(s) is located or the terrorist act(s) occurred/will occur.

13 Such contribution shall be intentional and shall either: (i) be made with the aim of furthering the criminal activity or criminal purpose of the group, where such activity or purpose involves the commission of a TF offence; or (ii) be made in the knowledge of the intention of the group to commit a TF offence.

RECOMMENDATION 6	TARGETED FINANCIAL SANCTIONS RELATED TO TERRORISM AND TERRORIST FINANCING

Identifying and designating

6.1 In relation to designations pursuant to United Nations Security Council 1267/1989 (Al Qaida) and 1988 sanctions regimes (Referred to below as "UN Sanctions Regimes"), countries should:

(a) identify a competent authority or a court as having responsibility for proposing persons or entities to the 1267/1989 Committee for designation; and for proposing persons or entities to the 1988 Committee for designation;

(b) have a mechanism(s) for identifying targets for designation, based on the designation criteria set out in the relevant United Nations Security Council resolutions (UNSCRs);

(c) apply an evidentiary standard of proof of "reasonable grounds" or "reasonable basis" when deciding whether or not to make a proposal for designation. Such proposals for designations should not be conditional upon the existence of a criminal proceeding;

(d) follow the procedures and (in the case of UN Sanctions Regimes) standard forms for listing, as adopted by the relevant committee (the 1267/1989 Committee or 1988 Committee); and

(e) provide as much relevant information as possible on the proposed name[14]; a statement of case[15] which contains as much detail as possible on the basis for the listing[16]; and (in the case of proposing names to the 1267/1989 Committee), specify whether their status as a designating state may be made known.

6.2 In relation to designations pursuant to UNSCR 1373, countries should:

(a) identify a competent authority or a court as having responsibility for designating persons or entities that meet the specific criteria for designation, as set forth in UNSCR 1373; as put forward either on the country's own motion or, after examining and giving effect to, if appropriate, the request of another country.

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14 In particular, sufficient identifying information to allow for the accurate and positive identification of individuals, groups, undertakings, and entities, and to the extent possible, the information required by Interpol to issue a Special Notice

15 This statement of case should be releasable, upon request, except for the parts a Member State identifies as being confidential to the relevant committee (the 1267/1989 Committee or 1988 Committee).

16 Including: specific information supporting a determination that the person or entity meets the relevant designation; the nature of the information; supporting information or documents that can be provided; and details of any connection between the proposed designee and any currently designated person or entity

(b) have a mechanism(s) for identifying targets for designation, based on the designation criteria set out in UNSCR 1373[17];

(c) when receiving a request, make a prompt determination of whether they are satisfied, according to applicable (supra-) national principles that the request is supported by reasonable grounds, or a reasonable basis, to suspect or believe that the proposed designee meets the criteria for designation in UNSCR 1373;

(d) apply an evidentiary standard of proof of "reasonable grounds" or "reasonable basis" when deciding whether or not to make a designation[18]. Such (proposals for) designations should not be conditional upon the existence of a criminal proceeding; and

(e) when requesting another country to give effect to the actions initiated under the freezing mechanisms, provide as much identifying information, and specific information supporting the designation, as possible.

6.3 The competent authority(ies) should have legal authorities and procedures or mechanisms to:

(a) collect or solicit information to identify persons and entities that, based on reasonable grounds, or a reasonable basis to suspect or believe, meet the criteria for designation; and

(b) operate *ex parte* against a person or entity who has been identified and whose (proposal for) designation is being considered.

Freezing

6.4 Countries should implement targeted financial sanctions without delay[19].

6.5 Countries should have the legal authority and identify domestic competent authorities responsible for implementing and enforcing targeted financial sanctions, in accordance with the following standards and procedures:

(a) Countries should require all natural and legal persons within the country to freeze, without delay and without prior notice, the funds or other assets of designated persons and entities.

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[17] This includes having authority and effective procedures or mechanisms to examine and give effect to, if appropriate, the actions initiated under the freezing mechanisms of other countries pursuant to UNSCR 1373 (2001)

[18] A country should apply the legal standard of its own legal system regarding the kind and quantum of evidence for the determination that "reasonable grounds" or "reasonable basis" exist for a decision to designate a person or entity, and thus initiate an action under a freezing mechanism. This is the case irrespective of whether the proposed designation is being put forward on the relevant country's own motion or at the request of another country.

[19] For UNSCR 1373, the obligation to take action without delay is triggered by a designation at the (supra-) national level, as put forward either on the country's own motion or at the request of another country, if the country receiving the request is satisfied, according to applicable legal principles, that a requested designation is supported by reasonable grounds, or a reasonable basis, to suspect or believe that the proposed designee meets the criteria for designation in UNSCR 1373.

(b) The obligation to freeze should extend to: (i) all funds or other assets that are owned or controlled by the designated person or entity, and not just those that can be tied to a particular terrorist act, plot or threat; (ii) those funds or other assets that are wholly or jointly owned or controlled, directly or indirectly, by designated persons or entities; and (iii) the funds or other assets derived or generated from funds or other assets owned or controlled directly or indirectly by designated persons or entities, as well as (iv) funds or other assets of persons and entities acting on behalf of, or at the direction of, designated persons or entities.

(c) Countries should prohibit their nationals, or[20] any persons and entities within their jurisdiction, from making any funds or other assets, economic resources, or financial or other related services, available, directly or indirectly, wholly or jointly, for the benefit of designated persons and entities; entities owned or controlled, directly or indirectly, by designated persons or entities; and persons and entities acting on behalf of, or at the direction of, designated persons or entities, unless licensed, authorised or otherwise notified in accordance with the relevant UNSCRs.

(d) Countries should have mechanisms for communicating designations to the financial sector and the DNFBPs immediately upon taking such action, and providing clear guidance to financial institutions and other persons or entities, including DNFBPs, that may be holding targeted funds or other assets, on their obligations in taking action under freezing mechanisms.

(e) Countries should require financial institutions and DNFBPs to report to competent authorities any assets frozen or actions taken in compliance with the prohibition requirements of the relevant UNSCRs, including attempted transactions.

(f) Countries should adopt measures which protect the rights of *bona fide* third parties acting in good faith when implementing the obligations under Recommendation 6.

De-listing, unfreezing and providing access to frozen funds or other assets

6.6 Countries should have publicly known procedures to de-list and unfreeze the funds or other assets of persons and entities which do not, or no longer, meet the criteria for designation. These should include:

(a) procedures to submit de-listing requests to the relevant UN sanctions Committee in the case of persons and entities designated pursuant to the UN Sanctions Regimes , in the view of the country, do not or no longer meet the criteria for designation. Such procedures and criteria should be in accordance

[20] "or", in this particular case means that countries must both prohibit their own nationals and prohibit any persons/entities in their jurisdiction.

with procedures adopted by the *1267/1989 Committee* or the *1988 Committee*, as appropriate[21];

(b) legal authorities and procedures or mechanisms to de-list and unfreeze the funds or other assets of persons and entities designated pursuant to UNSCR 1373, that no longer meet the criteria for designation;

(c) with regard to designations pursuant to UNSCR 1373, procedures to allow, upon request, review of the designation decision before a court or other independent competent authority;

(d) with regard to designations pursuant to UNSCR 1988, procedures to facilitate review by the *1988 Committee* in accordance with any applicable guidelines or procedures adopted by the *1988 Committee*, including those of the Focal Point mechanism established under UNSCR 1730;

(e) with respect to designations on the *Al-Qaida Sanctions List*, procedures for informing designated persons and entities of the availability of the *United Nations Office of the Ombudsperson*, pursuant to UNSCRs 1904, 1989, and 2083 to accept de-listing petitions;

(f) publicly known procedures to unfreeze the funds or other assets of persons or entities with the same or similar name as designated persons or entities, who are inadvertently affected by a freezing mechanism (*i.e.* a false positive), upon verification that the person or entity involved is not a designated person or entity; and

(g) mechanisms for communicating de-listings and unfreezings to the financial sector and the DNFBPs immediately upon taking such action, and providing guidance to financial institutions and other persons or entities, including DNFBPs, that may by holding targeted funds or other assets, on their obligations to respect a de-listing or unfreezing action.

6.7 Countries should authorise access to frozen funds or other assets which have been determined to be necessary for basic expenses, for the payment of certain types of fees, expenses and service charges, or for extraordinary expenses, in accordance with the procedures set out in UNSCR 1452 and any successor resolutions. On the same grounds, countries should authorise access to funds or other assets, if freezing measures are applied to persons and entities designated by a (supra-)national country pursuant to UNSCR 1373.

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[21] The procedures of the *1267/1989 Committee* are set out in UNSCRs 1730; 1735; 1822; 1904; 1989; 2083 and any successor resolutions. The procedures of the *1988 Committee* are set out in UNSCRs 1730; 1735; 1822; 1904; 1988; 2082; and any successor resolutions.

RECOMMENDATION 7	TARGETED FINANCIAL SANCTIONS RELATED TO PROLIFERATION

7.1 Countries should implement targeted financial sanctions without delay to comply with United Nations Security Council Resolutions, adopted under Chapter VII of the Charter of the United Nations, relating to the prevention, suppression and disruption of proliferation of weapons of mass destruction and its financing.[22].

7.2 Countries should establish the necessary legal authority and identify competent authorities responsible for implementing and enforcing targeted financial sanctions, and should do so in accordance with the following standards and procedures.

(a) Countries should require all natural and legal persons within the country to freeze, without delay and without prior notice, the funds or other assets of designated persons and entities.

(b) The freezing obligation should extend to: (i) all funds or other assets that are owned or controlled by the designated person or entity, and not just those that can be tied to a particular act, plot or threat of proliferation; (ii) those funds or other assets that are wholly or jointly owned or controlled, directly or indirectly, by designated persons or entities; and (iii) the funds or other assets derived or generated from funds or other assets owned or controlled directly or indirectly by designated persons or entities, as well as (iv) funds or other assets of persons and entities acting on behalf of, or at the direction of designated persons or entities.

(c) Countries should ensure that any funds or other assets are prevented from being made available by their nationals or by any persons or entities within their territories, to or for the benefit of designated persons or entities unless licensed, authorised or otherwise notified in accordance with the relevant United Nations Security Council Resolutions.

(d) Countries should have mechanisms for communicating designations to financial institutions and DNFBPs immediately upon taking such action, and providing clear guidance to financial institutions and other persons or entities,

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22 Recommendation 7 is applicable to all current UNSCRs applying targeted financial sanctions relating to the financing of proliferation of weapons of mass destruction, any future successor resolutions, and any future UNSCRs which impose targeted financial sanctions in the context of the financing of proliferation of weapons of mass destruction. At the time of issuance of the FATF Standards to which this Methodology corresponds (June 2017), the UNSCRs applying targeted financial sanctions relating to the financing of proliferation of weapons of mass destruction are: UNSCR 1718(2006) on DPRK and its successor resolutions 1874(2009), 2087(2013), 2094(2013), 2270(2016), 2321(2016) and 2356(2017). UNSCR 2231(2015), endorsing the Joint Comprehensive Plan of Action (JCPOA), terminated all provisions of UNSCRs relating to Iran and proliferation financing, including 1737(2006), 1747(2007), 1803(2008) and 1929(2010), but established specific restrictions including targeted financial sanctions. This lifts sanctions as part of a step by step approach with reciprocal commitments endorsed by the Security Council. Implementation day of the JCPOA was on 16 January 2016.

including DNFBPs, that may be holding targeted funds or other assets, on their obligations in taking action under freezing mechanisms.

(e) Countries should require financial institutions and DNFBPs to report to competent authorities any assets frozen or actions taken in compliance with the prohibition requirements of the relevant UNSCRs, including attempted transactions.

(f) Countries should adopt measures which protect the rights of *bona fide* third parties acting in good faith when implementing the obligations under Recommendation 7.

7.3 Countries should adopt measures for monitoring and ensuring compliance by financial institutions and DNFBPs with the relevant laws or enforceable means governing the obligations under Recommendation 7. Failure to comply with such laws or enforceable means should be subject to civil, administrative or criminal sanctions.

7.4 Countries should develop and implement publicly known procedures to submit de-listing requests to the Security Council in the case of designated persons and entities that, in the view of the country, do not or no longer meet the criteria for designation[23]. These should include:

(a) enabling listed persons and entities to petition a request for de-listing at the Focal Point for de-listing established pursuant to UNSCR 1730, or informing designated persons or entities to petition the Focal Point directly;

(b) publicly known procedures to unfreeze the funds or other assets of persons or entities with the same or similar name as designated persons or entities, who are inadvertently affected by a freezing mechanism (*i.e.* a false positive), upon verification that the person or entity involved is not a designated person or entity;

(c) authorising access to funds or other assets, where countries have determined that the exemption conditions set out in UNSCRs 1718 and 2231 are met, in accordance with the procedures set out in those resolutions; and

(d) mechanisms for communicating de-listings and unfreezings to the financial sector and the DNFBPs immediately upon taking such action, and providing guidance to financial institutions and other persons or entities, including DNFBPs, that may be holding targeted funds or other assets, on their obligations to respect a de-listing or unfreezing action.

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[23] In the case of UNSCR 1718 and its successor resolutions, such procedures and criteria should be in accordance with any applicable guidelines or procedures adopted by the United Nations Security Council pursuant to UNSCR 1730 (2006) and any successor resolutions, including those of the Focal Point mechanism established under that resolution.

7.5 With regard to contracts, agreements or obligations that arose prior to the date on which accounts became subject to targeted financial sanctions:

(a) countries should permit the addition to the accounts frozen pursuant to UNSCRs 1718 or 2231 of interests or other earnings due on those accounts or payments due under contracts, agreements or obligations that arose prior to the date on which those accounts became subject to the provisions of this resolution, provided that any such interest, other earnings and payments continue to be subject to these provisions and are frozen; and

(b) freezing action taken pursuant to UNSCR 1737 and continued by UNSCR 2231, or taken pursuant to UNSCR 2231 should not prevent a designated person or entity from making any payment due under a contract entered into prior to the listing of such person or entity, provided that: (i) the relevant countries have determined that the contract is not related to any of the prohibited items, materials, equipment, goods, technologies, assistance, training, financial assistance, investment, brokering or services referred to in UNSCR 2231 and any future successor resolutions; (ii) the relevant countries have determined that the payment is not directly or indirectly received by a person or entity subject to the measures in paragraph 6 of Annex B to UNSCR 2231; and (iii) the relevant countries have submitted prior notification to the Security Council of the intention to make or receive such payments or to authorise, where appropriate, the unfreezing of funds, other financial assets or economic resources for this purpose, ten working days prior to such authorisation.

RECOMMENDATION 8	NON-PROFIT ORGANISATIONS (NPOS)

Taking a risk-based approach

8.1 Countries should:

(a) Without prejudice to the requirements of Recommendation 1, since not all NPOs are inherently high risk (and some may represent little or no risk at all), identify which subset of organizations fall within the FATF definition[24] of NPO, and use all relevant sources of information, in order to identify the features and types of NPOs which by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse[25];

(b) identify the nature of threats posed by terrorist entities to the NPOs which are at risk as well as how terrorist actors abuse those NPOs;

(c) review the adequacy of measures, including laws and regulations, that relate to the subset of the NPO sector that may be abused for terrorism financing support in order to be able to take proportionate and effective actions to address the risks identified; and

(d) periodically reassess the sector by reviewing new information on the sector's potential vulnerabilities to terrorist activities to ensure effective implementation of measures.

Sustained outreach concerning terrorist financing issues

8.2 Countries should:

(a) have clear policies to promote accountability, integrity, and public confidence in the administration and management of NPOs;

(b) encourage and undertake outreach and educational programmes to raise and deepen awareness among NPOs as well as the donor community about the potential vulnerabilities of NPOs to terrorist financing abuse and terrorist financing risks, and the measures that NPOs can take to protect themselves against such abuse;

(c) work with NPOs to develop and refine best practices to address terrorist financing risk and vulnerabilities and thus protect them from terrorist financing abuse; and

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[24] For the purposes of this Recommendation, NPO refers to a legal person or arrangement or organisation that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of "good works".

[25] For example, such information could be provided by regulators, tax authorities, FIUs, donor organisations or law enforcement and intelligence authorities.

(d) encourage NPOs to conduct transactions via regulated financial channels, wherever feasible, keeping in mind the varying capacities of financial sectors in different countries and in different areas of urgent charitable and humanitarian concerns.

Targeted risk-based supervision or monitoring of NPOs

8.3 Countries should take steps to promote effective supervision or monitoring such that they are able to demonstrate that risk based measures apply to NPOs at risk of terrorist financing abuse.[26]

8.4 Appropriate authorities should:

(a) monitor the compliance of NPOs with the requirements of this Recommendation, including the risk-based measures being applied to them under criterion 8.3[27]; and

(b) be able to apply effective, proportionate and dissuasive sanctions for violations by NPOs or persons acting on behalf of these NPOs.[28]

Effective information gathering and investigation

8.5 Countries should:

(a) ensure effective co-operation, co-ordination and information-sharing to the extent possible among all levels of appropriate authorities or organisations that hold relevant information on NPOs;

(b) have investigative expertise and capability to examine those NPOs suspected of either being exploited by, or actively supporting, terrorist activity or terrorist organisations;

(c) ensure that full access to information on the administration and management of particular NPOs (including financial and programmatic information) may be obtained during the course of an investigation; and

(d) establish appropriate mechanisms to ensure that, when there is suspicion or reasonable grounds to suspect that a particular NPO: (1) is involved in terrorist financing abuse and/or is a front for fundraising by a terrorist organisation; (2) is being exploited as a conduit for terrorist financing, including for the purpose

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[26] Some examples of measures that could be applied to NPOs, in whole or in part, depending on the risks identified are detailed in sub-paragraph 6(b) of INR.8. It is also possible that existing regulatory or other measures may already sufficiently address the current terrorist financing risk to the NPOs in a jurisdiction, although terrorist financing risks to the sector should be periodically re-assessed.

[27] In this context, rules and regulations may include rules and standards applied by self-regulatory organisations and accrediting institutions.

[28] The range of such sanctions might include freezing of accounts, removal of trustees, fines, de-certification, delicensing and de-registration. This should not preclude parallel civil, administrative or criminal proceedings with respect to NPOs or persons acting on their behalf where appropriate.

of escaping asset freezing measures, or other forms of terrorist support; or (3) is concealing or obscuring the clandestine diversion of funds intended for legitimate purposes, but redirected for the benefit of terrorists or terrorist organisations, that this information is promptly shared with competent authorities, in order to take preventive or investigative action.

Effective capacity to respond to international requests for information about an NPO of concern

8.6 Countries should identify appropriate points of contact and procedures to respond to international requests for information regarding particular NPOs suspected of terrorist financing or involvement in other forms of terrorist support.

RECOMMENDATION 9	FINANCIAL INSTITUTION SECRECY LAWS

9.1 Financial institution secrecy laws should not inhibit the implementation of the FATF Recommendations[29].

[29] Areas where this may be of particular concern are the ability of competent authorities to access information they require to properly perform their functions in combating ML or FT; the sharing of information between competent authorities, either domestically or internationally; and the sharing of information between financial institutions where this is required by Recommendations 13, 16 or 17.

RECOMMENDATION 10	CUSTOMER DUE DILIGENCE[30] (CDD)

10.1 Financial institutions should be prohibited from keeping anonymous accounts or accounts in obviously fictitious names.

When CDD is required

10.2 Financial institutions should be required to undertake CDD measures when:

(a) establishing business relations;

(b) carrying out occasional transactions above the applicable designated threshold (USD/EUR 15 000), including situations where the transaction is carried out in a single operation or in several operations that appear to be linked;

(c) carrying out occasional transactions that are wire transfers in the circumstances covered by Recommendation 16 and its Interpretive Note;

(d) there is a suspicion of ML/TF, regardless of any exemptions or thresholds that are referred to elsewhere under the FATF Recommendations; or

(e) the financial institution has doubts about the veracity or adequacy of previously obtained customer identification data.

Required CDD measures for all customers

10.3 Financial institutions should be required to identify the customer (whether permanent or occasional, and whether natural or legal person or legal arrangement) and verify that customer's identity using reliable, independent source documents, data or information (identification data).

10.4 Financial institutions should be required to verify that any person purporting to act on behalf of the customer is so authorised, and identify and verify the identity of that person.

10.5 Financial institutions should be required to identify the beneficial owner and take reasonable measures to verify the identity of the beneficial owner, using the relevant information or data obtained from a reliable source, such that the financial institution is satisfied that it knows who the beneficial owner is.

10.6 Financial institutions should be required to understand and, as appropriate, obtain information on, the purpose and intended nature of the business relationship.

[30] The principle that financial institutions conduct CDD should be set out in law, though specific requirements may be set out in enforceable means.

10.7 Financial institutions should be required to conduct ongoing due diligence on the business relationship, including:

(a) scrutinising transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the financial institution's knowledge of the customer, their business and risk profile, including where necessary, the source of funds; and

(b) ensuring that documents, data or information collected under the CDD process is kept up-to-date and relevant, by undertaking reviews of existing records, particularly for higher risk categories of customers.

Specific CDD measures required for legal persons and legal arrangements

10.8 For customers that are legal persons or legal arrangements, the financial institution should be required to understand the nature of the customer's business and its ownership and control structure.

10.9 For customers that are legal persons or legal arrangements, the financial institution should be required to identify the customer and verify its identity through the following information:

(a) name, legal form and proof of existence;

(b) the powers that regulate and bind the legal person or arrangement, as well as the names of the relevant persons having a senior management position in the legal person or arrangement; and

(c) the address of the registered office and, if different, a principal place of business.

10.10 For customers that are legal persons[31], the financial institution should be required to identify and take reasonable measures to verify the identity of beneficial owners through the following information:

(a) the identity of the natural person(s) (if any[32]) who ultimately has a controlling ownership interest[33] in a legal person; and

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31 Where the customer or the owner of the controlling interest is a company listed on a stock exchange and subject to disclosure requirements (either by stock exchange rules or through law or enforceable means) which impose requirements to ensure adequate transparency of beneficial ownership, or is a majority-owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies. The relevant identification data may be obtained from a public register, from the customer or from other reliable sources.

32 Ownership interests can be so diversified that there are no natural persons (whether acting alone or together) exercising control of the legal person or arrangement through ownership.

33 A controlling ownership interest depends on the ownership structure of the company. It may be based on a threshold, e.g. any person owning more than a certain percentage of the company (e.g. 25%).

(b) to the extent that there is doubt under (a) as to whether the person(s) with the controlling ownership interest is the beneficial owner(s) or where no natural person exerts control through ownership interests, the identity of the natural person(s) (if any) exercising control of the legal person or arrangement through other means; and

(c) where no natural person is identified under (a) or (b) above, the identity of the relevant natural person who holds the position of senior managing official.

10.11 For customers that are legal arrangements, the financial institution should be required to identify and take reasonable measures to verify the identity of beneficial owners through the following information:

(a) for trusts, the identity of the settlor, the trustee(s), the protector (if any), the beneficiaries or class of beneficiaries[34], and any other natural person exercising ultimate effective control over the trust (including through a chain of control/ownership);

(b) for other types of legal arrangements, the identity of persons in equivalent or similar positions.

CDD for Beneficiaries of Life Insurance Policies

10.12 In addition to the CDD measures required for the customer and the beneficial owner, financial institutions should be required to conduct the following CDD measures on the beneficiary of life insurance and other investment related insurance policies, as soon as the beneficiary is identified or designated:

(a) for a beneficiary that is identified as specifically named natural or legal persons or legal arrangements – taking the name of the person;

(b) for a beneficiary that is designated by characteristics or by class or by other means – obtaining sufficient information concerning the beneficiary to satisfy the financial institution that it will be able to establish the identity of the beneficiary at the time of the payout;

(c) for both the above cases – the verification of the identity of the beneficiary should occur at the time of the payout.

10.13 Financial institutions should be required to include the beneficiary of a life insurance policy as a relevant risk factor in determining whether enhanced CDD measures are applicable. If the financial institution determines that a beneficiary who is a legal person or a legal arrangement presents a higher risk, it should be required to take

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34 For beneficiaries of trusts that are designated by characteristics or by class, financial institutions should obtain sufficient information concerning the beneficiary to satisfy the financial institution that it will be able to establish the identity of the beneficiary at the time of the payout or when the beneficiary intends to exercise vested rights.

enhanced measures which should include reasonable measures to identify and verify the identity of the beneficial owner of the beneficiary, at the time of payout.

Timing of verification

10.14 Financial institutions should be required to verify the identity of the customer and beneficial owner before or during the course of establishing a business relationship or conducting transactions for occasional customers; or (if permitted) may complete verification after the establishment of the business relationship, provided that:

(a) this occurs as soon as reasonably practicable;

(b) this is essential not to interrupt the normal conduct of business; and

(c) the ML/TF risks are effectively managed.

10.15 Financial institutions should be required to adopt risk management procedures concerning the conditions under which a customer may utilise the business relationship prior to verification.

Existing customers

10.16 Financial institutions should be required to apply CDD requirements to existing customers[35] on the basis of materiality and risk, and to conduct due diligence on such existing relationships at appropriate times, taking into account whether and when CDD measures have previously been undertaken and the adequacy of data obtained.

Risk-Based Approach

10.17 Financial institutions should be required to perform enhanced due diligence where the ML/TF risks are higher.

10.18 Financial institutions may only be permitted to apply simplified CDD measures where lower risks have been identified, through an adequate analysis of risks by the country or the financial institution. The simplified measures should be commensurate with the lower risk factors, but are not acceptable whenever there is suspicion of ML/TF, or specific higher risk scenarios apply.

Failure to satisfactorily complete CDD

10.19 Where a financial institution is unable to comply with relevant CDD measures:

(a) it should be required not to open the account, commence business relations or perform the transaction; or should be required to terminate the business relationship; and

35 Existing customers as at the date that the new national requirements are brought into force.

(b) it should be required to consider making a suspicious transaction report (STR) in relation to the customer.

CDD and tipping-off

10.20 In cases where financial institutions form a suspicion of money laundering or terrorist financing, and they reasonably believe that performing the CDD process will tip-off the customer, they should be permitted not to pursue the CDD process, and instead should be required to file an STR.

RECOMMENDATION 11	RECORD KEEPING[36]

11.1 **Financial institutions should be required to maintain all necessary records on transactions, both domestic and international, for at least five years following completion of the transaction.**

11.2 **Financial institutions should be required to keep all records obtained through CDD measures, account files and business correspondence, and results of any analysis undertaken, for at least five years following the termination of the business relationship or after the date of the occasional transaction.**

11.3 **Transaction records should be sufficient to permit reconstruction of individual transactions so as to provide, if necessary, evidence for prosecution of criminal activity.**

11.4 **Financial institutions should be required to ensure that all CDD information and transaction records are available swiftly to domestic competent authorities upon appropriate authority.**

[36] The principle that financial institutions should maintain records on transactions and information obtained through CDD measures should be set out in law.

RECOMMENDATION 12	POLITICALLY EXPOSED PERSONS (PEPS)

12.1 **In relation to foreign PEPs, in addition to performing the CDD measures required under Recommendation 10, financial institutions should be required to:**

- **(a) put in place risk management systems to determine whether a customer or the beneficial owner is a PEP;**
- **(b) obtain senior management approval before establishing (or continuing, for existing customers) such business relationships;**
- **(c) take reasonable measures to establish the source of wealth and the source of funds of customers and beneficial owners identified as PEPs; and**
- **(d) conduct enhanced ongoing monitoring on that relationship.**

12.2 **In relation to domestic PEPs or persons who have been entrusted with a prominent function by an international organisation, in addition to performing the CDD measures required under Recommendation10, financial institutions should be required to:**

- **(a) take reasonable measures to determine whether a customer or the beneficial owner is such a person; and**
- **(b) in cases when there is higher risk business relationship with such a person, adopt the measures in criterion 12.1 (b) to (d).**

12.3 **Financial institutions should be required to apply the relevant requirements of criteria 12.1 and 12.2 to family members or close associates of all types of PEP.**

12.4 **In relation to life insurance policies, financial institutions should be required to take reasonable measures to determine whether the beneficiaries and/or, where required, the beneficial owner of the beneficiary, are PEPs. This should occur, at the latest, at the time of the payout. Where higher risks are identified, financial institutions should be required to inform senior management before the payout of the policy proceeds, to conduct enhanced scrutiny on the whole business relationship with the policyholder, and to consider making a suspicious transaction report.**

RECOMMENDATION 13	CORRESPONDENT BANKING

13.1 **In relation to cross-border correspondent banking and other similar relationships, financial institutions should be required to:**

(a) **gather sufficient information about a respondent institution to understand fully the nature of the respondent's business, and to determine from publicly available information the reputation of the institution and the quality of supervision, including whether it has been subject to a ML/TF investigation or regulatory action;**

(b) **assess the respondent institution's AML/CFT controls;**

(c) **obtain approval from senior management before establishing new correspondent relationships; and**

(d) **clearly understand the respective AML/CFT responsibilities of each institution.**

13.2 **With respect to "payable-through accounts", financial institutions should be required to satisfy themselves that the respondent bank:**

(a) **has performed CDD obligations on its customers that have direct access to the accounts of the correspondent bank; and**

(b) **is able to provide relevant CDD information upon request to the correspondent bank.**

13.3 **Financial institutions should be prohibited from entering into, or continuing, correspondent banking relationships with shell banks. They should be required to satisfy themselves that respondent financial institutions do not permit their accounts to be used by shell banks.**

RECOMMENDATION 14	MONEY OR VALUE TRANSFER SERVICES (MVTS)

14.1 **Natural or legal persons that provide MVTS (MVTS providers) should be required to be licensed or registered[37].**

14.2. **Countries should take action, with a view to identifying natural or legal persons that carry out MVTS without a licence or registration, and applying proportionate and dissuasive sanctions to them.**

14.3 **MVTS providers should be subject to monitoring for AML/CFT compliance.**

14.4 **Agents for MVTS providers should be required to be licensed or registered by a competent authority, or the MVTS provider should be required to maintain a current list of its agents accessible by competent authorities in the countries in which the MVTS provider and its agents operate.**

14.5 **MVTS providers that use agents should be required to include them in their AML/CFT programmes and monitor them for compliance with these programmes.**

37 Countries need not impose a separate licensing or registration system with respect to licensed or registered financial institutions which are authorised to perform MVTS.

RECOMMENDATION 15	NEW TECHNOLOGIES

New technologies

15.1 **Countries and financial institutions should identify and assess the ML/TF risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and pre-existing products.**

15.2 **Financial institutions should be required to:**

(a) **undertake the risk assessments prior to the launch or use of such products, practices and technologies; and**

(b) **take appropriate measures to manage and mitigate the risks.**

Virtual assets and virtual asset service providers[38]

15.3 **In accordance with Recommendation 1, countries should:**

(a) **identify and assess the money laundering and terrorist financing risks emerging from virtual asset activities and the activities or operations of VASPs;**

(b) **based on their understanding of their risks, apply a risk-based approach to ensure that measures to prevent or mitigate money laundering and terrorist financing are commensurate with the risks identified; and**

(c) **require VASPs to take appropriate steps to identify, assess, manage and mitigate their money laundering and terrorist financing risks, as required by criteria 1.10 and 1.11.**

15.4 **Countries should ensure that:**

(a) **VASPs are required to be licensed or registered[39] at a minimum[40]:**

[38] Note to assessors: Countries that have decided to prohibit virtual assets should only be assessed under criteria 15.1, 15.2, 15.3(a) and 15.3(b), 15.5 and 15.11, as the remaining criteria are not applicable in such cases.

[39] A country need not impose a separate licensing or registration system with respect to natural or legal persons already licensed or registered as financial institutions (as defined by the FATF Recommendations) within that country, which, under such license or registration, are permitted to perform VASP activities and which are already subject to the full range of applicable obligations under the FATF Recommendations.

[40] Jurisdictions may also require VASPs that offer products and/or services to customers in, or conduct operations from, their jurisdiction to be licensed or registered in this jurisdiction.

(i) when the VASP is a legal person, in the jurisdiction(s) where it is created[41] and

(ii) when the VASP is a natural person, in the jurisdiction where its place of business is located[42]; and

(b) competent authorities take the necessary legal or regulatory measures to prevent criminals or their associates from holding, or being the beneficial owner of, a significant or controlling interest, or holding a management function in, a VASP.

15.5 Countries should take action to identify natural or legal persons that carry out VASP activities without the requisite license or registration, and apply appropriate sanctions to them.[43]

15.6 Consistent with the applicable provisions of Recommendations 26 and 27, countries should ensure that:

(a) VASPs are subject to adequate regulation and risk-based supervision or monitoring by a competent authority[44], including systems for ensuring their compliance with national AML/CFT requirements;

(b) supervisors have adequate powers to supervise or monitor and ensure compliance by VASPs with requirements to combat money laundering and terrorist financing, including the authority to conduct inspections, compel the production of information and impose a range of disciplinary and financial sanctions, including the power to withdraw, restrict or suspend the VASP's license or registration, where applicable.

15.7 In line with Recommendation 34, competent authorities and supervisors should establish guidelines, and provide feedback, which will assist VASPs in applying national measures to combat money laundering and terrorist financing, and, in particular, in detecting and reporting suspicious transactions.

15.8 In line with Recommendation 35, countries should ensure that:

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[41] References to creating a legal person include incorporation of companies or any other mechanism that is used. To clarify, the requirement in criterion 15.4(a)(i) is that a country must ensure that a VASP created within the country is licenced or registered, but not that any VASP licenced or registered in the country is also registered in any third country where it was created.

[42] To clarify, criterion 15.4(a)(ii) requires that a country ensure that a VASP that is a natural person located in their country is licensed or registered in their country; not that any VASP that is a natural person with a place of business located in the country is registered in any third country where it also has a place of business.

[43] Note to assessors: Criterion 15.5 applies to all countries, regardless of whether they have chosen to license, register or prohibit virtual assets or VASPs.

[44] In this context, a "competent authority" cannot include a SRB.

(a) there is a range of proportionate and dissuasive sanctions, whether criminal, civil or administrative, available to deal with VASPs that fail to comply with AML/CFT requirements; and

(b) sanctions should be applicable not only to VASPs, but also to their directors and senior management.

15.9 With respect to the preventive measures, VASPs should be required to comply with the requirements set out in Recommendations 10 to 21, subject to the following qualifications:

(a) R.10 – The occasional transactions designated threshold above which VASPs are required to conduct CDD is USD/EUR 1 000.

(b) R.16 – For virtual asset transfers[45], countries should ensure that:

(i) originating VASPs obtain and hold required and accurate originator information and required beneficiary information[46] on virtual asset transfers, submit[47] the above information to the beneficiary VASP or financial institution (if any) immediately and securely, and make it available on request to appropriate authorities;

(ii) beneficiary VASPs obtain and hold required originator information and required and accurate beneficiary information on virtual asset transfers, and make it available on request to appropriate authorities[48];

(iii) other requirements of R.16 (including monitoring of the availability of information, and taking freezing action and prohibiting transactions with designated persons and entities) apply on the same basis as set out in R.16; and

(iv) the same obligations apply to financial institutions when sending or receiving virtual asset transfers on behalf of a customer.

15.10 With respect to targeted financial sanctions, countries should ensure that the communication mechanisms, reporting obligations and monitoring referred to in criteria 6.5(d), 6.5(e), 6.6(g), 7.2(d), 7.2(e), 7.3 and 7.4(d) apply to VASPs.

15.11 Countries should rapidly provide the widest possible range of international cooperation in relation to money laundering, predicate offences, and terrorist financing relating to virtual assets, on the basis set out in Recommendations 37 to 40.

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[45] For the purposes of applying R.16 to VASPs, all virtual asset transfers should be treated as cross-border transfers.

[46] As defined in INR.16, paragraph 6, or the equivalent information in a virtual asset context.

[47] The information can be submitted either directly or indirectly. It is not necessary for this information to be attached directly to virtual asset transfers.

[48] Appropriate authorities means appropriate competent authorities, as referred to in paragraph 10 of INR.16.

In particular, supervisors of VASPs should have a legal basis for exchanging information with their foreign counterparts, regardless of the supervisors' nature or status and differences in the nomenclature or status of VASPs.[49]

[49] Countries that have prohibited VASPs should fulfil this requirement by having in place a legal basis for permitting their relevant competent authorities (e.g. law enforcement agencies) to exchange information on issues related to VAs and VASPs with non-counterparts, as set out in paragraph 17 of INR.40.

RECOMMENDATION 16	WIRE TRANSFERS

Ordering financial institutions

16.1 Financial institutions should be required to ensure that all cross-border wire transfers of USD/EUR 1 000 or more are always accompanied by the following:

(a) Required and accurate[50] originator information:

(i) the name of the originator;

(ii) the originator account number where such an account is used to process the transaction or, in the absence of an account, a unique transaction reference number which permits traceability of the transaction; and

(iii) the originator's address, or national identity number, or customer identification number, or date and place of birth.

(b) Required beneficiary information:

(i) the name of the beneficiary; and

(ii) the beneficiary account number where such an account is used to process the transaction or, in the absence of an account, a unique transaction reference number which permits traceability of the transaction.

16.2 Where several individual cross-border wire transfers from a single originator are bundled in a batch file for transmission to beneficiaries, the batch file should contain required and accurate originator information, and full beneficiary information, that is fully traceable within the beneficiary country; and the financial institution should be required to include the originator's account number or unique transaction reference number.

16.3 If countries apply a *de minimis* threshold for the requirements of criterion 16.1, financial institutions should be required to ensure that all cross-border wire transfers below any applicable *de minimis* threshold (no higher than USD/EUR 1 000) are always accompanied by the following:

(a) Required originator information:

(i) the name of the originator; and

(ii) the originator account number where such an account is used to process the transaction or, in the absence of an account, a unique transaction reference number which permits traceability of the transaction.

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50 "Accurate" is used to describe information that has been verified for accuracy; *i.e.* financial institutions should be required to verify the accuracy of the required originator information.

(b) Required beneficiary information:

(i) the name of the beneficiary; and

(ii) the beneficiary account number where such an account is used to process the transaction or, in the absence of an account, a unique transaction reference number which permits traceability of the transaction

16.4 The information mentioned in criterion 16.3 need not be verified for accuracy. However, the financial institution should be required to verify the information pertaining to its customer where there is a suspicion of ML/TF.

16.5 For domestic wire transfers[51], the ordering financial institution should be required to ensure that the information accompanying the wire transfer includes originator information as indicated for cross-border wire transfers, unless this information can be made available to the beneficiary financial institution and appropriate authorities by other means.

16.6 Where the information accompanying the domestic wire transfer can be made available to the beneficiary financial institution and appropriate authorities by other means, the ordering financial institution need only be required to include the account number or a unique transaction reference number, provided that this number or identifier will permit the transaction to be traced back to the originator or the beneficiary. The ordering financial institution should be required to make the information available within three business days of receiving the request either from the beneficiary financial institution or from appropriate competent authorities. Law enforcement authorities should be able to compel immediate production of such information.

16.7 The ordering financial institution should be required to maintain all originator and beneficiary information collected, in accordance with Recommendation 11.

16.8 The ordering financial institution should not be allowed to execute the wire transfer if it does not comply with the requirements specified above at criteria 16.1-16.7.

Intermediary financial institutions

16.9 For cross-border wire transfers, an intermediary financial institution should be required to ensure that all originator and beneficiary information that accompanies a wire transfer is retained with it.

16.10 Where technical limitations prevent the required originator or beneficiary information accompanying a cross-border wire transfer from remaining with a related domestic wire transfer, the intermediary financial institution should be

[51] This term also refers to any chain of wire transfers that takes place entirely within the borders of the European Union. It is further noted that the European internal market and corresponding legal framework is extended to the members of the European Economic Area.

required to keep a record, for at least five years, of all the information received from the ordering financial institution or another intermediary financial institution.

16.11 **Intermediary financial institutions should be required to take reasonable measures, which are consistent with straight-through processing, to identify cross-border wire transfers that lack required originator information or required beneficiary information.**

16.12 **Intermediary financial institutions should be required to have risk-based policies and procedures for determining: (a) when to execute, reject, or suspend a wire transfer lacking required originator or required beneficiary information; and (b) the appropriate follow-up action.**

Beneficiary financial institutions

16.13 **Beneficiary financial institutions should be required to take reasonable measures, which may include post-event monitoring or real-time monitoring where feasible, to identify cross-border wire transfers that lack required originator information or required beneficiary information.**

16.14 **For cross-border wire transfers of USD/EUR 1 000 or more[52], a beneficiary financial institution should be required to verify the identity of the beneficiary, if the identity has not been previously verified, and maintain this information in accordance with Recommendation 11.**

16.15 **Beneficiary financial institutions should be required to have risk-based policies and procedures for determining: (a) when to execute, reject, or suspend a wire transfer lacking required originator or required beneficiary information; and (b) the appropriate follow-up action.**

Money or value transfer service operators

16.16 **MVTS providers should be required to comply with all of the relevant requirements of Recommendation 16 in the countries in which they operate, directly or through their agents.**

16.17 **In the case of a MVTS provider that controls both the ordering and the beneficiary side of a wire transfer, the MVTS provider should be required to:**

(a) **take into account all the information from both the ordering and beneficiary sides in order to determine whether an STR has to be filed; and**

(b) **file an STR in any country affected by the suspicious wire transfer, and make relevant transaction information available to the Financial Intelligence Unit.**

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52 Countries may adopt a *de minimis* threshold for cross-border wire transfers (no higher than USD/EUR 1 000). Countries may, nevertheless, require that incoming cross-border wire transfers below the threshold contain required and accurate originator information.

Implementation of Targeted Financial Sanctions

16.18 Countries should ensure that, in the context of processing wire transfers, financial institutions take freezing action and comply with prohibitions from conducting transactions with designated persons and entities, as per obligations set out in the relevant UNSCRs relating to the prevention and suppression of terrorism and terrorist financing, such as UNSCRs 1267 and 1373, and their successor resolutions.

RECOMMENDATION 17 RELIANCE ON THIRD PARTIES

17.1 **If financial institutions are permitted to rely on third-party financial institutions and DNFBPs to perform elements (a)-(c) of the CDD measures set out in Recommendation 10 (identification of the customer; identification of the beneficial owner; and understanding the nature of the business) or to introduce business, the ultimate responsibility for CDD measures should remain with the financial institution relying on the third party, which should be required to:**

- **(a) obtain immediately the necessary information concerning elements (a)-(c) of the CDD measures set out in Recommendation 10;**
- **(b) take steps to satisfy itself that copies of identification data and other relevant documentation relating to CDD requirements will be made available from the third party upon request without delay;**
- **(c) satisfy itself that the third party is regulated, and supervised or monitored for, and has measures in place for compliance with, CDD and record-keeping requirements in line with Recommendations 10 and 11.**

17.2 **When determining in which countries the third party that meets the conditions can be based, countries should have regard to information available on the level of country risk.**

17.3 **For financial institutions that rely on a third party that is part of the same financial group, relevant competent authorities[53] may also consider that the requirements of the criteria above are met in the following circumstances:**

- **(a) the group applies CDD and record-keeping requirements, in line with Recommendations 10 to 12, and programmes against money laundering and terrorist financing, in accordance with Recommendation 18;**
- **(b) the implementation of those CDD and record-keeping requirements and AML/CFT programmes is supervised at a group level by a competent authority; and**
- **(c) any higher country risk is adequately mitigated by the group's AML/CFT policies.**

53 The term *relevant competent authorities* in Recommendation 17 means (i) the home authority, that should be involved for the understanding of group policies and controls at group-wide level, and (ii) the host authorities, that should be involved for the branches/subsidiaries.

RECOMMENDATION 18	INTERNAL CONTROLS AND FOREIGN BRANCHES AND SUBSIDIARIES

18.1 **Financial institutions should be required to implement programmes against ML/TF, which have regard to the ML/TF risks and the size of the business, and which include the following internal policies, procedures and controls:**

(a) **compliance management arrangements (including the appointment of a compliance officer at the management level);**

(b) **screening procedures to ensure high standards when hiring employees;**

(c) **an ongoing employee training programme; and**

(d) **an independent audit function to test the system.**

18.2 **Financial groups should be required to implement group-wide programmes against ML/TF, which should be applicable, and appropriate to, all branches and majority-owned subsidiaries of the financial group. These should include the measures set out in criterion 18.1 and also:**

(a) **policies and procedures for sharing information required for the purposes of CDD and ML/TF risk management;**

(b) **the provision, at group-level compliance, audit, and/or AML/CFT functions, of customer, account, and transaction information from branches and subsidiaries when necessary for AML/CFT purposes. This should include information and analysis of transactions or activities which appear unusual (if such analysis was done)[54]. Similarly branches and subsidiaries should receive such information from these group-level functions when relevant and appropriate to risk management[55]; and**

(c) **adequate safeguards on the confidentiality and use of information exchanged, including safeguards to prevent tipping-off.**

18.3 **Financial institutions should be required to ensure that their foreign branches and majority-owned subsidiaries apply AML/CFT measures consistent with the home country requirements, where the minimum AML/CFT requirements of the host country are less strict than those of the home country, to the extent that host country laws and regulations permit.**

If the host country does not permit the proper implementation of AML/CFT measures consistent with the home country requirements, financial groups should be required

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[54] This could include an STR, its underlying information, or the fact than an STR has been submitted.

[55] The scope and extent of the information to be shared in accordance with this criterion may be determined by countries, based on the sensitivity of the information, and its relevance to AML/CFT risk management.

to apply appropriate additional measures to manage the ML/TF risks, and inform their home supervisors.

RECOMMENDATION 19	HIGHER RISK COUNTRIES

19.1 **Financial institutions should be required to apply enhanced due diligence, proportionate to the risks, to business relationships and transactions with natural and legal persons (including financial institutions) from countries for which this is called for by the FATF.**

19.2 **Countries should be able to apply countermeasures proportionate to the risks: (a) when called upon to do so by the FATF; and (b) independently of any call by the FATF to do so.**

19.3 **Countries should have measures in place to ensure that financial institutions are advised of concerns about weaknesses in the AML/CFT systems of other countries.**

RECOMMENDATION 20	REPORTING OF SUSPICIOUS TRANSACTIONS[56]

20.1 **If a financial institution suspects or has reasonable grounds to suspect that funds are the proceeds of a criminal activity[57], or are related to TF, it should be required to report promptly its suspicions to the Financial Intelligence Unit.**

20.2 **Financial institutions should be required to report all suspicious transactions, including attempted transactions, regardless of the amount of the transaction.**

56 The requirement that financial institutions should report suspicious transactions should be set out in law.

57 "Criminal activity" refers to: (a) all criminal acts that would constitute a predicate offence for ML in the country; or (b) at a minimum, to those offences that would constitute a predicate offence, as required by Recommendation 3.

RECOMMENDATION 21	TIPPING-OFF AND CONFIDENTIALITY

21.1 **Financial institutions and their directors, officers and employees should be protected by law from both criminal and civil liability for breach of any restriction on disclosure of information imposed by contract or by any legislative, regulatory or administrative provision, if they report their suspicions in good faith to the FIU. This protection should be available even if they did not know precisely what the underlying criminal activity was, and regardless of whether illegal activity actually occurred.**

21.2 **Financial institutions and their directors, officers and employees should be prohibited by law from disclosing the fact that an STR or related information is being filed with the Financial Intelligence Unit. These provisions are not intended to inhibit information sharing under Recommendation 18.**

RECOMMENDATION 22	DESIGNATED NON-FINANCIAL BUSINESSES AND PROFESSIONS (DNFBPS): CUSTOMER DUE DILIGENCE

22.1 DNFBPs should be required to comply with the CDD requirements set out in Recommendation 10 in the following situations:

(a) Casinos – when customers engage in financial transactions[58] equal to or above USD/EUR 3 000.

(b) Real estate agents – when they are involved in transactions for a client concerning the buying and selling of real estate[59].

(c) Dealers in precious metals and dealers in precious stones – when they engage in any cash transaction with a customer equal to or above USD/EUR 15,000.

(d) Lawyers, notaries, other independent legal professionals and accountants when they prepare for, or carry out, transactions for their client concerning the following activities:

- **buying and selling of real estate;**
- **managing of client money, securities or other assets;**
- **management of bank, savings or securities accounts;**
- **organisation of contributions for the creation, operation or management of companies;**
- **creating, operating or management of legal persons or arrangements, and buying and selling of business entities.**

(e) Trust and company service providers when they prepare for or carry out transactions for a client concerning the following activities:

- **acting as a formation agent of legal persons;**
- **acting as (or arranging for another person to act as) a director or secretary of a company, a partner of a partnership, or a similar position in relation to other legal persons;**
- **providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement;**

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58 Conducting customer identification at the entry to a casino could be, but is not necessarily, sufficient. Countries must require casinos to ensure that they are able to link CDD information for a particular customer to the transactions that the customer conducts in the casino. "Financial transactions" does not refer to gambling transactions that involve only casino chips or tokens.

59 This means that real estate agents should comply with the requirements set out in Recommendation 10 with respect to both the purchasers and the vendors of the property.

- **acting as (or arranging for another person to act as) a trustee of an express trust or performing the equivalent function for another form of legal arrangement;**
- **acting as (or arranging for another person to act as) a nominee shareholder for another person.**

22.2 **In the situations set out in Criterion 22.1, DNFBPs should be required to comply with the record-keeping requirements set out in Recommendation 11.**

22.3 **In the situations set out in Criterion 22.1, DNFBPs should be required to comply with the PEPs requirements set out in Recommendation 12.**

22.4 **In the situations set out in Criterion 22.1, DNFBPs should be required to comply with the new technologies requirements set out in Recommendation 15.**

22.5 **In the situations set out in Criterion 22.1, DNFBPs should be required to comply with the reliance on third-parties requirements set out in Recommendation 17.**

RECOMMENDATION 23	DNFBPS: OTHER MEASURES

23.1 The requirements to report suspicious transactions set out in Recommendation 20 should apply to all DNFBPs subject to the following qualifications:

(a) Lawyers, notaries, other independent legal professionals and accountants [60] – when, on behalf of, or for, a client, they engage in a financial transaction in relation to the activities described in criterion 22.1(d)[61].

(b) Dealers in precious metals or stones – when they engage in a cash transaction with a customer equal to or above USD/EUR 15,000.

(c) Trust and company service providers – when, on behalf or for a client, they engage in a transaction in relation to the activities described in criterion 22.1(e).

23.2 In the situations set out in criterion 23.1, DNFBPs should be required to comply with the internal controls requirements set out in Recommendation 18.

23.3 In the situations set out in criterion 23.1, DNFBPs should be required to comply with the higher-risk countries requirements set out in Recommendation 19.

23.4 In the situations set out in criterion 23.1, DNFBPs should be required to comply with the tipping-off and confidentiality requirements set out in Recommendation 21[62].

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60 Lawyers, notaries, other independent legal professionals, and accountants acting as independent legal professionals, are not required to report suspicious transactions if the relevant information was obtained in circumstances where they are subject to professional secrecy or legal professional privilege. It is for each country to determine the matters that would fall under legal professional privilege or professional secrecy. This would normally cover information lawyers, notaries or other independent legal professionals receive from or obtain through one of their clients: (a) in the course of ascertaining the legal position of their client, or (b) in performing their task of defending or representing that client in, or concerning judicial, administrative, arbitration or mediation proceedings.

61 Where countries allow lawyers, notaries, other independent legal professionals and accountants to send their STRs to their appropriate self-regulatory bodies (SRBs), there should be forms of co-operation between these bodies and the FIU.

62 Where lawyers, notaries, other independent legal professionals and accountants acting as independent legal professionals seek to dissuade a client from engaging in illegal activity, this does not amount to tipping-off.

RECOMMENDATION 24	TRANSPARENCY AND BENEFICIAL OWNERSHIP OF LEGAL PERSONS[63]

24.1 **Countries should have mechanisms that identify and describe: (a) the different types, forms and basic features of legal persons in the country; and (b) the processes for the creation of those legal persons, and for obtaining and recording of basic and beneficial ownership information. This information should be publicly available.**

24.2 **Countries should assess the ML/TF risks associated with all types of legal person created in the country.**

Basic Information

24.3 **Countries should require that all companies created in a country are registered in a company registry, which should record the company name, proof of incorporation, legal form and status, the address of the registered office, basic regulating powers, and a list of directors. This information should be publicly available.**

24.4 **Companies should be required to maintain the information set out in criterion 24.3, and also to maintain a register of their shareholders or members[64], containing the number of shares held by each shareholder and categories of shares (including the nature of the associated voting rights). This information should be maintained within the country at a location notified to the company registry[65].**

24.5 **Countries should have mechanisms that ensure that the information referred to in criteria 24.3 and 24.4 is accurate and updated on a timely basis.**

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63 Assessors should consider the application of all the criteria to all relevant types of legal persons. The manner in which these requirements are addressed may vary according to the type of legal person involved:

1. *Companies* - The measures required by Recommendation 24 are set out with specific reference to companies.
2. *Foundations, Anstalt, and limited liability partnerships* - countries should take similar measures and impose similar requirements as those required for companies, taking into account their different forms and structures.
3. *Other types of legal persons* - countries should take into account the different forms and structures of those other legal persons, and the levels of ML/TF risks associated with each type of legal person, with a view to achieving appropriate levels of transparency. At a minimum, all legal persons should ensure that similar types of basic information are recorded.

64 The register of shareholders and members can be recorded by the company itself or by a third person under the company's responsibility.

65 In cases in which the company or company registry holds beneficial ownership information within the country, the register of shareholders and members need not be in the country, if the company can provide this information promptly on request.

Beneficial Ownership Information

24.6 Countries should use one or more of the following mechanisms to ensure that information on the beneficial ownership of a company is obtained by that company and available at a specified location in their country; or can be otherwise determined in a timely manner by a competent authority:

(a) requiring companies or company registries to obtain and hold up-to-date information on the companies' beneficial ownership;

(b) requiring companies to take reasonable measures to obtain and hold up-to-date information on the companies' beneficial ownership;

(c) using existing information, including: (i) information obtained by financial institutions and/or DNFBPs, in accordance with Recommendations 10 and 22; (ii) information held by other competent authorities on the legal and beneficial ownership of companies; (iii) information held by the company as required in criterion 24.3 above; and (iv) available information on companies listed on a stock exchange, where disclosure requirements ensure adequate transparency of beneficial ownership.

24.7 Countries should require that the beneficial ownership information is accurate and as up-to-date as possible.

24.8 Countries should ensure that companies co-operate with competent authorities to the fullest extent possible in determining the beneficial owner, by:

(a) requiring that one or more natural persons resident in the country is authorised by the company[66], and accountable to competent authorities, for providing all basic information and available beneficial ownership information, and giving further assistance to the authorities; and/or

(b) requiring that a DNFBP in the country is authorised by the company, and accountable to competent authorities, for providing all basic information and available beneficial ownership information, and giving further assistance to the authorities; and/or

(c) taking other comparable measures, specifically identified by the country.

24.9 All the persons, authorities and entities mentioned above, and the company itself (or its administrators, liquidators or other persons involved in the dissolution of the company), should be required to maintain the information and records referred to for at least five years after the date on which the company is dissolved or otherwise ceases to exist, or five years after the date on which the company ceases to be a customer of the professional intermediary or the financial institution.

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66 Members of the company's board or senior management may not require specific authorisation by the company.

Other Requirements

24.10 Competent authorities, and in particular law enforcement authorities, should have all the powers necessary to obtain timely access to the basic and beneficial ownership information held by the relevant parties.

24.11 Countries that have legal persons able to issue bearer shares or bearer share warrants should apply one or more of the following mechanisms to ensure that they are not misused for money laundering or terrorist financing:

- **(a) prohibiting bearer shares and share warrants; or**
- **(b) converting bearer shares and share warrants into registered shares or share warrants (for example through dematerialisation); or**
- **(c) immobilising bearer shares and share warrants by requiring them to be held with a regulated financial institution or professional intermediary; or**
- **(d) requiring shareholders with a controlling interest to notify the company, and the company to record their identity; or**
- **(e) using other mechanisms identified by the country.**

24.12 Countries that have legal persons able to have nominee shares and nominee directors should apply one or more of the following mechanisms to ensure they are not misused:

- **(a) requiring nominee shareholders and directors to disclose the identity of their nominator to the company and to any relevant registry, and for this information to be included in the relevant register;**
- **(b) requiring nominee shareholders and directors to be licensed, for their nominee status to be recorded in company registries, and for them to maintain information identifying their nominator, and make this information available to the competent authorities upon request; or**
- **(c) using other mechanisms identified by the country.**

24.13 There should be liability and proportionate and dissuasive sanctions, as appropriate for any legal or natural person that fails to comply with the requirements.

24.14 Countries should rapidly provide international co-operation in relation to basic and beneficial ownership information, on the basis set out in Recommendations 37 and 40. This should include:

- **(a) facilitating access by foreign competent authorities to basic information held by company registries;**
- **(b) exchanging information on shareholders; and**
- **(c) using their competent authorities' investigative powers, in accordance with their domestic law, to obtain beneficial ownership information on behalf of foreign counterparts.**

24.15 **Countries should monitor the quality of assistance they receive from other countries in response to requests for basic and beneficial ownership information or requests for assistance in locating beneficial owners residing abroad.**

RECOMMENDATION 25	TRANSPARENCY AND BENEFICIAL OWNERSHIP OF LEGAL ARRANGEMENTS[67]

25.1 Countries should require:

(a) trustees of any express trust governed under their law[68] to obtain and hold adequate, accurate, and current information on the identity of the settlor, the trustee(s), the protector (if any), the beneficiaries or class of beneficiaries, and any other natural person exercising ultimate effective control over the trust;

(b) trustees of any trust governed under their law to hold basic information on other regulated agents of, and service providers to, the trust, including investment advisors or managers, accountants, and tax advisors; and

(c) professional trustees to maintain this information for at least five years after their involvement with the trust ceases.

25.2 Countries should require that any information held pursuant to this Recommendation is kept accurate and as up to date as possible, and is updated on a timely basis.

25.3 All countries should take measures to ensure that trustees disclose their status to financial institutions and DNFBPs when forming a business relationship or carrying out an occasional transaction above the threshold.

25.4 Trustees should not be prevented by law or enforceable means from providing competent authorities with any information relating to the trust[69]; or from providing financial institutions and DNFBPs, upon request, with information on the beneficial

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67 The measures required by Recommendation 25 are set out with specific reference to trusts. This should be understood as referring to express trusts (as defined in the glossary). In relation to other types of legal arrangement with a similar structure or function, countries should take similar measures to those required for trusts, with a view to achieving similar levels of transparency. At a minimum, countries should ensure that information similar to that specified in respect of trusts should be recorded and kept accurate and current, and that such information is accessible in a timely way by competent authorities. When considering examples provided in the Glossary definition of legal arrangement, assessors are reminded that the examples provided should not be considered definitive. Assessors should refer to the Glossary definition of trust and trustee which references Article 2 of the Hague Convention on the law applicable to trusts and their recognition when determining whether a legal arrangement has a similar structure or function to an express trust and therefore falls within the scope of R.25, regardless of whether the country denominates the legal arrangement using the same terminology. If a country does not apply the relevant obligations of R.25 on trustees (or those performing a similar function in relation to other legal arrangements), assessors should confirm whether such exemptions are consistent with criterion 1.6.

68 Countries are not required to give legal recognition to trusts. Countries need not include the requirements of Criteria 25.1; 25.2; 25.3; and 25.4 in legislation, provided that appropriate obligations to such effect exist for trustees (e.g. through common law or case law).

69 Domestic competent authorities or the relevant competent authorities of another country pursuant to an appropriate international cooperation request.

ownership and the assets of the trust to be held or managed under the terms of the business relationship.

25.5 **Competent authorities, and in particular law enforcement authorities, should have all the powers necessary to be able to obtain timely access to information held by trustees, and other parties (in particular information held by financial institutions and DNFBPs), on the beneficial ownership and control of the trust, including: (a) the beneficial ownership; (b) the residence of the trustee; and (c) any assets held or managed by the financial institution or DNFBP, in relation to any trustees with which they have a business relationship, or for which they undertake an occasional transaction.**

25.6 **Countries should rapidly provide international co-operation in relation to information, including beneficial ownership information, on trusts and other legal arrangements, on the basis set out in Recommendations 37 and 40. This should include:**

- **(a) facilitating access by foreign competent authorities to basic information held by registries or other domestic authorities;**
- **(b) exchanging domestically available information on the trusts or other legal arrangement; and**
- **(c) using their competent authorities' investigative powers, in accordance with domestic law, in order to obtain beneficial ownership information on behalf of foreign counterparts.**

25.7 **Countries should ensure that trustees are either (a) legally liable for any failure to perform the duties relevant to meeting their obligations; or (b) that there are proportionate and dissuasive sanctions, whether criminal, civil or administrative, for failing to comply[70].**

25.8 **Countries should ensure that there are proportionate and dissuasive sanctions, whether criminal, civil or administrative, for failing to grant to competent authorities timely access to information regarding the trust referred to in criterion 25.1.**

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70 This does not affect the requirements for proportionate and dissuasive sanctions for failure to comply with requirements elsewhere in the Recommendations.

RECOMMENDATION 26	REGULATION AND SUPERVISION OF FINANCIAL INSTITUTIONS

26.1 **Countries should designate one or more supervisors that have responsibility for regulating and supervising (or monitoring) financial institutions' compliance with the AML/CFT requirements.**

Market Entry

26.2 **Core Principles financial institutions should be required to be licensed. Other financial institutions, including those providing a money or value transfer service or a money or currency changing service, should be licensed or registered. Countries should not approve the establishment, or continued operation, of shell banks.**

26.3 **Competent authorities or financial supervisors should take the necessary legal or regulatory measures to prevent criminals or their associates from holding (or being the beneficial owner of) a significant or controlling interest, or holding a management function, in a financial institution.**

Risk-based approach to supervision and monitoring

26.4 **Financial institutions should be subject to:**

- **(a)** ***for core principles institutions*** **- regulation and supervision in line with the core principles[71], where relevant for AML/CFT, including the application of consolidated group supervision for AML/CFT purposes.**
- **(b)** ***for all other financial institutions*** **- regulation and supervision or monitoring, having regard to the ML/TF risks in that sector. At a minimum, for *financial institutions providing a money or value transfer service, or a money or currency changing service* - systems for monitoring and ensuring compliance with national AML/CFT requirements.**

26.5 **The frequency and intensity of on-site and off-site AML/CFT supervision of financial institutions or groups should be determined on the basis of:**

- **(a)** **the ML/TF risks and the policies, internal controls and procedures associated with the institution or group, as identified by the supervisor's assessment of the institution's or group's risk profile;**
- **(b)** **the ML/TF risks present in the country; and**

[71] The Core Principles which are relevant to AML/CFT include: Basel Committee on Banking Supervision (BCBS) Principles 1-3, 5-9, 11-15, 26, and 29; International Association of Insurance Supervisors (IAIS) Principles 1, 3-11, 18, 21-23, and 25; and International Organization of Securities Commission (IOSCO) Principles 24, 28, 29 and 31; and Responsibilities A, B, C and D. Assessors may refer to existing assessments of the country's compliance with these Core Principles, where available.

(c) the characteristics of the financial institutions or groups, in particular the diversity and number of financial institutions and the degree of discretion allowed to them under the risk-based approach.

26.6 The supervisor should review the assessment of the ML/TF risk profile of a financial institution or group (including the risks of non-compliance) periodically, and when there are major events or developments in the management and operations of the financial institution or group.

RECOMMENDATION 27 POWERS OF SUPERVISORS

27.1 **Supervisors should have powers to supervise or monitor and ensure compliance by financial institutions with AML/CFT requirements.**

27.2 **Supervisors should have the authority to conduct inspections of financial institutions.**

27.3 **Supervisors should be authorised to compel[72] production of any information relevant to monitoring compliance with the AML/CFT requirements.**

27.4 **Supervisors should be authorised to impose sanctions in line with Recommendation 35 for failure to comply with the AML/CFT requirements. This should include powers to impose a range of disciplinary and financial sanctions, including the power to withdraw, restrict or suspend the financial institution's licence.**

[72] The supervisor's power to compel production of or to obtain access for supervisory purposes should not be predicated on the need to require a court order.

RECOMMENDATION 28 REGULATION AND SUPERVISION OF DNFBPS

Casinos

28.1 Countries should ensure that casinos are subject to AML/CFT regulation and supervision. At a minimum:

(a) Countries should require casinos to be licensed.

(b) Competent authorities should take the necessary legal or regulatory measures to prevent criminals or their associates from holding (or being the beneficial owner of) a significant or controlling interest, or holding a management function, or being an operator of a casino.

(c) Casinos should be supervised for compliance with AML/CFT requirements.

DNFBPs other than casinos

28.2 There should be a designated competent authority or SRB responsible for monitoring and ensuring compliance of DNFBPs with AML/CFT requirements.

28.3 Countries should ensure that the other categories of DNFBPs are subject to systems for monitoring compliance with AML/CFT requirements.

28.4 The designated competent authority or self-regulatory body (SRB) should:

(a) have adequate powers to perform its functions, including powers to monitor compliance;

(b) take the necessary measures to prevent criminals or their associates from being professionally accredited, or holding (or being the beneficial owner of) a significant or controlling interest, or holding a management function in a DNFBP; and

(c) have sanctions available in line with Recommendation 35 to deal with failure to comply with AML/CFT requirements.

All DNFBPs

28.5 Supervision of DNFBPs should be performed on a risk-sensitive basis, including:

(a) determining the frequency and intensity of AML/CFT supervision of DNFBPs on the basis of their understanding of the ML/TF risks, taking into consideration the characteristics of the DNFBPs, in particular their diversity and number; and

(b) taking into account the ML/TF risk profile of those DNFBPs, and the degree of discretion allowed to them under the risk-based approach, when assessing the adequacy of the AML/CFT internal controls, policies and procedures of DNFBPs.

RECOMMENDATION 29 FINANCIAL INTELLIGENCE UNITS (FIU)

29.1 **Countries should establish an FIU with responsibility for acting as a national centre for receipt and analysis of suspicious transaction reports and other information relevant to money laundering, associated predicate offences and terrorist financing; and for the dissemination of the results of that analysis.[73]**

29.2 **The FIU should serve as the central agency for the receipt of disclosures filed by reporting entities, including:**

- **(a) Suspicious transaction reports filed by reporting entities as required by Recommendation 20 and 23; and**
- **(b) any other information as required by national legislation (such as cash transaction reports, wire transfers reports and other threshold-based declarations/disclosures).**

29.3 **The FIU should[74]:**

- **(a) in addition to the information that entities report to the FIU, be able to obtain and use additional information from reporting entities, as needed to perform its analysis properly; and**
- **(b) have access to the widest possible range[75] of financial, administrative and law enforcement information that it requires to properly undertake its functions.**

29.4 **The FIU should conduct:**

- **(a) operational analysis, which uses available and obtainable information to identify specific targets, to follow the trail of particular activities or transactions, and to determine links between those targets and possible proceeds of crime, money laundering, predicate offences and terrorist financing; and**
- **(b) strategic analysis, which uses available and obtainable information, including data that may be provided by other competent authorities, to identify money laundering and terrorist financing related trends and patterns.**

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73 Considering that there are different FIU models, Recommendation 29 does not prejudge a country's choice for a particular model, and applies equally to all of them.

74 In the context of its analysis function, an FIU should be able to obtain from any reporting entity additional information relating to a suspicion of ML/TF. This does not include indiscriminate requests for information to reporting entities in the context of the FIU's analysis (e.g., "fishing expeditions").

75 This should include information from open or public sources, as well as relevant information collected and/or maintained by, or on behalf of, other authorities and, where appropriate commercially held data.

29.5 **The FIU should be able to disseminate, spontaneously and upon request, information and the results of its analysis to relevant competent authorities, and should use dedicated, secure and protected channels for the dissemination.**

29.6 **The FIU should protect information by:**

- **(a) having rules in place governing the security and confidentiality of information, including procedures for handling, storage, dissemination, and protection of, and access to, information;**
- **(b) ensuring that FIU staff members have the necessary security clearance levels and understanding of their responsibilities in handling and disseminating sensitive and confidential information; and**
- **(c) ensuring that there is limited access to its facilities and information, including information technology systems.**

29.7 **The FIU should be operationally independent and autonomous, by:**

- **(a) having the authority and capacity to carry out its functions freely, including the autonomous decision to analyse, request and/or forward or disseminate specific information;**
- **(b) being able to make arrangements or engage independently with other domestic competent authorities or foreign counterparts on the exchange of information;**
- **(c) when it is located within the existing structure of another authority, having distinct core functions from those of the other authority; and**
- **(d) being able to obtain and deploy the resources needed to carry out its functions, on an individual or routine basis, free from any undue political, government or industry influence or interference, which might compromise its operational independence.**

29.8 **Where a country has created an FIU and is not an Egmont Group member, the FIU should apply for membership in the Egmont Group. The FIU should submit an unconditional application for membership to the Egmont Group and fully engage itself in the application process.**

RECOMMENDATION 30	RESPONSIBILITIES OF LAW ENFORCEMENT AND INVESTIGATIVE AUTHORITIES

30.1 **There should be designated law enforcement authorities that have responsibility for ensuring that money laundering, associated predicate offences and terrorist financing offences are properly investigated, within the framework of national AML/CFT policies.**

30.2 **Law enforcement investigators of predicate offences should either be authorised to pursue the investigation of any related ML/TF offences during a parallel financial investigation[76], or be able to refer the case to another agency to follow up with such investigations, regardless of where the predicate offence occurred.**

30.3 **There should be one or more designated competent authorities to expeditiously identify, trace, and initiate freezing and seizing of property that is, or may become, subject to confiscation, or is suspected of being proceeds of crime.**

30.4 **Countries should ensure that Recommendation 30 also applies to those competent authorities, which are not law enforcement authorities, *per se*, but which have the responsibility for pursuing financial investigations of predicate offences, to the extent that these competent authorities are exercising functions covered under Recommendation 30.**

30.5 **If anti-corruption enforcement authorities are designated to investigate ML/TF offences arising from, or related to, corruption offences under Recommendation 30, they should also have sufficient powers to identify, trace, and initiate freezing and seizing of assets.**

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76 A '*parallel financial investigation*' refers to conducting a financial investigation alongside, or in the context of, a (traditional) criminal investigation into money laundering, terrorist financing and/or predicate offence(s).

A '*financial investigation*' means an enquiry into the financial affairs related to a criminal activity, with a view to: (i) identifying the extent of criminal networks and/or the scale of criminality; (ii) identifying and tracing the proceeds of crime, terrorist funds or any other assets that are, or may become, subject to confiscation; and (iii) developing evidence which can be used in criminal proceedings.

RECOMMENDATION 31	POWERS OF LAW ENFORCEMENT AND INVESTIGATIVE AUTHORITIES

31.1 **Competent authorities conducting investigations of money laundering, associated predicate offences and terrorist financing should be able to obtain access to all necessary documents and information for use in those investigations, and in prosecutions and related actions. This should include powers to use compulsory measures for:**

- **(a) the production of records held by financial institutions, DNFBPs and other natural or legal persons;**
- **(b) the search of persons and premises;**
- **(c) taking witness statements; and**
- **(d) seizing and obtaining evidence.**

31.2 **Competent authorities conducting investigations should be able to use a wide range of investigative techniques for the investigation of money laundering, associated predicate offences and terrorist financing, including:**

- **(a) undercover operations;**
- **(b) intercepting communications;**
- **(c) accessing computer systems; and**
- **(d) controlled delivery.**

31.3 **Countries should have mechanisms in place:**

- **(a) to identify, in a timely manner, whether natural or legal persons hold or control accounts; and**
- **(b) to ensure that competent authorities have a process to identify assets without prior notification to the owner.**

31.4 **Competent authorities conducting investigations of money laundering, associated predicate offences and terrorist financing should be able to ask for all relevant information held by the FIU.**

RECOMMENDATION 32	CASH COURIERS

Note to Assessors:
Recommendation 32 may be implemented on a supra-national basis by a supra-national jurisdiction, such that only movements that cross the external borders of the supra-national jurisdiction are considered to be cross-border for the purposes of Recommendation 32. Such arrangements are assessed on a supra-national basis, on the basis set out in Annex I.

32.1 **Countries should implement a declaration system or a disclosure system for incoming and outgoing cross-border transportation of currency and bearer negotiable instruments (BNIs). Countries should ensure that a declaration or disclosure is required for all physical cross-border transportation, whether by travellers or through mail and cargo, but may use different systems for different modes of transportation.**

32.2 **In a declaration system, all persons making a physical cross-border transportation of currency or BNIs, which are of a value exceeding a pre-set, maximum threshold of USD/EUR 15 000, should be required to submit a truthful declaration to the designated competent authorities. Countries may opt from among the following three different types of declaration system:**

- **(a) A written declaration system for all travellers;**
- **(b) A written declaration system for all travellers carrying amounts above a threshold; and/or**
- **(c) An oral declaration system for all travellers.**

32.3 **In a disclosure system, travellers should be required to give a truthful answer and provide the authorities with appropriate information upon request, but are not required to make an upfront written or oral declaration.**

32.4 **Upon discovery of a false declaration or disclosure of currency or BNIs or a failure to declare or disclose them, designated competent authorities should have the authority to request and obtain further information from the carrier with regard to the origin of the currency or BNIs, and their intended use.**

32.5 **Persons who make a false declaration or disclosure should be subject to proportionate and dissuasive sanctions, whether criminal, civil or administrative.**

32.6 **Information obtained through the declaration/disclosure process should be available to the FIU either through: (a) a system whereby the FIU is notified about suspicious cross-border transportation incidents; or (b) by making the declaration/disclosure information directly available to the FIU in some other way.**

32.7 **At the domestic level, countries should ensure that there is adequate co-ordination among customs, immigration and other related authorities on issues related to the implementation of Recommendation 32.**

32.8 **Competent authorities should be able to stop or restrain currency or BNIs for a reasonable time in order to ascertain whether evidence of ML/TF may be found in cases:**

(a) **where there is a suspicion of ML/TF or predicate offences; or**

(b) **where there is a false declaration or false disclosure.**

32.9 **Countries should ensure that the declaration/disclosure system allows for international co-operation and assistance, in accordance with Recommendations 36 to 40. To facilitate such co-operation, information[77] shall be retained when:**

(a) **a declaration or disclosure which exceeds the prescribed threshold is made; or**

(b) **there is a false declaration or false disclosure; or**

(c) **there is a suspicion of ML/TF.**

32.10 **Countries should ensure that strict safeguards exist to ensure proper use of information collected through the declaration/disclosure systems, without restricting either: (i) trade payments between countries for goods and services; or (ii) the freedom of capital movements, in any way.**

32.11 **Persons who are carrying out a physical cross-border transportation of currency or BNIs that are related to ML/TF or predicate offences should be subject to: (a) proportionate and dissuasive sanctions, whether criminal, civil or administrative; and (b) measures consistent with Recommendation 4 which would enable the confiscation of such currency or BNIs.**

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[77] At a minimum, the information should set out (i) the amount of currency or BNIs declared, disclosed or otherwise detected, and (ii) the identification data of the bearer(s).

RECOMMENDATION 33	STATISTICS

33.1 Countries should maintain comprehensive statistics on matters relevant to the effectiveness and efficiency of their AML/CFT systems.[78] This should include keeping statistics on:

(a) STRs, received and disseminated;

(b) ML/TF investigations, prosecutions and convictions;

(c) Property frozen; seized and confiscated; and

(d) Mutual legal assistance or other international requests for co-operation made and received.

78 For purposes of technical compliance, the assessment should be limited to the four areas listed below.

RECOMMENDATION 34	GUIDANCE AND FEEDBACK

34.1 **Competent authorities, supervisors, and SRBs should establish guidelines and provide feedback, which will assist financial institutions and DNFBPs in applying national AML/CFT measures, and in particular, in detecting and reporting suspicious transactions.**

RECOMMENDATION 35	SANCTIONS

35.1 **Countries should ensure that there is a range of proportionate and dissuasive sanctions, whether criminal, civil or administrative, available to deal with natural or legal persons that fail to comply with the AML/CFT requirements of Recommendations 6, and 8 to 23.[79]**

35.2 **Sanctions should be applicable not only to financial institutions and DNFBPs but also to their directors and senior management.**

[79] The sanctions should be directly or indirectly applicable for a failure to comply. They need not be in the same document that imposes or underpins the requirement, and can be in another document, provided there are clear links between the requirement and the available sanctions.

RECOMMENDATION 36 INTERNATIONAL INSTRUMENTS

36.1 **Countries should become a party to the Vienna Convention, the Palermo Convention, the United Nations Convention against Corruption (the Merida Convention) and the Terrorist Financing Convention.**

36.2 **Countries should fully implement[80] the Vienna Convention, the Palermo Convention, the Merida Convention and the Terrorist Financing Convention.**

80 The relevant articles are: the Vienna Convention (Articles 3-11, 15, 17 and 19), the Palermo Convention (Articles 5-7, 10-16, 18-20, 24-27, 29-31, & 34), the Merida Convention (Articles 14-17, 23-24, 26-31, 38, 40, 43-44, 46, 48, 50-55, 57-58), and the Terrorist Financing Convention (Articles 2-18).

RECOMMENDATION 37	MUTUAL LEGAL ASSISTANCE

37.1 **Countries should have a legal basis that allows them to rapidly provide the widest possible range of mutual legal assistance in relation to money laundering, associated predicate offences and terrorist financing investigations, prosecutions and related proceedings.**

37.2 **Countries should use a central authority, or another established official mechanism, for the transmission and execution of requests. There should be clear processes for the timely prioritisation and execution of mutual legal assistance requests. To monitor progress on requests, a case management system should be maintained.**

37.3 **Mutual legal assistance should not be prohibited or made subject to unreasonable or unduly restrictive conditions.**

37.4 **Countries should not refuse a request for mutual legal assistance:**

(a) **on the sole ground that the offence is also considered to involve fiscal matters; or**

(b) **on the grounds of secrecy or confidentiality requirements on financial institutions or DNFBPs, except where the relevant information that is sought is held in circumstances where legal professional privilege or legal professional secrecy applies.**

37.5 **Countries should maintain the confidentiality of mutual legal assistance requests that they receive and the information contained in them, subject to fundamental principles of domestic law, in order to protect the integrity of the investigation or inquiry.**

37.6 **Where mutual legal assistance requests do not involve coercive actions, countries should not make dual criminality a condition for rendering assistance.**

37.7 **Where dual criminality is required for mutual legal assistance, that requirement should be deemed to be satisfied regardless of whether both countries place the offence within the same category of offence, or denominate the offence by the same terminology, provided that both countries criminalise the conduct underlying the offence.**

37.8 **Powers and investigative techniques that are required under Recommendation 31 or otherwise available to domestic competent authorities should also be available for use in response to requests for mutual legal assistance, and, if consistent with the domestic framework, in response to a direct request from foreign judicial or law enforcement authorities to domestic counterparts. These should include:**

(a) **all of the specific powers required under Recommendation31 relating to the production, search and seizure of information, documents, or evidence**

(including financial records) from financial institutions, or other natural or legal persons, and the taking of witness statements; and

(b) a broad range of other powers and investigative techniques.

RECOMMENDATION 38	MUTUAL LEGAL ASSISTANCE: FREEZING AND CONFISCATION

38.1 **Countries should have the authority to take expeditious action in response to requests by foreign countries to identify, freeze, seize, or confiscate:**

(a) laundered property from,

(b) proceeds from,

(c) instrumentalities used in, or

(d) instrumentalities intended for use in,

money laundering, predicate offences, or terrorist financing; or

(e) property of corresponding value.

38.2 **Countries should have the authority to provide assistance to requests for co-operation made on the basis of non-conviction based confiscation proceedings and related provisional measures, at a minimum in circumstances when a perpetrator is unavailable by reason of death, flight, absence, or the perpetrator is unknown, unless this is inconsistent with fundamental principles of domestic law.**

38.3 **Countries should have: (a) arrangements for co-ordinating seizure and confiscation actions with other countries; and (b) mechanisms for managing, and when necessary disposing of, property frozen, seized or confiscated.**

38.4 **Countries should be able to share confiscated property with other countries, in particular when confiscation is directly or indirectly a result of co-ordinated law enforcement actions.**

RECOMMENDATION 39 EXTRADITION

39.1 Countries should be able to execute extradition requests in relation to ML/TF without undue delay. In particular, countries should:

(a) ensure ML and TF are extraditable offences;

(b) ensure that they have a case management system, and clear processes for the timely execution of extradition requests including prioritisation where appropriate; and

(c) not place unreasonable or unduly restrictive conditions on the execution of requests.

39.2 Countries should either:

(a) extradite their own nationals; or

(b) where they do not do so solely on the grounds of nationality, should, at the request of the country seeking extradition, submit the case without undue delay to its competent authorities for the purpose of prosecution of the offences set forth in the request.

39.3 Where dual criminality is required for extradition, that requirement should be deemed to be satisfied regardless of whether both countries place the offence within the same category of offence, or denominate the offence by the same terminology, provided that both countries criminalise the conduct underlying the offence.

39.4 Consistent with fundamental principles of domestic law, countries should have simplified extradition mechanisms[81] in place.

[81] Such as allowing direct transmission of requests for provisional arrests between appropriate authorities, extraditing persons based only on warrants of arrests or judgments, or introducing a simplified extradition of consenting persons who waive formal extradition proceedings.

RECOMMENDATION 40 OTHER FORMS OF INTERNATIONAL CO-OPERATION

General Principles

40.1 **Countries should ensure that their competent authorities can rapidly provide the widest range of international co-operation in relation to money laundering, associated predicate offences and terrorist financing. Such exchanges of information should be possible both spontaneously and upon request.**

40.2 **Competent authorities should:**

- **(a) have a lawful basis for providing co-operation;**
- **(b) be authorised to use the most efficient means to co-operate;**
- **(c) have clear and secure gateways, mechanisms or channels that will facilitate and allow for the transmission and execution of requests;**
- **(d) have clear processes for the prioritisation and timely execution of requests; and**
- **(e) have clear processes for safeguarding the information received.**

40.3 **Where competent authorities need bilateral or multilateral agreements or arrangements to co-operate, these should be negotiated and signed in a timely way, and with the widest range of foreign counterparts.**

40.4 **Upon request, requesting competent authorities should provide feedback in a timely manner to competent authorities from which they have received assistance, on the use and usefulness of the information obtained.**

40.5 **Countries should not prohibit, or place unreasonable or unduly restrictive conditions on, the provision of exchange of information or assistance. In particular, competent authorities should not refuse a request for assistance on the grounds that:**

- **(a) the request is also considered to involve fiscal matters; and/or**
- **(b) laws require financial institutions or DNFBPs to maintain secrecy or confidentiality (except where the relevant information that is sought is held in circumstances where legal professional privilege or legal professional secrecy applies); and/or**
- **(c) there is an inquiry, investigation or proceeding underway in the requested country, unless the assistance would impede that inquiry, investigation or proceeding; and/or**
- **(d) the nature or status (civil, administrative, law enforcement, etc.) of the requesting counterpart authority is different from that of its foreign counterpart.**

40.6 **Countries should establish controls and safeguards to ensure that information exchanged by competent authorities is used only for the purpose for, and by the authorities, for which the information was sought or provided, unless prior authorisation has been given by the requested competent authority.**

40.7 **Competent authorities should maintain appropriate confidentiality for any request for co-operation and the information exchanged, consistent with both parties' obligations concerning privacy and data protection. At a minimum, competent authorities should protect exchanged information in the same manner as they would protect similar information received from domestic sources. Competent authorities should be able to refuse to provide information if the requesting competent authority cannot protect the information effectively.**

40.8 **Competent authorities should be able to conduct inquiries on behalf of foreign counterparts, and exchange with their foreign counterparts all information that would be obtainable by them if such inquiries were being carried out domestically.**

Exchange of Information between FIUs

40.9 **FIUs should have an adequate legal basis for providing co-operation on money laundering, associated predicate offences and terrorist financing[82].**

40.10 **FIUs should provide feedback to their foreign counterparts, upon request and whenever possible, on the use of the information provided, as well as on the outcome of the analysis conducted, based on the information provided.**

40.11 **FIUs should have the power to exchange:**

(a) **all information required to be accessible or obtainable directly or indirectly by the FIU, in particular under Recommendation 29; and**

(b) **any other information which they have the power to obtain or access, directly or indirectly, at the domestic level, subject to the principle of reciprocity.**

Exchange of information between financial supervisors[83]

40.12 **Financial supervisors should have a legal basis for providing co-operation with their foreign counterparts (regardless of their respective nature or status), consistent with the applicable international standards for supervision, in particular with respect to the exchange of supervisory information related to or relevant for AML/CFT purposes.**

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82 FIUs should be able to provide cooperation regardless of whether their counterpart FIU is administrative, law enforcement, judicial or other in nature.

83 This refers to financial supervisors which are competent authorities and does not include financial supervisors which are SRBs.

40.13 **Financial supervisors should be able to exchange with foreign counterparts information domestically available to them, including information held by financial institutions, in a manner proportionate to their respective needs.**

40.14 **Financial supervisors should be able to exchange the following types of information when relevant for AML/CFT purposes, in particular with other supervisors that have a shared responsibility for financial institutions operating in the same group:**

(a) **regulatory information, such as information on the domestic regulatory system, and general information on the financial sectors;**

(b) **prudential information, in particular for Core Principles supervisors, such as information on the financial institution's business activities, beneficial ownership, management, and fit and properness; and**

(c) **AML/CFT information, such as internal AML/CFT procedures and policies of financial institutions, customer due diligence information, customer files, samples of accounts and transaction information.**

40.15 **Financial supervisors should be able to conduct inquiries on behalf of foreign counterparts, and, as appropriate, to authorise or facilitate the ability of foreign counterparts to conduct inquiries themselves in the country, in order to facilitate effective group supervision.**

40.16 **Financial supervisors should ensure that they have the prior authorisation of the requested financial supervisor for any dissemination of information exchanged, or use of that information for supervisory and non-supervisory purposes, unless the requesting financial supervisor is under a legal obligation to disclose or report the information. In such cases, at a minimum, the requesting financial supervisor should promptly inform the requested authority of this obligation.**

Exchange of information between law enforcement authorities

40.17 **Law enforcement authorities should be able to exchange domestically available information with foreign counterparts for intelligence or investigative purposes relating to money laundering, associated predicate offences or terrorist financing, including the identification and tracing of the proceeds and instrumentalities of crime.**

40.18 **Law enforcement authorities should also be able to use their powers, including any investigative techniques available in accordance with their domestic law, to conduct inquiries and obtain information on behalf of foreign counterparts. The regimes or practices in place governing such law enforcement co-operation, such as the agreements between Interpol, Europol or Eurojust and individual countries, should govern any restrictions on use imposed by the requested law enforcement authority.**

40.19 Law enforcement authorities should be able to form joint investigative teams to conduct cooperative investigations, and, when necessary, establish bilateral or multilateral arrangements to enable such joint investigations.

Exchange of information between non-counterparts

40.20 Countries should permit their competent authorities to exchange information indirectly[84] with non-counterparts, applying the relevant principles above. Countries should ensure that the competent authority that requests information indirectly always makes it clear for what purpose and on whose behalf the request is made.

84 Indirect exchange of information refers to the requested information passing from the requested authority through one or more domestic or foreign authorities before being received by the requesting authority. Such an exchange of information and its use may be subject to the authorisation of one or more competent authorities of the requested country.

Asia/Pacific Group on Money Laundering

PART B:

RESPONSE TO THE CORE ISSUES ON THE 11 IMMEDIATE OUTCOMES ON EFFECTIVENESS

Please note the following:

1. The response on effectiveness for the 11 Immediate Outcomes should be provided to the APG Secretariat at least four months before the scheduled on-site visit by the assessment team.

2. There is no formal questionnaire template for the response on effectiveness. The format provided is essentially a copy of the core issues for each of the 11 Immediate Outcomes on effectiveness as specified in the FATF Methodology. Use of the format is voluntary.

3. When providing your response, please consult the full FATF Methodology as it lists a lot of specific information which might be relevant to each of the 11 Immediate Outcomes.

[Date]

BACKGROUND

Jurisdictions should provide information on effectiveness based on the 11 Immediate Outcomes identified in the effectiveness assessment methodology no less than 4 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 jurisdictions 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.

The single most helpful thing you can do in this area is to provide a narrative explanation of the evidence.

The assessors can work with raw information, but it takes a long time to understand it properly – assessors have to work out:

What it tells, and which part of the effectiveness framework it relates to?

How important it is – is it critical or just an additional supporting piece of information?

How does it relate to other information – does it support or explain some other item?

A short narrative explanation can set out your understanding of those high-level questions i.e. your understanding of how your jurisdiction meets a particular outcome or a specific core issue, which says which factors and which evidence are most important to your view, and how you would interpret them. This is not a long text, with a specific format or template – it would only be useful if it clearly and simply sets out your understanding of the issue, as a very brief starting point to help the assessors assimilate the information you provide.

One way to think of this is that for each outcome or for each core issue, you will provide us with a dossier of several different documents which show your effectiveness. A narrative would be the covering note or the introduction to the dossier – explaining what is included and why.

Providing statistics

Statistics that are provided should:

1. **Have a context** – assessors need to know what they show, where they come from, and whether there are specific factors that explain any trends or specific data points.

2. **Be coherent** – data should be clear about sources of information, the units used, time periods etc. Data derived from different sources should be similar.

3. **Relevant**: The statistical product should meet the needs of assessors and relate to the assessment of effectiveness.

4**. Accurate**: In AML/CFT, countries should be conscious that many data are proxies or estimates and may suffer from the following non-sampling errors: coverage error, non-response error, measurement error, processing error, and model assumption error.

5. **Comparable**: AML/CFT data to be useful needs to be comparable over time; spatial domains (e.g. sub-national, national, international); domain or sub-population (e.g. sectors, agency outputs or outcomes).

6. **Timely**: Statistics should be timely relevant to the on-site visit.

7. **Accessible and clear**: Statistics need to be accessible by assessors. This means that the format(s) in which the data are available, and the supporting information, should ensure that the information is clear and assessors can understand it. Illustrations and accompanying advice should be provided to assist.

The focus for assessors will be the analysis showing if the outcome is being achieved rather than raw data. Assessors will be interpreting the available data critically, in the context of the jurisdiction's circumstances.

There are specific problems that should be avoided:

Prosecution and conviction data often mixes predicate offense & ML/TF

Reporting may not distinguish STRs & other types of reports (e.g., CTRs)

Some data may be based on subjective interpretations

Double counting and the use of inconsistent time periods and definitions (particularly if aggregating data from provincial or state level, or from different agencies).

Data on its own is meaningless. Jurisdictions should provide context, not just raw data. For example, if a significant change in statistics, explain why this may be the case.

Providing documents

Data and statistics are important, but this is not just an exercise in data analysis – statistics are notoriously hard to analyse in the AML/CFT world. So we need other information in order to complete the picture:

1. Information on the risks, the context, and the relevance of different activities and sectors is vital to understanding and analysing any hard numerical data the assessors have.

2. Case studies or examples can help understand how – and how well – the system works in practice. There is room for success stories, even if they are not representative of all day-to-day activity.

3. Publicly available documents such as relevant laws, regulations, annual reports, guidance documents etc. are very important for assessors.

4. Internal documents can also be very important – and they could include internal policies or procedures, international cooperation agreements, memoranda of understanding, etc.

There are two fundamental points to remember about documentation.

- In the FATF Methodology, it is the assessed jurisdiction's responsibility to demonstrate its effectiveness.

- The second is that we recognise that a lot of information in this area is sensitive – sometimes very sensitive, either for national security or for commercial reasons. We are very willing to have redacted copies of documents, or to look at documents which we are not allowed to take copies of or refer to.

TEMPLATE FOR EFFECTIVENESS SUBMISSION

Immediate Outcome 1	Money laundering and terrorist financing risks are understood and, where appropriate, actions co-ordinated domestically to combat money laundering and the financing of terrorism and proliferation.

Core Issues to be considered in determining if the Outcome is being achieved

1.1. How well does the country understand its ML/TF risks?

1.2. How well are the identified ML/TF risks addressed by national AML/CFT policies and activities?

1.3. To what extent are the results of the assessment(s) of risks properly used to justify exemptions and support the application of enhanced measures for higher risk scenarios, or simplified measures for lower risk scenarios?

1.4. To what extent are the objectives and activities of the competent authorities and SRBs consistent with the evolving national AML/CFT policies and with the ML/TF risks identified?

1.5. To what extent do the competent authorities and SRBs co-operate and co-ordinate the development and implementation of policies and activities to combat ML/TF and, where appropriate, the financing of proliferation of weapons of mass destruction?

1.6. To what extent does the country ensure that respective financial institutions, DNFBPs and other sectors affected by the application of the FATF Standards are aware of the relevant results of the national ML/TF risk assessment(s)?

Immediate Outcome 2	International co-operation delivers appropriate information, financial intelligence, and evidence, and facilitates action against criminals and their assets.

Core Issues to be considered in determining if the Outcome is being achieved

2.1. **To what extent has the country provided constructive and timely mutual legal assistance and extradition across the range of international co-operation requests? What is the quality of such assistance provided?**

2.2. **To what extent has the country sought legal assistance for international co-operation in an appropriate and timely manner to pursue domestic ML, associated predicate offences and TF cases which have transnational elements?**

2.3. **To what extent do the different competent authorities seek other forms of international co-operation to exchange financial intelligence and supervisory, law enforcement or other information in an appropriate and timely manner with their foreign counterparts for AML/CFT purposes?**

2.4. **To what extent do the different competent authorities provide (including spontaneously) other forms of international co-operation to exchange financial intelligence and supervisory, law enforcement or other information in a constructive and timely manner with their foreign counterparts for AML/CFT purposes?**

2.5. **How well are the competent authorities providing and responding to foreign requests for co-operation in identifying and exchanging basic and beneficial ownership information of legal persons and arrangements?**

Immediate Outcome 3	Supervisors appropriately supervise, monitor and regulate financial institutions, DNFBPs and VASPs for compliance with AML/CFT requirements commensurate with their risks.

Core Issues to be considered in determining if the Outcome is being achieved

3.1. How well does licensing, registration or other controls implemented by supervisors or other authorities prevent criminals and their associates from holding, or being the beneficial owner of a significant or controlling interest or holding a management function in financial institutions, DNFBPs or VASPs? How well are breaches of such licensing or registration requirements detected?

3.2. How well do the supervisors identify and maintain an understanding of the ML/TF risks in the financial and other sectors as a whole, between different sectors and types of institution, and of individual institutions?

3.3. With a view to mitigating the risks, how well do supervisors, on a risk-sensitive basis, supervise or monitor the extent to which financial institutions, DNFBPs and VASPs are complying with their AML/CFT requirements?

3.4. To what extent are remedial actions and/or effective, proportionate and dissuasive sanctions applied in practice?

3.5. To what extent are supervisors able to demonstrate that their actions have an effect on compliance by financial institutions, DNFBPs and VASPs?

3.6. How well do the supervisors promote a clear understanding by financial institutions, DNFBPs and VASPs of their AML/CFT obligations and ML/TF risks?

Immediate Outcome 4	Financial institutions, DNFBPs and VASPs adequately apply AML/CFT preventive measures commensurate with their risks, and report suspicious transactions.

Core Issues to be considered in determining if the Outcome is being achieved

4.1. How well do financial institutions, DNFBPs and VASPs understand their ML/TF risks and AML/CFT obligations?

4.2. How well do financial institutions, DNFBPs and VASPs apply mitigating measures commensurate with their risks?

4.3. How well do financial institutions, DNFBPs and VASPs apply the CDD and record-keeping measures (including beneficial ownership information and ongoing monitoring)? To what extent is business refused when CDD is incomplete?

4.4. How well do financial institutions, DNFBPs and VASPs apply the enhanced or specific measures for: (a) PEPs, (b) correspondent banking, (c) new technologies, (d) wire transfer rules, (e) targeted financial sanctions relating to TF, and (f) higher-risk countries identified by the FATF?

4.5. To what extent do financial institutions, DNFBPs and VASPs meet their reporting obligations on the suspected proceeds of crime and funds in support of terrorism? What are the practical measures to prevent tipping-off?

4.6. How well do financial institutions, DNFBPs and VASPs apply internal controls and procedures (including at financial group level) to ensure compliance with AML/CFT requirements? To what extent are there legal or regulatory requirements (*e.g.,* financial secrecy) impeding its implementation?

Immediate Outcome 5	Legal persons and arrangements are prevented from misuse for money laundering or terrorist financing, and information on their beneficial ownership is available to competent authorities without impediments.

Core Issues to be considered in determining if the Outcome is being achieved

5.1. To what extent is the information on the creation and types of legal persons and arrangements in the country available publicly?

5.2. How well do the relevant competent authorities identify, assess and understand the vulnerabilities, and the extent to which legal persons created in the country can be, or are being misused for ML/TF?

5.3. How well has the country implemented measures to prevent the misuse of legal persons and arrangements for ML/TF purposes?

5.4. To what extent can relevant competent authorities obtain adequate, accurate and current basic and beneficial ownership information on all types of legal persons created in the country, in a timely manner?

5.5. To what extent can relevant competent authorities obtain adequate, accurate and current beneficial ownership information on legal arrangements, in a timely manner?

5.6. To what extent are effective, proportionate and dissuasive sanctions applied against persons who do not comply with the information requirements?

Immediate Outcome 6	Financial intelligence and all other relevant information are appropriately used by competent authorities for money laundering and terrorist financing investigations.

Core Issues to be considered in determining if the Outcome is being achieved

6.1. To what extent are financial intelligence and other relevant information accessed and used in investigations to develop evidence and trace criminal proceeds related to ML, associated predicate offences and TF?

6.2. To what extent are the competent authorities receiving or requesting reports (e.g., STRs, reports on currency and bearer negotiable instruments) that contain relevant and accurate information that assists them to perform their duties?

6.3. To what extent is FIU analysis and dissemination supporting the operational needs of competent authorities?

6.4. To what extent do the FIU and other competent authorities co-operate and exchange information and financial intelligence? How securely do the FIU and competent authorities protect the confidentiality of the information they exchange or use?

Immediate Outcome 7	Money laundering offences and activities are investigated and offenders are prosecuted and subject to effective, proportionate and dissuasive sanctions.

Core Issues to be considered in determining if the Outcome is being achieved

7.1. How well, and in what circumstances are potential cases of ML identified and investigated (including through parallel financial investigations)?

7.2. To what extent are the types of ML activity being investigated and prosecuted consistent with the country's threats and risk profile and national AML/CFT policies?

7.3. To what extent are different types of ML cases prosecuted (*e.g.,* foreign predicate offence, third-party laundering, stand-alone offence[85] etc.) and offenders convicted?

7.4. To what extent are the sanctions applied against natural or legal persons convicted of ML offences effective, proportionate and dissuasive?

7.5. To what extent do countries apply other criminal justice measures in cases where a ML investigation has been pursued but where it is not possible, for justifiable reasons, to secure a ML conviction? Such alternative measures should not diminish the importance of, or be a substitute for, prosecutions and convictions for ML offences.

[85] **Third party money laundering** is the laundering of proceeds by a person who was not involved in the commission of the predicate offence. **Self-laundering** is the laundering of proceeds by a person who was involved in the commission of the predicate offence. **Stand-alone (or autonomous) money laundering** refers to the prosecution of ML offences independently, without also necessarily prosecuting the predicate offence. This could be particularly relevant inter alia i) when there is insufficient evidence of the particular predicate offence that gives rise to the criminal proceeds; or ii) in situations where there is a lack of territorial jurisdiction over the predicate offence. The proceeds may have been laundered by the defendant (self-laundering) or by a third party (third party ML).

Immediate Outcome 8	Proceeds and instrumentalities of crime are confiscated.

Core Issues to be considered in determining if the Outcome is being achieved

8.1. To what extent is confiscation of criminal proceeds, instrumentalities and property of equivalent value pursued as a policy objective?

8.2. How well are the competent authorities confiscating[86] (including repatriation, sharing and restitution) the proceeds and instrumentalities of crime, and property of an equivalent value, involving domestic and foreign predicate offences and proceeds which have been moved to other countries?

8.3. To what extent is confiscation regarding falsely / not declared or disclosed cross-border movements of currency and bearer negotiable instruments being addressed and applied as an effective, proportionate and dissuasive sanction by border/custom or other relevant authorities?

8.4. How well do the confiscation results reflect the assessments(s) of ML/TF risks and national AML/CFT policies and priorities?

[86] For the purposes of assessing the effectiveness of IO.8, full credit should be given for relevant use of the tax system, namely amounts recovered using tax assessment procedures that relate to the proceeds and instrumentalities of crime. The assessed country should ensure that any data provided is limited to tax recoveries that are linked to criminal proceeds/instrumentalities, or the figures should be appropriately caveated.

Immediate Outcome 9	Terrorist financing offences and activities are investigated and persons who finance terrorism are prosecuted and subject to effective, proportionate and dissuasive sanctions.

Core Issues to be considered in determining if the Outcome is being achieved

9.1. To what extent are the different types of TF activity (*e.g.,* collection, movement and use of funds or other assets) prosecuted and offenders convicted? Is this consistent with the country's TF risk profile?

9.2. How well are cases of TF identified, and investigated? To what extent do the investigations identify the specific role played by the terrorist financier?

9.3. To what extent is the investigation of TF integrated with, and used to support, national counter-terrorism strategies and investigations (*e.g.,* identification and designation of terrorists, terrorist organisations and terrorist support networks)?

9.4. To what extent are the sanctions or measures applied against natural and legal persons convicted of TF offences effective, proportionate and dissuasive?

9.5. To what extent is the objective of the outcome achieved by employing other criminal justice, regulatory or other measures to disrupt TF activities where it is not practicable to secure a TF conviction?

Immediate Outcome 10	Terrorists, terrorist organisations and terrorist financiers are prevented from raising, moving and using funds, and from abusing the NPO sector.

Core Issues to be considered in determining if the Outcome is being achieved

10.1. How well is the country implementing targeted financial sanctions pursuant to (i) UNSCR1267 and its successor resolutions, and (ii) UNSCR1373 (at the supra-national or national level, whether on the country's own motion or after examination, to give effect to the request of another country)?

10.2. To what extent, without disrupting or discouraging legitimate NPO activities, has the country applied focused and proportionate measures to such NPOs which the country has identified as being vulnerable to terrorist financing abuse, in line with the risk-based approach?

10.3. To what extent are terrorists, terrorist organisations and terrorist financiers deprived (whether through criminal, civil or administrative processes) of assets and instrumentalities related to TF activities?

10.4. To what extent are the above measures consistent with the overall TF risk profile?

Immediate Outcome 11	Persons and entities involved in the proliferation of weapons of mass destruction are prevented from raising, moving and using funds, consistent with the relevant UNSCRs.

Core Issues to be considered in determining if the Outcome is being achieved

11.1. How well is the country implementing, without delay, targeted financial sanctions concerning the UNSCRs relating to the combating of financing of proliferation?

11.2. To what extent are the funds or other assets of designated persons and entities (and those acting on their behalf or at their direction) identified and such persons and entities prevented from operating or from executing financial transactions related to proliferation?

11.3. To what extent do financial institutions and DNFBPs comply with, and understand their obligations regarding targeted financial sanctions relating to financing of proliferation?

11.4. How well are relevant competent authorities monitoring and ensuring compliance by financial institutions and DNFBPs with their obligations regarding targeted financial sanctions relating to financing of proliferation?