



Methodology

METHODOLOGY

**FOR ASSESSING TECHNICAL COMPLIANCE WITH THE FATF
RECOMMENDATIONS
AND THE EFFECTIVENESS OF AML/CFT SYSTEMS**

ADOPTED IN FEBRUARY 2013

Updated June 2023

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TABLE OF ACRONYMS

AML/CFT

BNI

CDD

CFT

DNFBP

FATF

FIU

IO

IN

ML

MOU

MVTS

NPO

Palermo Convention

PEP

R.

RBA

SRB

STR

TCSP

Terrorist Financing
Convention

TF

UN

UNSCR

VASP

Vienna Convention

INTRODUCTION



RISK AND CONTEXT

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GENERAL INTERPRETATION AND GUIDANCE

Financial Institutions

VASPs and virtual assets

Evaluating the country's Assessment of risk

Assessment for DNFBPs

Financing of Proliferation

International Co-operation

Draft legislation and proposals

FATF Guidance

TECHNICAL COMPLIANCE

COMPLIANCE RATINGS

EFFECTIVENESS

THE FRAMEWORK FOR ASSESSING EFFECTIVENESS



SCOPING

LINKS TO TECHNICAL COMPLIANCE

USING THE EFFECTIVENESS METHODOLOGY





Effectiveness ratings

High level of effectiveness

Substantial level of effectiveness

Moderate level of effectiveness

Low level of effectiveness

RECOMMENDATIONS ON HOW TO IMPROVE THE AML/CFT SYSTEM

POINT OF REFERENCE

TECHNICAL COMPLIANCE ASSESSMENT

RECOMMENDATION 1

ASSESSING RISKS AND APPLYING A RISK-BASED APPROACH⁵

RECOMMENDATION 2

NATIONAL CO-OPERATION AND CO-ORDINATION

RECOMMENDATION 3

MONEY LAUNDERING OFFENCE

RECOMMENDATION 4

CONFISCATION AND PROVISIONAL MEASURES

RECOMMENDATION 5

TERRORIST FINANCING OFFENCE

RECOMMENDATION 6

**TARGETED FINANCIAL SANCTIONS RELATED TO TERRORISM AND
TERRORIST FINANCING**



RECOMMENDATION 8

NON-PROFIT ORGANISATIONS (NPOS)

RECOMMENDATION 9

FINANCIAL INSTITUTION SECRECY LAWS

RECOMMENDATION 10 CUSTOMER DUE DILIGENCE³⁴ (CDD)

RECOMMENDATION 11 **RECORD KEEPING⁴⁰**

RECOMMENDATION 12 POLITICALLY EXPOSED PERSONS (PEPS)

RECOMMENDATION 13 **CORRESPONDENT BANKING**

RECOMMENDATION 14 **MONEY OR VALUE TRANSFER SERVICES (MVTs)**

RECOMMENDATION 15 **NEW TECHNOLOGIES**



RECOMMENDATION 16 WIRE TRANSFERS

RECOMMENDATION 18

**INTERNAL CONTROLS AND FOREIGN BRANCHES AND
SUBSIDIARIES**

RECOMMENDATION 19 HIGHER RISK COUNTRIES

RECOMMENDATION 20 REPORTING OF SUSPICIOUS TRANSACTIONS⁶³

RECOMMENDATION 21 **TIPPING-OFF AND CONFIDENTIALITY**

RECOMMENDATION 22

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



RECOMMENDATION 23 **DNFBPS: OTHER MEASURES**

RECOMMENDATION 24

TRANSPARENCY AND BENEFICIAL OWNERSHIP OF LEGAL PERSONS⁷⁰

RECOMMENDATION 25

TRANSPARENCY AND BENEFICIAL OWNERSHIP OF LEGAL ARRANGEMENTS⁷⁴

RECOMMENDATION 26

REGULATION AND SUPERVISION OF FINANCIAL INSTITUTIONS

RECOMMENDATION 27 POWERS OF SUPERVISORS

RECOMMENDATION 28

REGULATION AND SUPERVISION OF DNFBPS

RECOMMENDATION 29 **FINANCIAL INTELLIGENCE UNITS (FIU)**

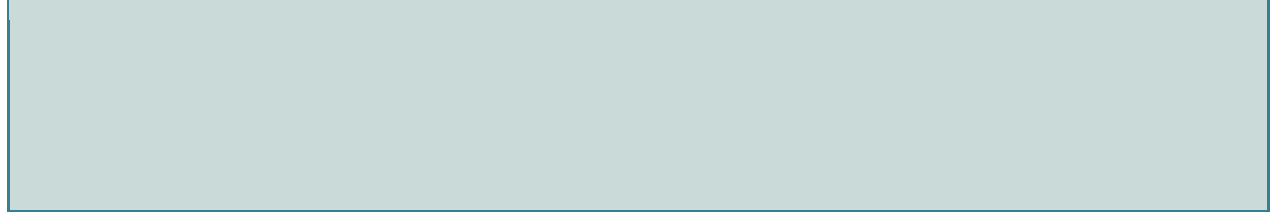
RECOMMENDATION 30

**RESPONSIBILITIES OF LAW ENFORCEMENT AND INVESTIGATIVE
AUTHORITIES**

RECOMMENDATION 31

**POWERS OF LAW ENFORCEMENT AND INVESTIGATIVE
AUTHORITIES**

RECOMMENDATION 32 CASH COURIERS



RECOMMENDATION 33 **STATISTICS**

RECOMMENDATION 34 **GUIDANCE AND FEEDBACK**

RECOMMENDATION 35 **SANCTIONS**

RECOMMENDATION 36 INTERNATIONAL INSTRUMENTS

RECOMMENDATION 37 **MUTUAL LEGAL ASSISTANCE**

RECOMMENDATION 38 **MUTUAL LEGAL ASSISTANCE: FREEZING AND CONFISCATION**

RECOMMENDATION 39 EXTRADITION

RECOMMENDATION 40 OTHER FORMS OF INTERNATIONAL CO-OPERATION

EFFECTIVENESS ASSESSMENT

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.

a) *Examples of Information that could support the conclusions on Core Issues*

b) *Examples of Specific Factors that could support the conclusions on Core Issues*

Immediate Outcome 2

International co-operation delivers appropriate information, financial intelligence, and evidence, and facilitates action against criminals and their assets.

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Core Issues to be considered in determining if the Outcome is being achieved

a) *Examples of Information that could support the conclusions on Core Issues*

b) *Examples of Specific Factors that could support the conclusions on Core Issues*

Immediate Outcome 3

Supervisors appropriately supervise, monitor and regulate financial institutions, DNFBSs and VASPs for compliance with AML/CFT requirements commensurate with their risks.



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a) *Examples of Information that could support the conclusions on Core Issues*

b) *Examples of Specific Factors that could support the conclusions on Core Issues*

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

a) *Examples of Information that could support the conclusions on Core Issues*

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.

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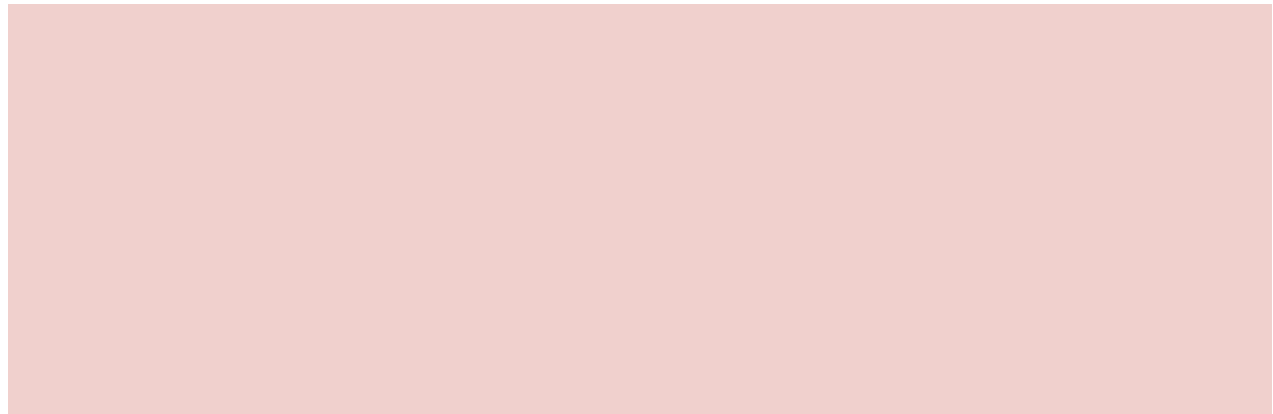
This outcome relates primarily to Recommendations 24 and 25, and also elements of Recommendations 1, 10, 37 and 40.

Core Issues to be considered in determining if the Outcome is being achieved

a) *Examples of Information that could support conclusion on Core Issues*

Immediate Outcome 6

Financial intelligence and all other relevant information are appropriately used by competent authorities for money laundering and terrorist financing investigations.



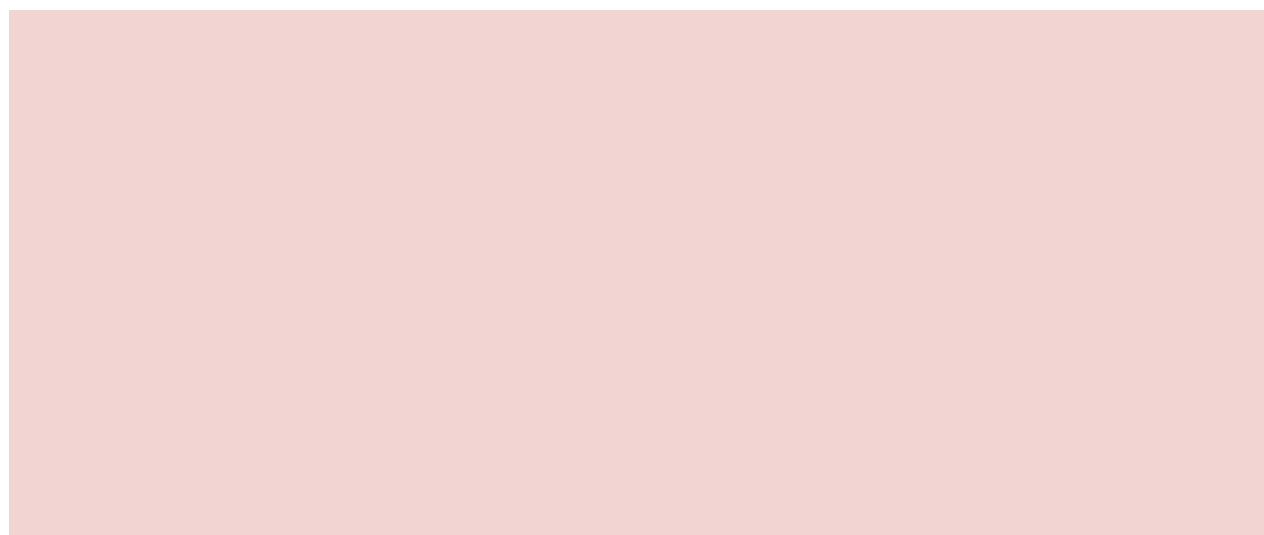
Core Issues to be considered in determining if the Outcome is being achieved

a) *Examples of Information that could support the conclusions on Core Issues*

b) *Examples of Specific Factors that could support the conclusions on Core Issues*

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

Immediate Outcome 8

Proceeds and instrumentalities of crime are confiscated.



Core Issues to be considered in determining if the Outcome is being achieved

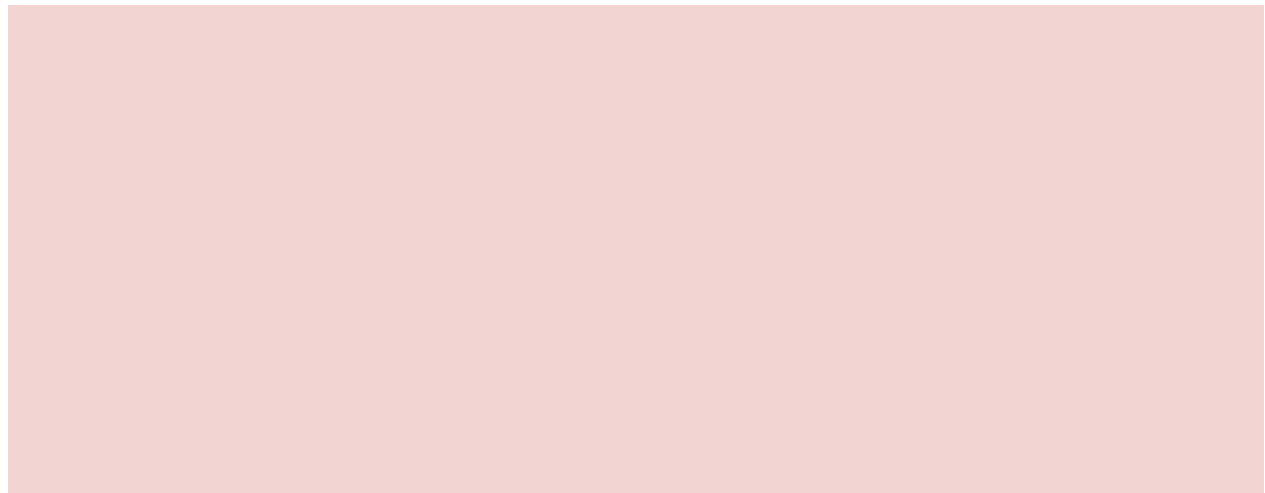
-

a) *Examples of Information that could support the conclusions on Core Issues*

b) *Examples of Specific Factors that could support the conclusions on Core Issues*

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.



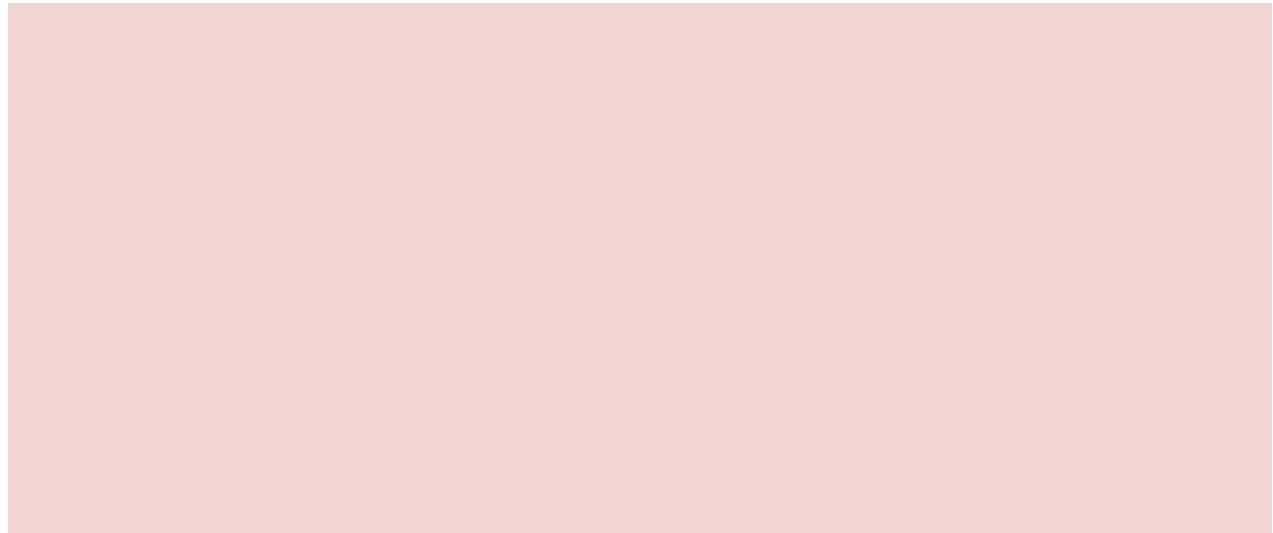
Core Issues to be considered in determining if the Outcome is being achieved

a) *Examples of Information that could support the conclusions on Core Issues*

b) *Examples of Specific Factors that could support the conclusions on Core Issues*

Immediate Outcome 10

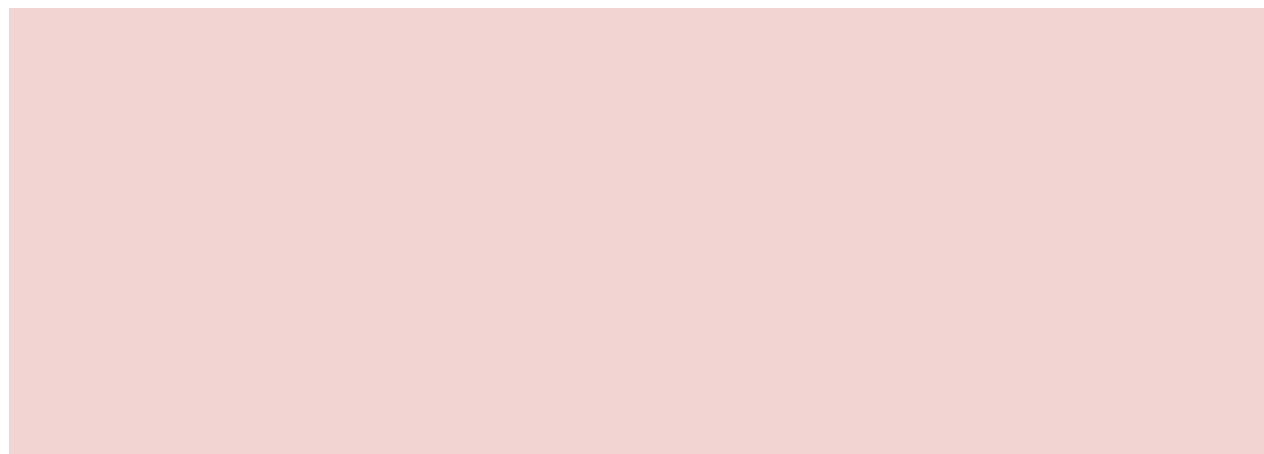
Terrorists, terrorist organisations and terrorist financiers are prevented from raising, moving and using funds, and from abusing the NPO sector.



b) Examples of Specific Factors that could support the conclusions on Core Issues

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

a) *Examples of Information that could support the conclusions on Core Issues*

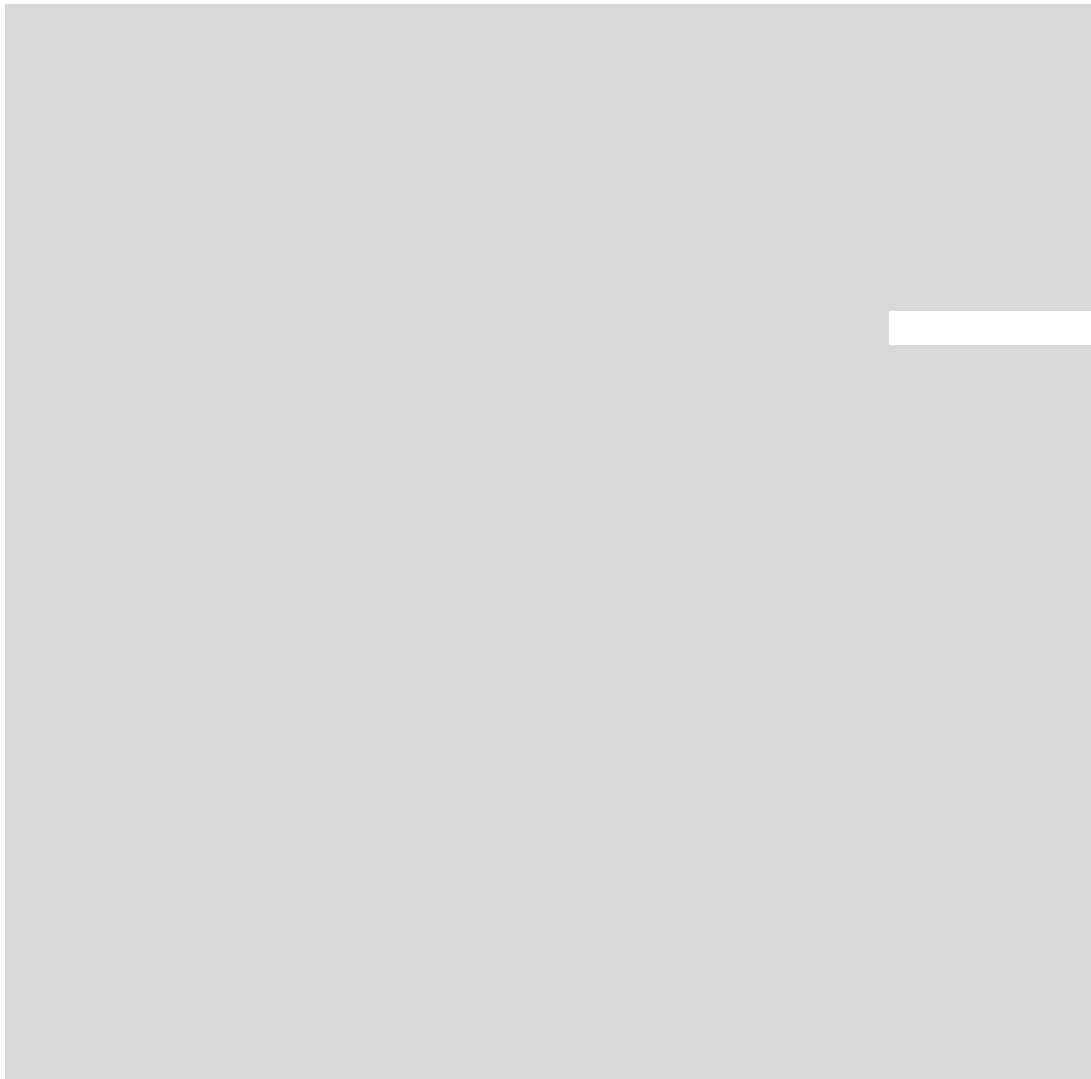
ANNEX I

SUPRA-NATIONAL ASSESSMENT

[Annex to be finalised]

ANNEX II

MUTUAL EVALUATION REPORT TEMPLATE

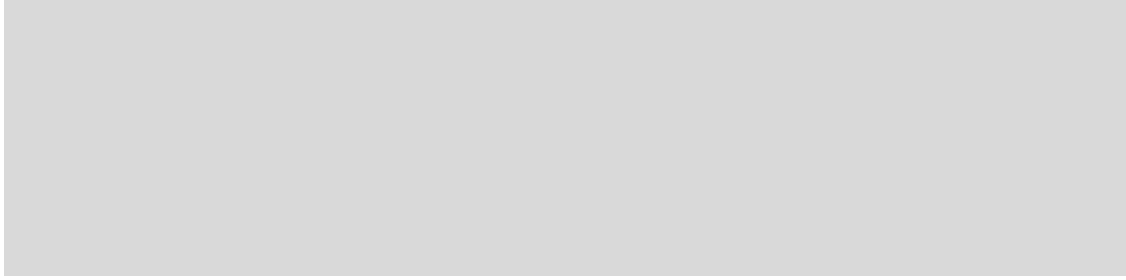


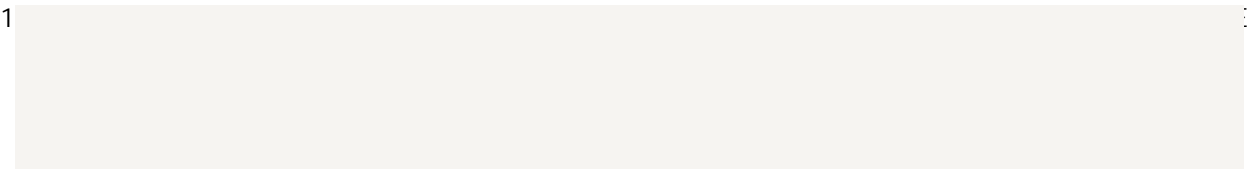
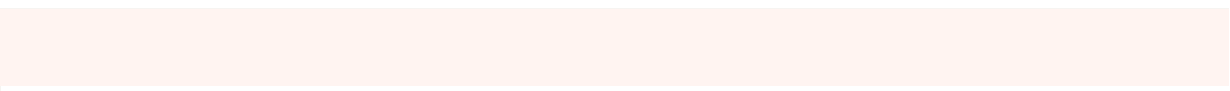
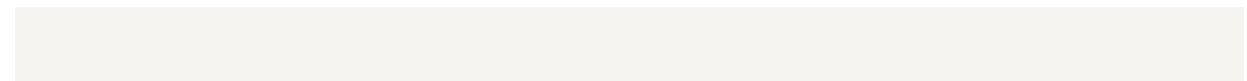
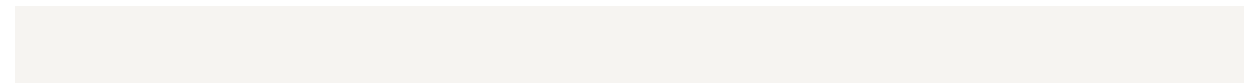
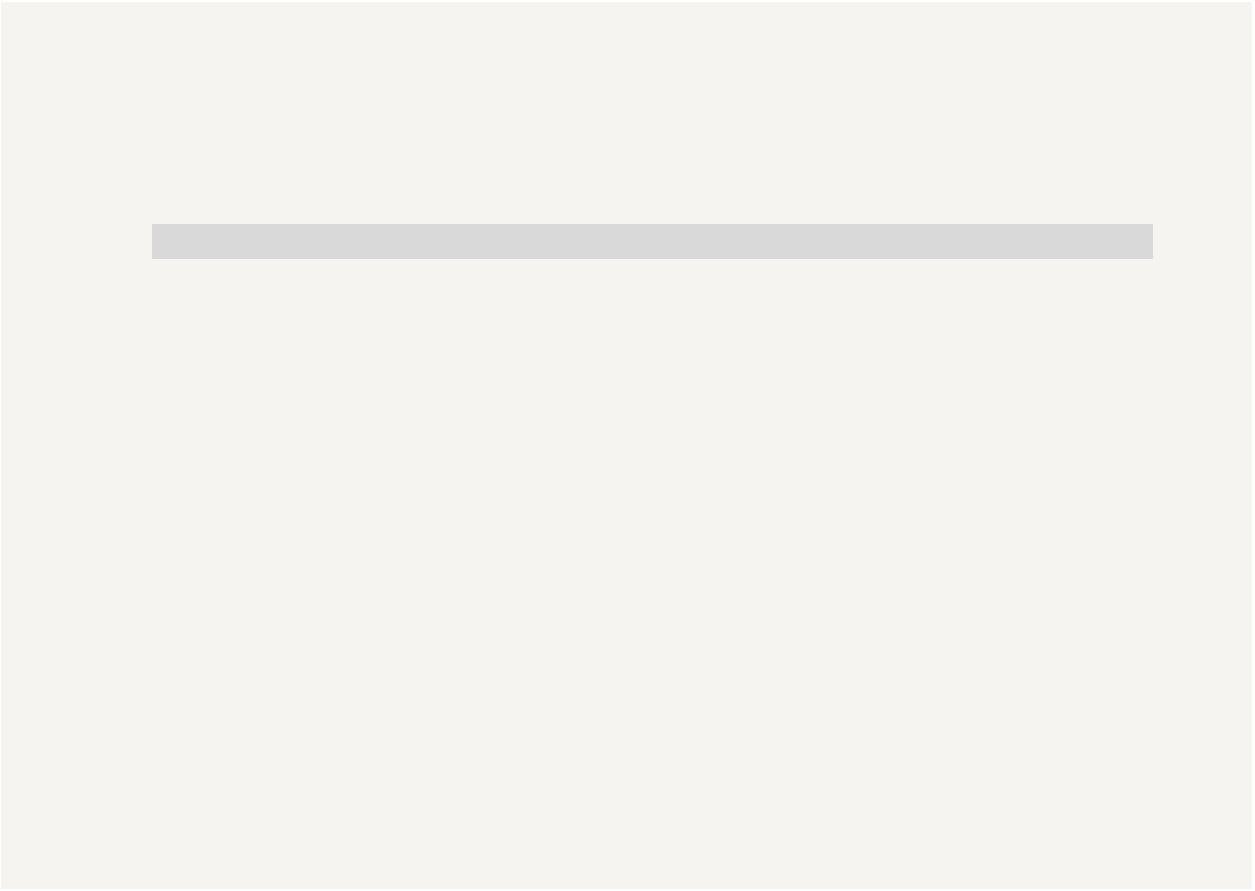
Key Findings

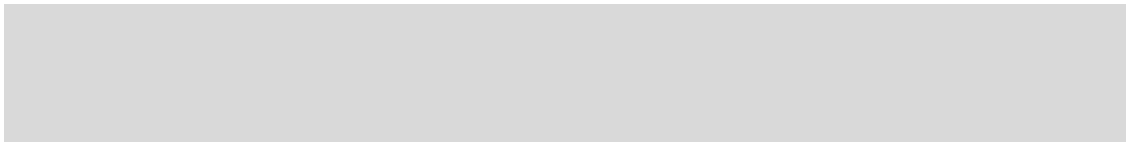
b)

Risks and General Situation

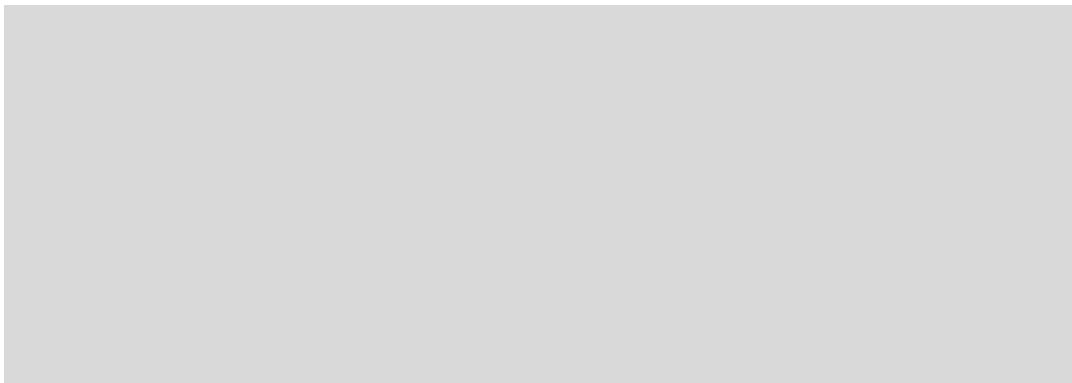
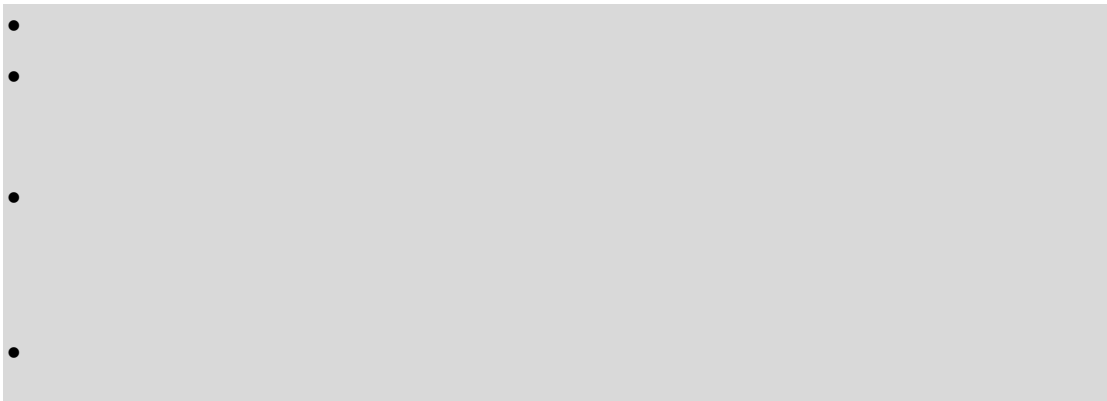
Overall Level of Compliance and Effectiveness







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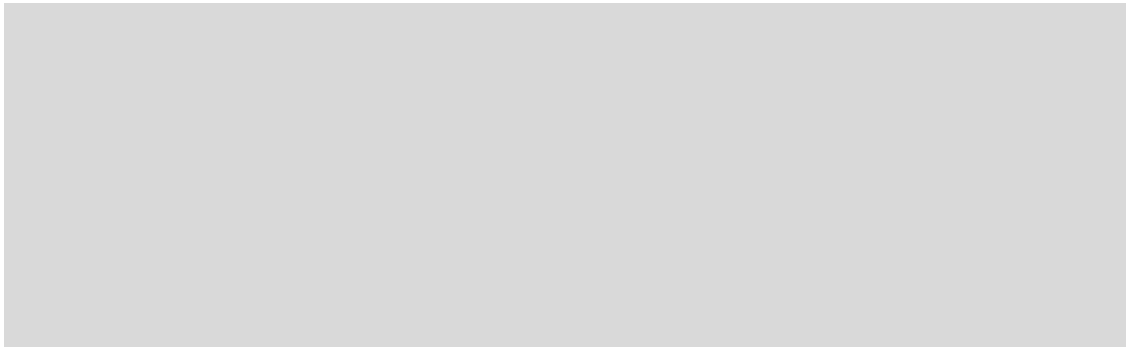
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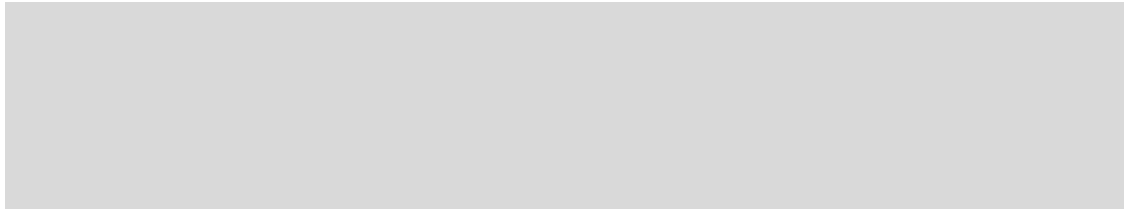
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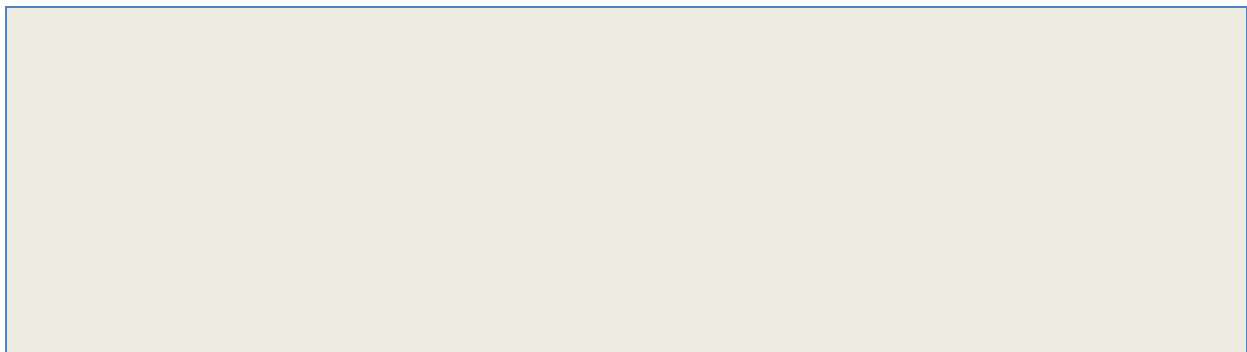
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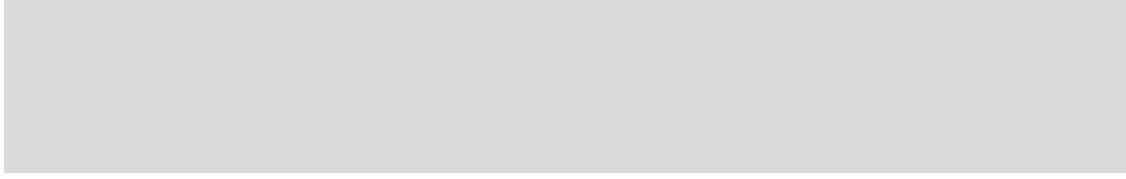
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b)

a)

b)



Overall Conclusion on IO.1

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	Note to assessors: please ensure that tables and boxes are numbered per Chapter			
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- a)
- b) **Assessors should list all the main corrective actions required for the country to improve its level of effectiveness and technical compliance in a targeted and prioritised way. Assessors should clearly indicate which IO/REC the recommended actions relate to.**

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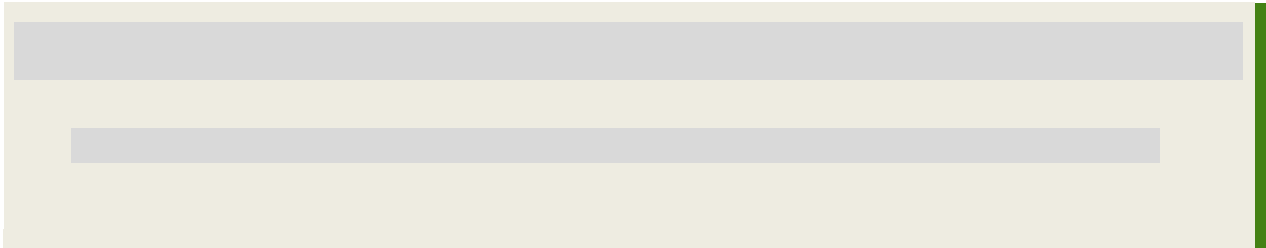
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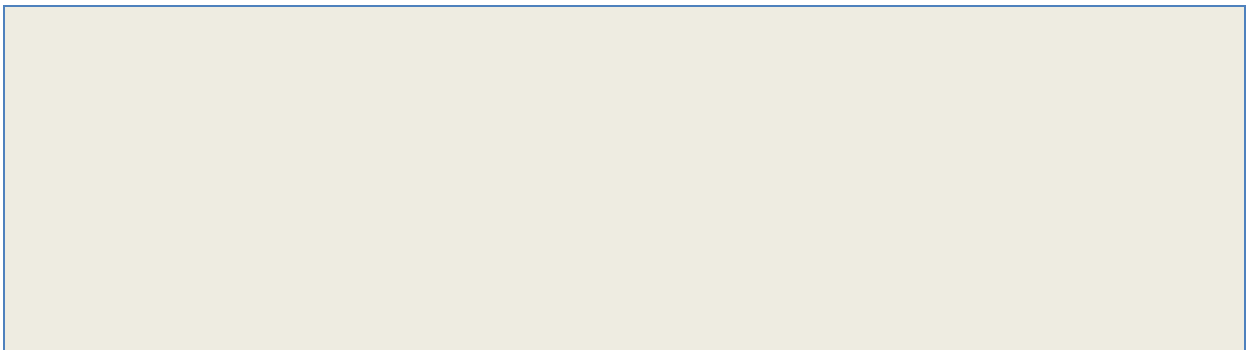
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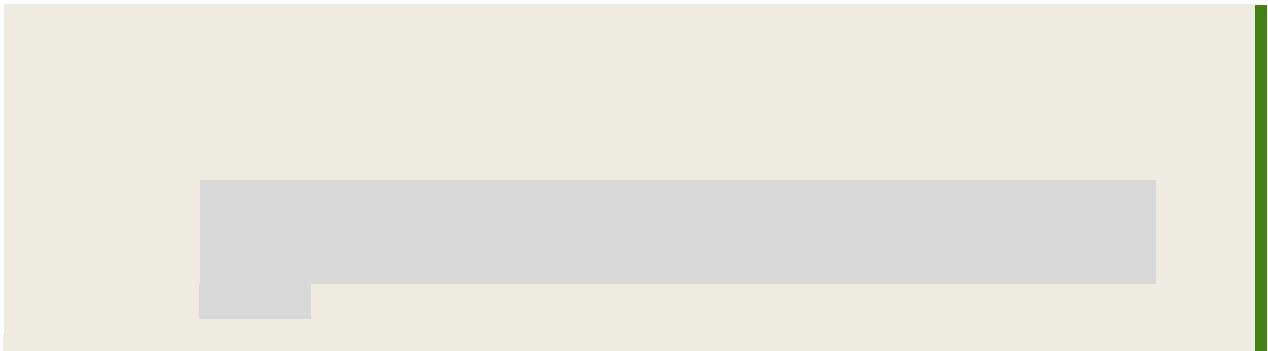
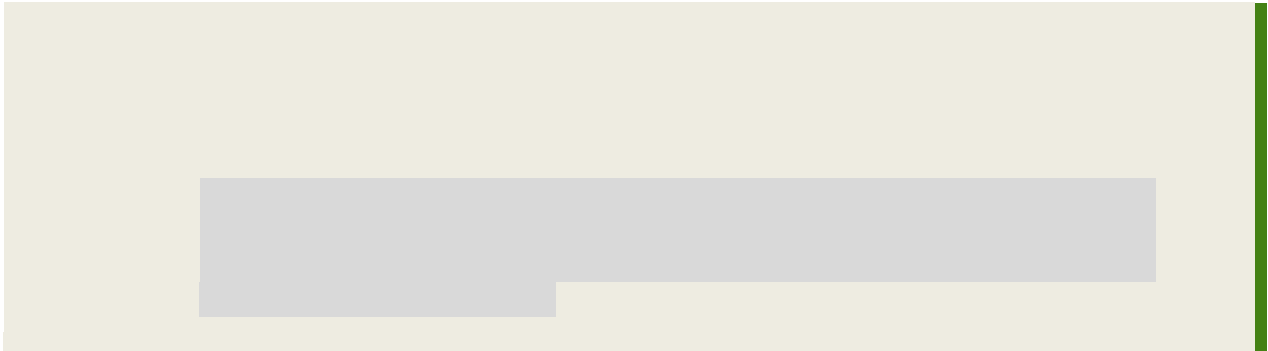
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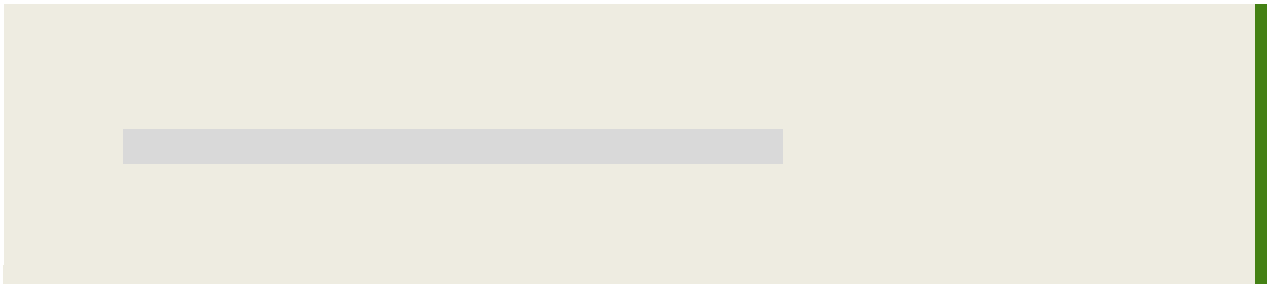
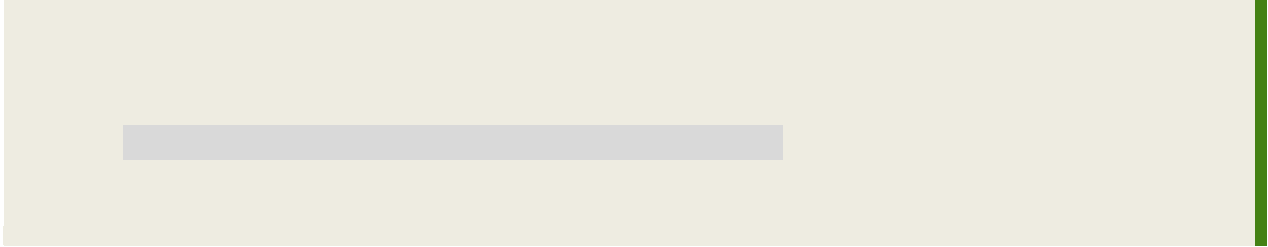
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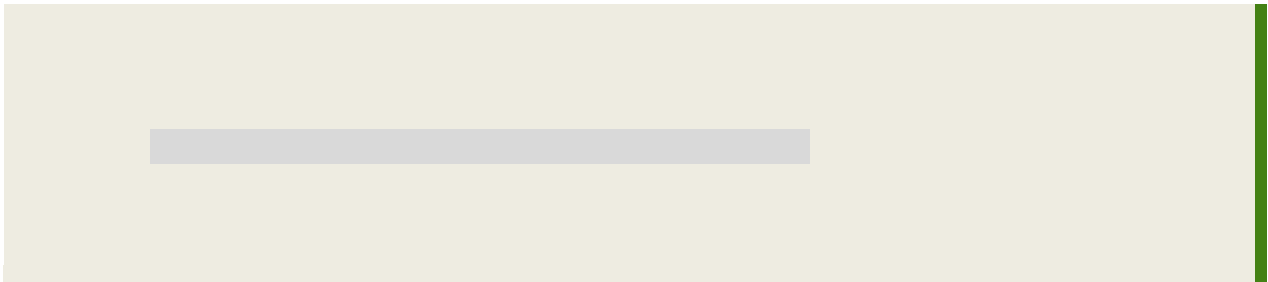


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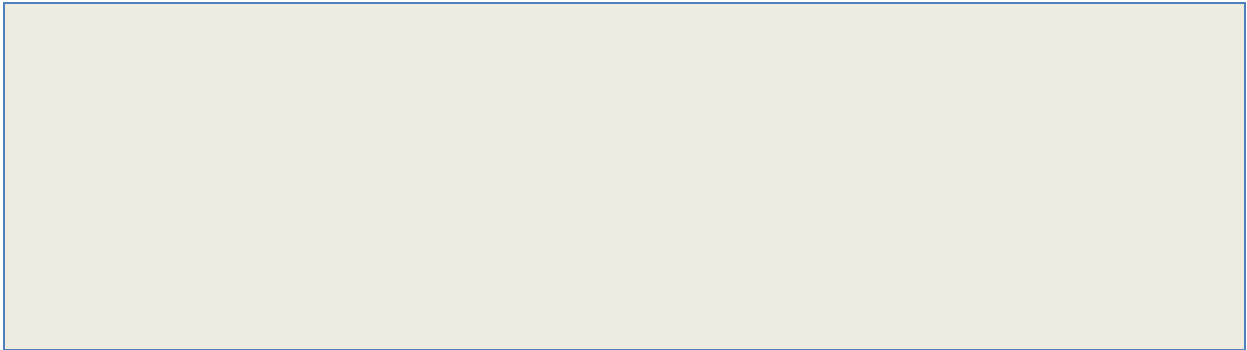


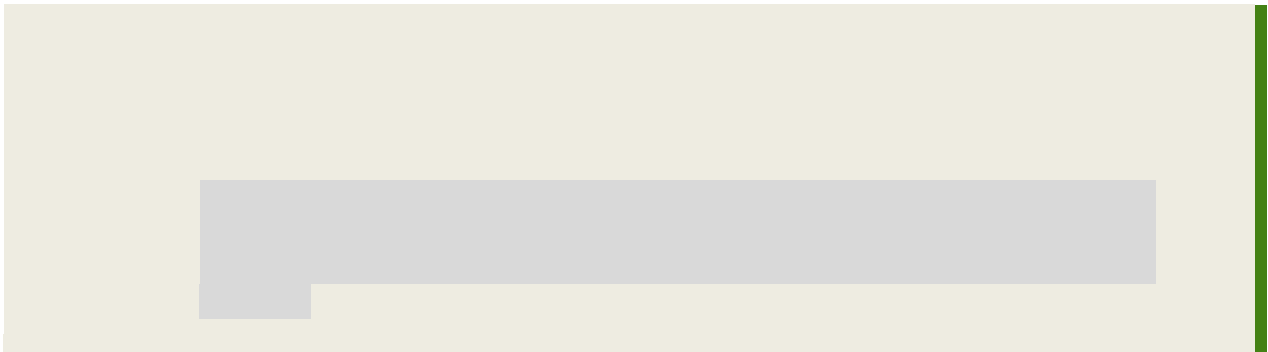
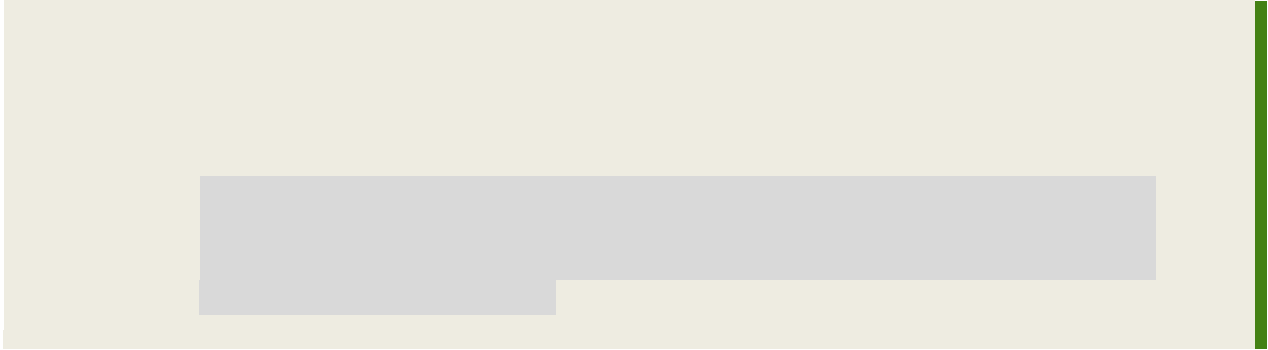


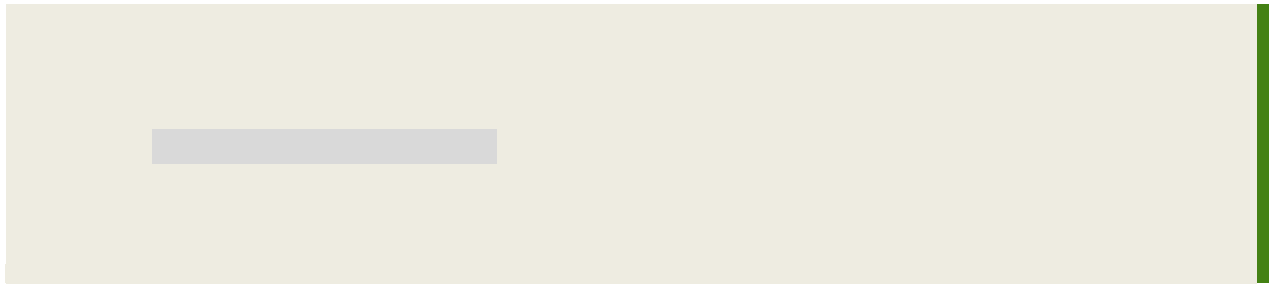




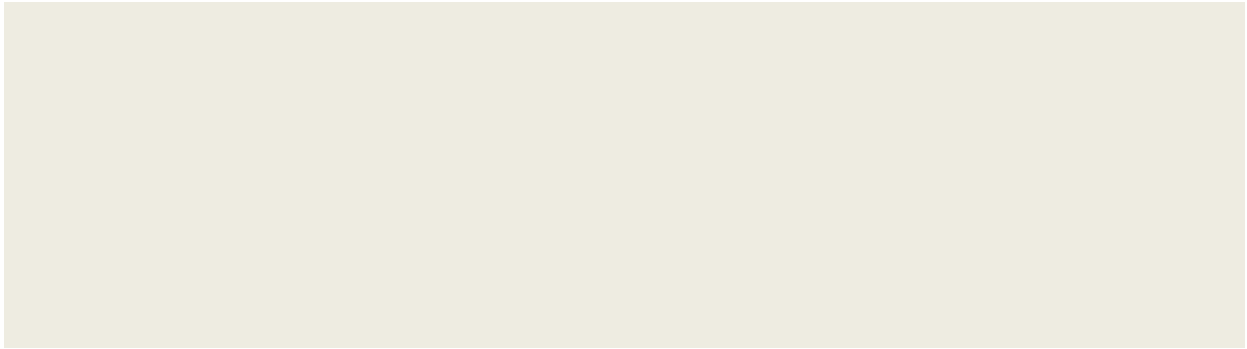
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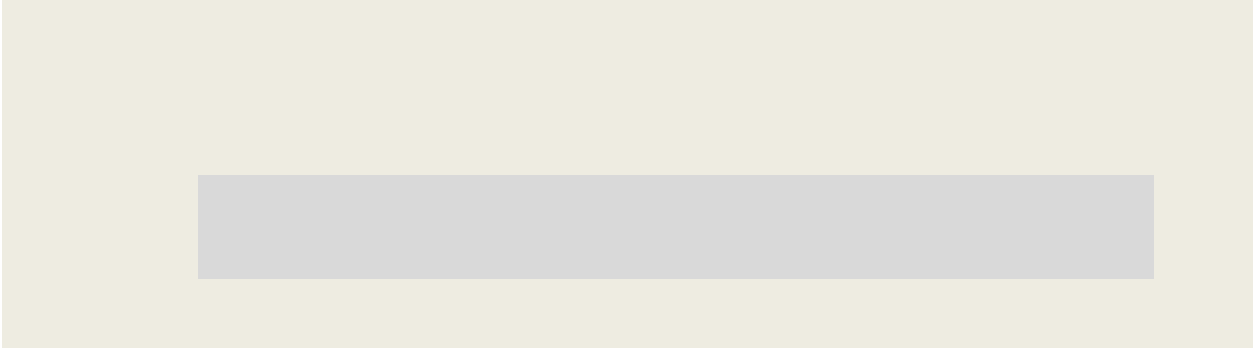


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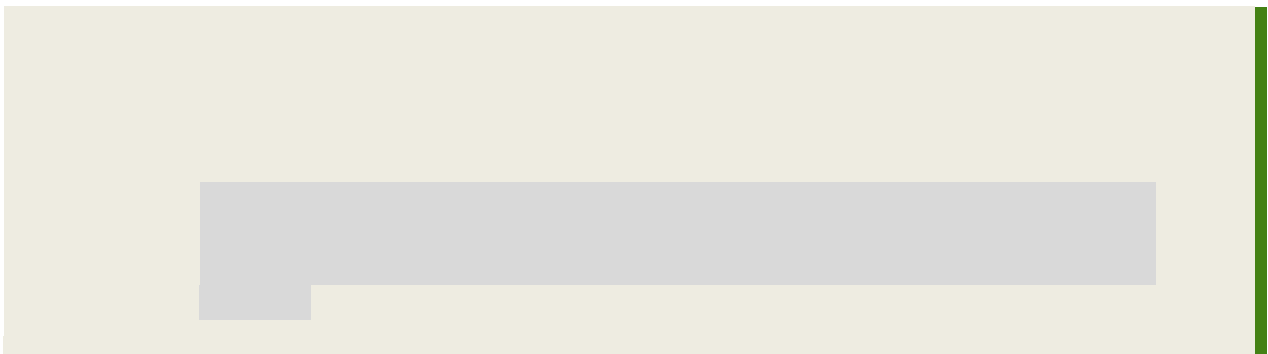


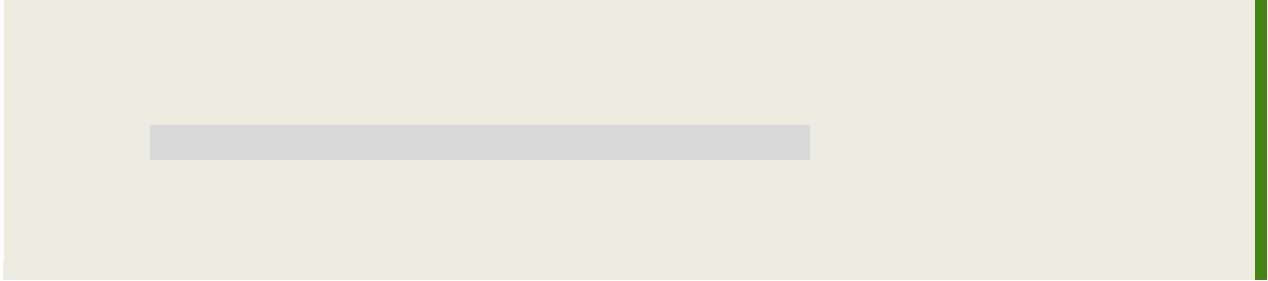
Key Findings

Box 6.1. <Sample Case Study box (enter title here)>

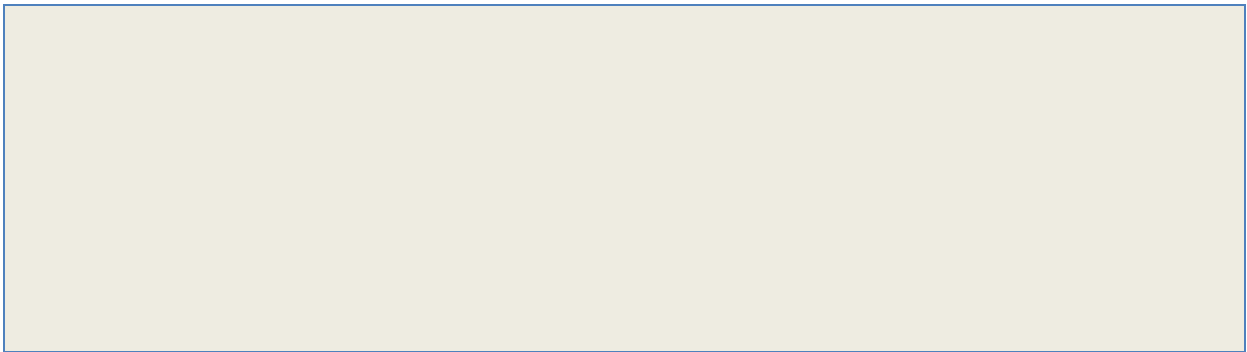


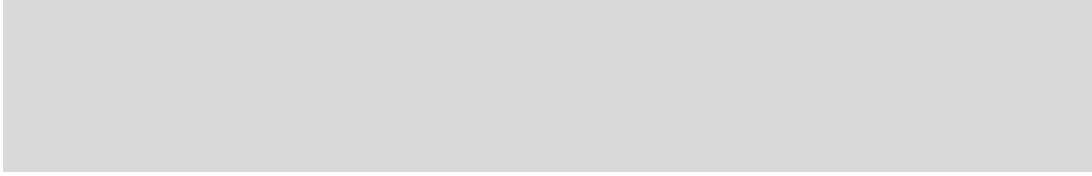






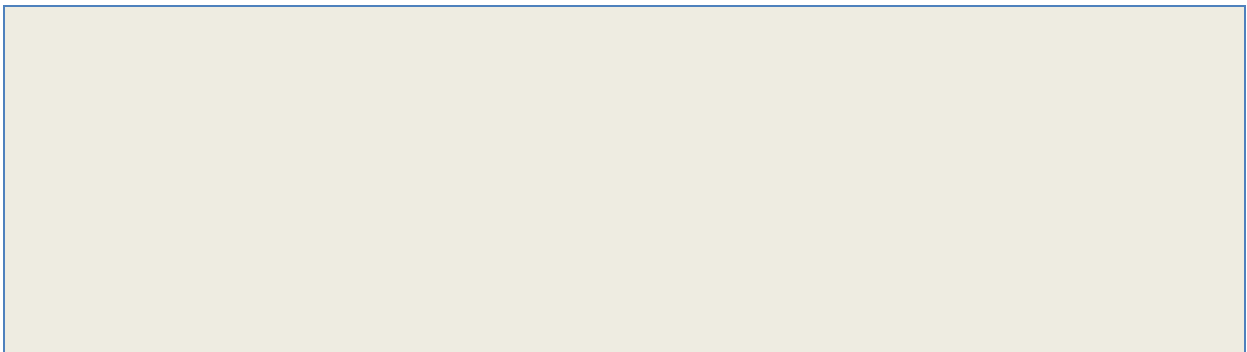
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	Note to assessors: please ensure that tables and boxes are numbered per Chapter			
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Recommendations	Rating	Factor(s) underlying the rating
31. Powers of law enforcement and investigative authorities		•
32. Cash couriers		•
33. Statistics		•
34. Guidance and feedback		•
35. Sanctions		•

METHODOLOGY

ASSESSING TECHNICAL COMPLIANCE WITH THE FATF RECOMMENDATIONS AND THE EFFECTIVENESS OF AML/CFT SYSTEMS

	DEFINITION
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism

ANNEX III

FATF GUIDANCE DOCUMENTS

Guidance	Relevant FATF Standards/Methodology
National money laundering and terrorist financing risk assessment (05 Mar 2013) Terrorist Financing Risk Assessment Guidance (05 Jul 2019)	R.1 (Assessing Risks and Applying a Risk Based Approach)
Best Practices Paper on Recommendation 2: Sharing among domestic competent authorities information related to the financing of proliferation (07 Mar 2012)	R.2 (National Co-operation and Co-ordination) R.7 (TFS Related to Proliferation)
Best Practices on Confiscation (Recommendations 4 and 38) and a Framework for Ongoing Work on Asset Recovery (19 Oct 2012)	R.4 (Confiscation and Provisional Measures) R.38 (Freezing and Confiscation)
Guidance on Criminalising Terrorist Financing (21 Oct 2016)	R.5 (Terrorist Financing Offence)
International Best Practices: Targeted Financial Sanctions Related to Terrorism and Terrorist Financing (Recommendation 6) (28 June 2013)	R.6 (Targeted Financial Sanctions related to Terrorism and Terrorist Financing)
FATF Guidance on Counter Proliferation Financing - The Implementation of Financial Provisions of United Nations Security Council Resolutions to Counter the Proliferation of Weapons of Mass Destruction (28 Feb 2018)	R.7 (Targeted Financial Sanctions related to Proliferation)
Best Practices on Combating the Abuse of Non-Profit Organisations (26 Jun 2015)	R.8 (Non-Profit Organisations (NPOs))

Guidance	Relevant FATF Standards/Methodology
Guidance on Correspondent Banking Services (21 Oct 2016)	R.13 (Correspondent Banking)
Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers (21 Jun 2019)	R.15 (New technologies)
FATF Guidance - Private Sector Information Sharing (04 Nov 2017)	R.18 (Internal Controls and Foreign Branches and Subsidiaries) R.21 (Tipping-Off and Confidentiality)
Best Practices on Beneficial Ownership for Legal Persons (16 October 2019) Guidance on Transparency and Beneficial Ownership (27 Oct 2014)	R.24 (Transparency and Beneficial Ownership of Legal Persons) R.25 (Transparency and Beneficial Ownership of Legal Arrangements) Methodology IO.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)
Operational Issues - Financial Investigations Guidance (11 Jul 2012)	R.30 (Responsibilities of Law Enforcement and Investigative Authorities) R.31 (Powers of Law Enforcement)

Guidance	Relevant FATF Standards/Methodology
<ul style="list-style-type: none"> • Guidance for a Risk Based Approach for Legal Professionals (26 Jun 2019) • Guidance for a Risk-Based Approach for the Accounting Profession (26 Jun 2019) • Guidance for a Risk-Based Approach for Trust and Company Service Providers (26 Jun 2019) • Guidance for a Risk-Based Approach: Life Insurance Sector (29 Oct 2018) • Guidance for a Risk-Based Approach: Securities Sector (29 Oct 2018) • Guidance for a Risk-Based Approach: Money or Value Transfer Services (23 Feb 	
<ul style="list-style-type: none"> • Guidance for a Risk-Based Approach: Guidance for a Risk-(o)-4.1 (r)-1.4 ()ET/Arti/MCID 115 BDC270 Tc 0 Tw 13.675 06 06 	

LEGAL BASIS OF REQUIREMENTS ON FINANCIAL INSTITUTIONS AND DNFBPS AND VASPS

GENERAL GLOSSARY

Terms	Definitions
Accounts	
Accurate	
Agent	
Appropriate authorities	
Associate NPOs	
Batch transfer	
Bearer negotiable instruments	
Bearer shares	
Beneficial owner	
Beneficiaries	
Beneficiary	<p style="text-align: center;">■</p>

Terms	Definitions
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**Beneficiary
Financial
Institution**

**Competent
authorities**

Confiscation

Terms

Definitions

Core Principles

Correspondent
banking

Country

Cover Payment

Criminal activity

Terms	Definitions
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Designated non-financial businesses and professions

- a)
 - b)
 - c)
 - d)
 - e)
-

Terms

Definitions

f)

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■

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Terms

Definitions

Designation

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-
-
-
-

Terms	Definitions
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False declaration

False disclosure

Financial group

Terms

Terms	Definitions
Fundamental principles of domestic law	
Funds	
Funds or other assets	
Identification data	
Intermediary financial institution	
International organisations	

Terms	Definitions
Law	
Legal arrangements	
Legal persons	
Money laundering offence	
Money or value transfer service	
Non-conviction based confiscation	
Non-profit organisations	
Originator	
Ordering financial institution	
Payable-through accounts	
Physical cross-border transportation	

Terms

Definitions

Politically
Exposed Persons
(PEPs)

Terms**Definitions**

Seize

**Self-regulatory
body (SRB)**

Serial Payment

Settlor

Shell bank

Should

**Straight-through
processing**

Supervisors

Terms

Definitions

Targeted
financial
sanctions

Terms

Definitions

Terrorist
financing offence

Terrorist

organisation I1-2)3(m5)1 ET Q50.28611.01.19.0 mi59.0 I687-6()Tj ET Q MC P <</MCID 58W>

Terms

Definitions

**Virtual Asset
Service Providers**

INFORMATION ON UPDATES MADE TO THE FATF METHODOLOGY

Date	Type of amendments	Sections subject to amendments
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Date	Type of amendments	Sections subject to amendments
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