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

Updated January 2021

FINANCIAL ACTION TASK FORCE

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

For more information about the FATF, please visit the website: www.fatf-gafi.org

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Anti-Money Laundering / Countering the Financing of Terrorism

(also used for)

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Evaluations and Compliance Group

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

2. As set out in the Methodology, the FATF will assess countries' implementation of the FATF Recommendations by evaluating two components for technical compliance and effectiveness. The technical compliance component will assess whether the necessary laws, regulations or other required measures are in force and effect, and whether the supporting anti-money laundering (AML) / c

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

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

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

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

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

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

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

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

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

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

13. Countries should provide information on effectiveness based on the 11 Immediate Outcomes identified in the effectiveness assessment no less than four months before the on-site. They should set out fully how each of the core issues is being addressed as set out in each Immediate Outcome. It

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is important for countries to provide a full and accurate description (including examples of information, data and other factors) that would help to demonstrate the effectiveness of the AML/CFT regime.

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

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

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

17. Due to the nature of the peer review process, the Secretariat will work to ensure that the mutuality of the process is maintained, and all members should provide qualified experts to be assessors at least five times[3] over the course of the fourth round as a minimum, on a graduated basis, with the largest countries being expected to provide assessors at least nine times during the round. Taking into account that this minimum contribution of five assessors is a huge effort for smaller countries, flexibility will be introduced on the basis that the Secretariat will work with those countries, give them priority when forming assessment teams, and take into account their preferences for what assessor expertise they wish to provide and which countries they wish to assess, as agreed by the

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Plenary. Assessors provided by FATF members to FSRB-only assessments should be recognised as contributions to FATF assessments. Countries that do not provide their minimum expected contribution of assessors should make a financial contribution to the FATF in an amount equivalent to the cost of providing such assessors, as determined by the Plenary. A list of countries' contribution of assessors for assessments will be maintained and monitored by the FATF's Evaluations and Compliance Group (ECG).

The Secretariat

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

19. The core function of the assessment team is, collectively, to produce an independent report (containing analysis, findings and recommendations) concerning the country's compliance with the FATF S

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21. Prior to the on-site visit, the assessment team will conduct a desk-based review of the country's level of technical compliance, and the contextual factors and ML/TF risks. The review will be based on information provided by the country in the information updates on technical compliance, pre-existing information drawn from the country's third round MER, follow-up reports and other credible or reliable sources of information. This information will be carefully taken into account, though the assessment team can review the findings from the previous MER and follow-up reports, and may highlight relevant strengths or weaknesses not previously noted. If the assessors reach a different conclusion to previous MERs and follow-up reports (in cases where the Standards and the legislation have not changed) then they should explain the reasons for their conclusion.

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compliance and effectiveness issues

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can be time consuming and wasteful, and generally, unless venues are in close proximity, there should be no more than two to three venues per day. The programme should be finalised at least three weeks prior to the on-site visit. The assessment team may also request additional meetings during the on-site.

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

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

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

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

- An initial half day preparatory meeting between the Secretariat and assessors.
- Seven to eight days of meetings[5] with representatives of the country, including an opening and closing meeting. Time may have to be set aside for additional or follow-up

[5] 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.

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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.

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

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

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

37. Meetings with the private sector or other non-government representatives[6] are an important part of the visit, and generally, the assessors should be given the opportunity to meet with such bodies or persons in private, and without a government official present, if there is concern that the presence of the officials may inhibit the openness of the discussion. The team may also request that meetings with certain government agencies are restricted to those agencies only.

38. There should be a minimum of twenty seven (27) weeks between the end of the on-site visit and the discussion of the MER in Plenary. The timely preparation of the MER and Executive Summary[7] will require the assessors to work closely with the Secretariat and the country. Depending on when the Plenary discussion is scheduled, the time period may also be extended or adjusted. In exceptional cases, and based on justified circumstances (and with the consent of the assessed country), a shorter period of time may be allowed for.

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

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6 E.g those listed in Appendix 2.

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

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

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

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

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

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

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

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

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

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

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

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

50. The revised Executive Summary and MER (third draft going to the Plenary), will then be sent to all members, associate members and observers at least five weeks (ideally six weeks) prior to Plenary. The assessed country's comments on this draft will be circulated then as well. Where the original draft is in French, the English translation will also be distributed at this time. Delegations will

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have two weeks to provide any written comments on the MER and Executive Summary, and in particular, to identify any key issues that they wish to discuss in ECG/Plenary. The comments should focus on the substantive key issues, or on other high-level or horizontal aspects of the assessment, though other observations may also be made. The comments received will be made available to all delegations.

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

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

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56. The discussion of each MER and Executive Summary in Plenary (particularly the list of key issues) [8]

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60. Where an FATF or FSRB member, the FATF Secretariat, FSRB Secretariat or an IFI considers that a FATF or FSRB report has significant problems of quality and consistency (Q&C), it should wherever possible raise such concerns with the body conducting the assessment (the assessment body) prior to adoption. The assessment body, assessment team and assessed country should consider and work to appropriately address the concerns.

61. Nevertheless, highly exceptional situations may arise where significant concerns about the Q&C of a report remain after its adoption. To address such issues, the post-Plenary Q&C process applies to all assessment bodies with a view to preventing the publication of reports with significant Q&C problems and ensuring that poor quality assessments do not damage the FATF brand.

62. The post-Plenary quality and consistency (Q&C) review process applies to all mutual evaluation reports (MERs) (including their executive summaries), detailed assessment reports (DARs)[9] (including their executive summaries), mutual evaluation follow-up reports with technical compliance re-ratings (FURs) and follow-up assessment reports (FUARs).[10] The exception is FURs with technical compliance (TC) re-ratings where no Q&C issues are raised through the pre-plenary review process or during the relevant working group/plenary discussion. Such FURs are not subject to the post-Plenary review process and ordinarily should be published within six weeks after their adoption by Plenary.

63. After adoption of the report, the FATF Secretariat will amend all documents as necessary and will circulate a revised version of the report to the country within one week of the Plenary. Within two weeks of receiving it from the Secretariat, the country 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.

64. The FATF Secretariat will then circulate the report to all FATF members, FSRBs and the IFIs, along with a template for referring Q&C issues for consideration. Parties who identify any serious or major Q&C issues have two weeks to advise the FATF Secretariat (for FATF reports) or both the FATF

9 Where the evaluation is conducted by one of the International Financial Institutions (IFI) (IMF or World Bank).

10 In this section, MERs, DARs, FURs and FUARs are collectively referred to as

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Secretariat and assessment body (for non-FATF reports)[11] in writing, using the template provided to indicate their specific concerns and how these concerns meet the substantive threshold.[12]

65. 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[13] 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 assessment body and delegations accordingly and the report will be published.[14]

66. 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 it meets the substantive threshold and procedural requirements. To aid in this decision, the FATF Secretariat will liaise with the relevant FATF or FSRB Secretariat team to provide the ECG Co-Chairs with any necessary background information on the issue, including (where relevant and appropriate):

a) information submitted by parties raising the Q&C issue

b) background information on any related comments raised at the pre-Plenary stage

c) the rationale for the relevant rating/issue under discussion based on the facts in the report and/or any relevant co-chairs' report or summary record from the working group/Plenary meeting where the report was discussed (including whether the issue was discussed in detail, what the outcome of the those discussions was and any reasons cited for maintaining or changing the rating or report)

d) objective cross-comparisons with previous FATF reports that have similar issues

e) the report's consistency with the corresponding parts of the Methodology

f) any connection or implications for the ICRG process, and

g) what next steps might be appropriate.

67. If the ECG Co-Chairs conclude that the substantive threshold and procedural requirements are met, the Secretariat will circulate the report to all FATF delegations for

11 Where FATF or FSRB members or secretariats consider that an MER which has been adopted by an IFI has or continues to have significant problems of quality or consistency, they should promptly inform the IFI of those concerns (and the FATF Secretariat when the concerns are raised by others).

12 The substantive threshold is

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13 Not including the assessed country.

14 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.

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consideration by the ECG along with a decision paper prepared by the FATF Secretariat in consultation with the relevant assessment body (FSRB/Secretariat/IFI). On the other hand, if the ECG Co-Chairs conclude that 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.

68. 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 relevant assessment body will include the background information listed above in paragraph 66 to the extent that it is relevant and appropriate.

69. 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:

a) the ratings are clearly inappropriate and not consistent with the analysis

b) there has been a serious misinterpretation of the Standards, Methodology and/or Procedures

c) an important part of the Methodology has been systematically misapplied, or

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

70. If ECG decides that the report 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.

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

72. Following completion of the post-Plenary Q&C review process, the assessment body 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 FATF and the global network.

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73. Where a potential new member undergoes a mutual evaluation by the FATF or a FSRB, and whether it meets the criteria for FATF membership, the procedures laid out in sections I to V of these procedures will apply. If the criteria for membership are met, and the country is admitted as an FATF member, but if deficiencies are identified in the country's AML/CFT system, the Plenary shall apply the FATF's follow-up policy (section X). However, if the membership criteria are not met and a country agrees to an action plan, and is admitted as a new member before the completion of the action plan, the new member will then be required to provide more detailed information as part of its enhanced follow-up reports focusing on progress towards achieving the IOs identified in the action plan. Plenary retains the discretion to vary the specific frequency of reporting by new members in enhanced follow-up.

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- If scheduling permits, the Plenary discussion of a joint MER may take place at a joint Plenary meeting of the FATF and the FSRB, with the full participation of all FATF and FSRB members.

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

77. The FATF is responsible for the mutual evaluation process for all of its members, and there is

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ordinate with a view to ensuring a reasonable proximity between the date of the FSAP mission and that of a mutual evaluation or follow-up assessment conducted under the prevailing methodology, to allow for the key findings of that evaluation or follow-up assessment to be reflected in the FSAP; and members are encouraged to co-ordinate the timing for both processes internally, and with the FATF Secretariat and IFI staff.[16]

81. The basic products of the evaluation process are the MER and the Executive Summary (for the FATF) and the DAR and ROSC (for the IFIs)[17]. The Executive Summary, whether derived from a MER or follow-up assessment report, will form the basis of the ROSC. Following the Plenary, and after the finalisation of the Executive Summary, the summary is provided by the Secretariat to the IMF or World Bank so that a ROSC can be prepared, following a pro forma review.

82. 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
> was prepared by the Financial Action Task Force (FATF). The report provides a summary of [the/certain][18] AML/CFT measures in place in [ ] as at [ ], 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.

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deficiencies (for technical compliance or effectiveness) in their AML/CFT systems, and involves a more intensive process of follow-up.

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

Figure 1.

86. Countries may seek re-ratings for technical compliance with Recommendations rated as NC or PC before or after the 5th year follow-up assessment as part of the follow-up process. The general expectation is for countries to have addressed most if not all of the technical compliance deficiencies by the end of the 3rd year, and the effectiveness shortcomings by the time of the follow-up assessment. Requests for technical compliance re-ratings will not be considered where the expert(s) determines that the legal, institutional, or operational framework has not changed since the country's MER (or previous FUR, if applicable) and there have been no changes to the FATF Standards or their interpretation.[19]

87. If any of the FATF Standards have been revised since the end of the on-site visit (or previous

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88. Regular follow-up will be the default mechanism to ensure a continuous and on-going system of monitoring. This is the minimum standard that will apply to all members. Countries subject to regular follow-up will report back to the Plenary after three years (10 Plenary meetings) from the adoption of the country's MER, and will be subject to a follow-up assessment after five years.

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

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

a) After the discussion of the MER: a country will be placed immediately into enhanced follow-up if any one of the following applies:

   (i) it has 8 or more NC/PC ratings for technical compliance, or

   (ii) it is rated NC/PC on any one or more of R.3, 5, 10, 11 and 20, or

   (iii) it has a low or moderate level of effectiveness for 7 or more of the 11 effectiveness outcomes, or

   (iv) it has a low level of effectiveness for 4 or more of the 11 effectiveness outcomes.

b) After the discussion of a regular follow-up report or the 5th year follow-up assessment: the Plenary could decide to place the country into enhanced follow-up at any stage, if a significant number of priority actions have not been adequately addressed on a timely basis.

c) If and when it comes to the Plenary's attention that a country has lowered its compliance with the FATF Standards during the regular follow-up process: a country will be placed into enhanced follow-up if its level of technical compliance changed to a level that the Plenary considers as equivalent to NC/PC on any one or more of R.3, 5, 10, 11 and 20.

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

a) A letter could be sent from the FATF President to the relevant minister(s) in the member jurisdiction drawing attention to the lack of compliance with the FATF Standards.

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b) A high-level mission could be arranged to the member jurisdiction to reinforce this message. This mission would meet with Ministers and senior officials.

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

d) Suspending the jurisdiction's membership of the FATF until the priority actions have been im

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95. The country will be asked to submit information regarding tech

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no comments are received (including from the assessed country), the report will be approved by written process as outlined in the IGP and then proceed to publication.

- If comments are received, a revised report will be circulated seven weeks before the ECG/Plenary meeting. Delegations will have one week to comment on the revised text. Unless two or more delegations (not including the assessed country) raise concerns regarding the experts' analysis of a particular Recommenation in the revised report, the report will be approved by written process as outlined in the IGP and then proceed to publication.

- If two or more delegations (not including the assessed country) raise concerns regarding the experts' analysis of a particular Recommendation in the revised report, that Recommendation and the issues raised will be discussed at ECG before Plenary. In these circumstances, the secretariat should compile a short list of the issues for discussion, and should circulate this list to all members, observers and associate members at least two weeks prior to the ECG discussion. The ECG should prioritise discussion of these issues, and the discussion should be limited in time and scope. Although follow-up reports will be first discussed at ECG, Plenary remains the only decision-making body. If ECG reaches consensus on the issues for discussion, the report will be circulated for approval by written process as outlined in the IGP and then proceed to publication.

- . Where ECG does not reach consensus on the issues for discussion, any unresolved issues will be considered by Plenary as a discussion item, and a revised list of issues for Plenary discussion will be distributed. Plenary discussions on a follow-up report with technical compliance re-ratings should take, on average, no more than one hour of Plenary time. Plenary will not discuss an individual criterion rating unless it will impact an overall Recommendation rating.

- . The Secretariat will assist experts in achieving consistency in the application of the FATF Standards and Methodology, and will equally support the countries in follow-up. The Secretariat will also advise the ECG/Plenary on process and procedural issues (e.g., in cases where no progress has been made).

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

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

100. Although most follow-up reports will be considered by written process or as an information item, ECG/Plenary may opt to discuss follow-up reports that receive written comments and/or involve substantive issues. Examples of substantive issues include, but are not limited to:

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

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

102. The scope of the FUAs should primarily target the Immediate Outcomes (IOs) with Low or Moderate Effectiveness (LE/ME) in areas of higher risk and materiality. In principle, there will be

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

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

- 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.

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

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

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

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

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

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

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

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* Additional rows may be added for other type of legal persons or arrangements. Countries may also choose to have more granular and specific classification of the types of legal persons or arrangements.

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

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