

FATF



REPORT ON THE STATE OF EFFECTIVENESS AND COMPLIANCE WITH THE FATF STANDARDS

April 2022



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 www.fatf-gafi.org

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FOREWORD FROM THE FATF PRESIDENT MARCUS PLEYER



I am pleased to introduce this landmark **Report on the State of Effectiveness and Compliance with the FATF Standards**. This is the first public report of its kind and outlines results from the 4th Round of Mutual Evaluations, which assessed the strengths and weaknesses of countries' frameworks to combat money laundering and the financing of terrorism and proliferation. These assessments, by the FATF and its regional style bodies, employ a common assessment methodology and have been taking place since 2013.

I recognise the tremendous efforts of all the relevant authorities in our Member and Global Network countries. Progress achieved to-date is a result of the tireless efforts, active participation and relentless desire to enhance the current system. The FATF will continue to support its Members as well as countries in FATF-Style Regional Bodies, which are committed to change but often need additional technical assistance and training.

No country can claim to have a perfect national framework to address money laundering, terrorist or proliferation financing. Some countries may be stronger than others, but across the Global Network and particularly regarding the effective implementation of laws, regulations and policies, all countries still need to make more tangible progress. Every weakness on our side is an opportunity on the side of criminals and terrorist financiers. We are determined to reduce these common deficiencies and strengthen our global approach to money laundering, terrorist and proliferation financing.

While we face numerous challenges, this report shows how the FATF is helping countries to adapt and promote a risk-based approach. The FATF Standards and the Mutual Evaluation process are clearly driving governments to

change for the better. Our findings show that the 206 jurisdictions committed to the FATF 40 Recommendations are passing new laws and regulations, and in some cases implementing effective risk-based policies to support anti-money laundering (AML), countering the financing of terrorism (CFT) and countering the financing of proliferation of weapons of mass destruction (CPF) systems.

The FATF has produced this report as a part of the **Strategic Review**. The review, which began in 2019, has aimed to streamline the FATF's processes to make the next round of mutual evaluations timelier, more risk-based and effective. This report makes public the results from a fact-finding stocktake that informed the Strategic Review by providing policy-makers with the findings and data to make important decisions on how to improve the evaluation framework of the FATF.

As a result of this strategic review, the FATF finalised and approved the FATF Methodology and Procedures for the 5th Round of Mutual Evaluations. These changes will ensure the FATF and the Global Network focus on driving forward full and effective implementation of the FATF's Standards.

In the 5th round of Mutual Evaluations, we will put an even greater focus on ensuring that countries not only pass the relevant laws and regulations, but also effectively implement these laws. This will help prevent and prosecute money laundering, terrorist financing and financing of proliferation of weapons of mass destruction in a manner consistent with their risks.

I want this organisation to continue to lead in the fight against money laundering, terrorist financing and proliferation financing, but to do so in a more risk-based, effective and efficient manner. This includes by better collecting data and promoting an evidence-based approach. In the future, I expect that improved information collection and analysis will be used to inform FATF policy and thinking, ensuring it stays up to date with the latest trends in money laundering, terrorist and proliferation financing.

I believe that the FATF and its Global Network is making a positive difference to international efforts to combat money laundering, terrorist and proliferation financing. Together, we must continue to ensure that we effectively implement laws, regulations and policies to tackle the financial flows that fuel crime and terrorism. Ultimately, we must make the world a safer place for all citizens.

GLOSSARY

AML/CFT/CPF	Anti-Money Laundering / Countering the Financing of Terrorism / Countering the Financing of Proliferation of weapons of mass destruction (also used for Combatting the financing of terrorism and combatting the financing of proliferation)
C/LC	Compliant / Largely Compliant (see FATF Methodology)
CDD	Customer due diligence
DNFBP	Designated Non-Financial Business or Profession
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
FSRB	FATF-Style Regional Bodies
HE/SE	High / substantial levels of effectiveness (see FATF Methodology)
ICRG	International Co-operation and Review Group
IO	Immediate Outcome (FATF Methodology)
LE/ME	Low / moderate level of effectiveness (see FATF Methodology)
MER	Mutual evaluation report
ML	Money laundering
NPO	Non-profit organisation
NRA	National risk assessment
PC/NC	Partially compliant / Not compliant (see FATF Methodology)
PF	Proliferation financing
STR	Suspicious transaction reports
TF	Terrorist financing
TFS	Targeted financial sanctions
UNSCR	United Nations Security Council Resolution

EXECUTIVE SUMMARY

The Report on the State of Effectiveness and Compliance with the FATF Standards gives a comprehensive overview of the state of global efforts to tackle money laundering, terrorist and proliferation financing. The report is based on data from FATF and FSRB mutual evaluation reports since 2013, which assessed the strengths and weaknesses of AML/CFT/CPF frameworks.

Overall, the report finds that countries have made huge progress in improving technical compliance by establishing and enacting a broad range of laws and regulations to better tackle money laundering, terrorist and proliferation financing. This has created a firm legislative basis for national authorities to ‘follow the money’ that fuels crime and terrorism.

In terms of laws and regulations, 76% of countries have now satisfactorily implemented the FATF’s 40 Recommendations. This is a significant improvement in technical compliance, which stood at just 36% in 2012, demonstrating the positive impact of the FATF Mutual Evaluation and Follow-up processes.

However, many countries still face substantial challenges in taking effective action commensurate to the risks they face. This includes difficulties in investigating and prosecuting high-profile cross-border cases and preventing anonymous shell companies and trusts being used for illicit purposes.

This report fed into the FATF’s Strategic Review, which aims to make the next cycle of FATF assessments more timely, risk-based and effective. The 5th round of assessments will include (1) a significantly shorter mutual evaluation cycle, so that countries get assessed more frequently, (2) greater emphasis on the major risks and context to ensure that countries focus on the areas where the risks are highest and (3) a results-orientated follow-up assessment process, which will focus on specific actions to tackle money laundering, terrorist financing and the financing of weapons of mass destruction.

Understanding of Risks (Chapter 1)

The risk-based approach and determining a jurisdictions’ understanding of money laundering, terrorism, and proliferation finance risk is a central pillar of the FATF’s 4th round of Mutual Evaluations. Almost all countries have completed an initial assessment of their money laundering and terrorist financing risks, and some have done so multiple times. The FATF and FSRB evaluations have demonstrated that countries have begun taking actions or policies to mitigate their risks with appropriate policy and operational responses.

FATF Member countries demonstrate a good risk understanding and response with over 80% achieving substantial or high effectiveness. On the other hand, only 19% of FSRB members demonstrate substantial or high effectiveness, and need to improve both their understanding of money laundering and terrorist financing risks, and strengthen the effective implementation of risk-based policies.

Low effectiveness often occurs because governments have not yet had time to implement policies and co-ordinate with public and non-public bodies to respond effectively to their risks¹. While adoption of new risk assessments shows the clear impact of the FATF’s assessment process, it also has demonstrated that many countries are in the initial stages of developing comprehensive, risk-based AML/CFT/CPF frameworks. Countries must continue to share up-to-date national and other risk assessments as widely as possible with relevant stakeholders.

Prevention and supervision (Chapters 3 & 4)

Private sector entities such as banks, money or value transfer services, lenders, virtual asset service providers and others² have a shared responsibility to help identify and prevent risks from money laundering and terrorist financing.

Financial institutions, in particular larger multi-national financial institutions, generally have a clear

¹ Countries that have only just recently drafted risk assessments often have difficulty disseminating these risk assessments widely and demonstrating that relevant agencies have appropriate policies or mitigating measures in place.

² For a complete list of financial Institutions and designated non-financial businesses or professions, see the FATF Glossary.

understanding of the risks they face and have put in place more effective risk mitigation measures. In contrast, small financial institutions and the non-financial sector, such as real estate agents, lawyers and accountants, generally have a poor understanding of risks and struggle to mitigate them.

Nearly all (97%) of 120 assessed countries have low to moderate effectiveness ratings for preventing money laundering and terrorist financing in the private sector. In particular, the non-financial sector performs poorly in terms of risk awareness and applying preventive measures. In general, private sector entities need a change of culture in applying a true risk-based approach to conduct customer due diligence, keep records, and file suspicious transaction reports.

Countries have made progress in the supervisory framework of laws and regulations and enhancing the powers of supervisors that monitor relevant entities. However, the implementation and extent of supervision remains inadequate. Just 10% of countries' supervisory systems demonstrated effectiveness. Countries must prioritize the effective implementation of supervisory frameworks, particularly in the non-financial sector.

Systems to monitor and enforce beneficial ownership and transparency (Chapter 5)

FATF standards cover requirements for transparency in beneficial ownership as anonymous shell companies are one of the most widely used methods for laundering the proceeds of crime and corruption. Today, just about half (52%) of assessed jurisdictions have adequate laws and regulatory structures in place. However, countries are not effectively implementing these laws with only 9% of countries substantially effective in this area. Countries need to prioritize their efforts and demonstrate improvements in recording, reporting and verifying information regarding legal persons and arrangements. In order to mitigate high-risk activities such as bearer shares³ and nominee relationships, competent authorities should be able to quickly access accurate and up-to-date information.

The FATF is continuing to review the Recommendations for beneficial ownership and transparency to ensure that these are more closely aligned with risks and better reflect the current global challenges associated with legal persons and arrangements (Recommendations 24 and 25). Members have

initially agreed on tougher global rules for beneficial ownership of legal persons (Recommendation 24). The new rules are a major step forwards to preventing illicit enrichment by ensuring that all countries will need to have a beneficial ownership registry or an equivalent system in place. They will help trace the assets of criminals and terrorists, and prevent tax evasion, which help stop criminals, corrupt actors, and UNSC sanctions evaders from hiding their illicit activities and dirty money behind shell companies.

Criminal justice systems for Money Laundering and Terrorist Financing and the use of international co-operation (Chapters 2, 6 & 7)

Criminal justice frameworks to tackle money laundering and terrorist financing are now in place and most countries have financial intelligence units, designated authorities for financial investigations (for both money laundering and terrorism) and specialists tasked with asset recovery for identifying and confiscating the proceeds of crime. Countries are also exchanging more information with international counterparts.

Nevertheless, investigations and prosecutions of money laundering and terrorist financing remain rare in most countries, particularly for complex cases or cases involving a cross-border element, despite some strong international co-operation among countries. Furthermore, only a tiny fraction of all proceeds of crime are recovered. As such, convictions for money laundering are often not in line with the major risks identified within each country.

Countries need to significantly improve the functioning of criminal justice frameworks by increasing specialized expertise, prioritising large-scale money laundering operations and targeting terrorist financing networks in-line with risks, as well as apply proportionate and dissuasive penalties. It is critical therefore, that the FATF take action to help countries address the asset recovery deficiencies identified in the evaluation of their national frameworks, and to support international initiatives to increase the recovery of criminal proceeds. At the FATF, Members have committed to spearhead global efforts to strengthen countries' frameworks for asset recovery, and the regional networks that support cross-border asset recovery and repatriation⁴, to create an effective system that will deprive criminals of their proceeds, root out criminal activity, and protect the financial system.

³ The FATF recently agreed to ban establishment of new physical bearer shares and to strengthen disclosure requirements for existing bearer shares and for nominee arrangements under the 2022 revisions to Recommendation 24 and its Interpretive Note.

⁴ This includes potential work to update Recommendations 4 and 38 on the domestic and cross-border frameworks for asset recovery, and work with the International Asset Recovery Inter-agency Networks ARIN and CARIN to strengthen collaboration and improve international cooperation.

Conclusion

Countries have made considerable progress in implementing the technical requirements of the FATF Standards, but greater effort is needed to ensure that effective implementation is taking place. Many countries continue to take a “tick box” approach to adopting laws and regulations, and don’t focus on results. To successfully achieve the 11 immediate outcomes of the FATF’s effectiveness-based peer reviews, countries need to make fundamental or major improvements to their money laundering and terrorist financing systems in the next round of mutual evaluations. This can only be achieved if countries redouble their efforts. In this regard, the

FATF’s peer review process can help apply pressure and incentivise greater progress.

The FATF is committed to working with all countries to improve their national responses to money laundering, terrorist financing and proliferation financing risks. FATF agreed on a new strategic vision for the Global Network which will further support the collective efforts of the FATF and FATF-Style Regional Bodies. Beyond the FATF Strategic Review, the FATF will continue to evaluate how it assesses countries, and if necessary make changes to its assessment methodology and procedures as risks to the global financial system evolve.

Executive Summary

DATA USED IN THIS REPORT

This report focuses on data and information collected during the current round of FATF mutual evaluations, the FATF's fourth assessment cycle, and the assessments conducted by FATF-style Regional Bodies during this same period.

At the date of finalization of this report, 120 out of 205 jurisdictions had been evaluated with a completed mutual evaluation report. All of the data collected and collated in this report are from publicly available reports and publications.

By aggregating data from a stocktake process, this report offers a snapshot of present-day technical compliance and effectiveness scores for these countries.

- » Technical compliance is updated to include the latest ratings, based on follow-up reports, where possible.
 - » Effectiveness scores are drawn from all 120 Mutual Evaluation Reports published on the FATF website as of December 2021.
 - » In some cases, country level data for issues other than ratings for effectiveness and technical compliance is collected and compiled directly from within the reports. In these cases, the authors used a broadly representative sample from the Global Network, composed of data points pulled from reports of 29 FATF and 30 FATF-style regional bodies.
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BRIEFING: UNDERSTANDING THE MUTUAL EVALUATION PROCESS

The following is a guide to assist readers in understanding the FATF Mutual Evaluations studied in this report. Further information on the FATF is available via the links below.

FATF

The FATF's mission is to set and continuously update international standards on AML/CTF/CPF based on an ongoing assessment of new and emerging risks, and to measure countries' implementation of those standards through a peer-review process. There are currently 39 members of the FATF; 37 jurisdictions and 2 regional organisations (the Gulf Cooperation Council and the European Commission). In order to be a Member, countries should be strategically important in the context of AML/CFT/CPF risks faced, and have an important and outsized impact on the global financial system through factors like openness to global financial markets. FATF Members generally have a large GDP, and important banking and financial sectors. Today, FATF Member Countries account for about 85% of global GDP and 59% of the global population. Member countries' AML/CFT assessments may be conducted by the FATF, IMF or World Bank.

FATF-style Regional Bodies (FSRBs)

The nine FSRBs are autonomous regional groups based around the world, consisting of 7 to 41 member jurisdictions, established for the purpose of disseminating and promoting the FATF Standards throughout their respective regions and helping FSRB jurisdictions understand and apply the Standards. The FSRBs together count 190 jurisdictions as their members, including 18 joint-FATF members. The FSRBs are 'Associate Members' to the FATF. They are: the Asia/Pacific Group on Money Laundering (APG); the Caribbean Financial Action Task Force (CFATF), the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), the Eurasian Group (EAG), the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), the Financial Action Task Force of Latin America (GAFILAT), the Inter-Governmental Action Group against Money

Laundering in West Africa (GIABA), the Middle East and North Africa Financial Action Task Force (MENAFATF) and the Task Force on Money Laundering in Central Africa (GABAC)

The FSRBs conduct evaluations of the AML/CFT/CPF systems of their member jurisdictions and make recommendations for their improvement using the same methodology applied to FATF members. FATF members that are also members of FSRB(s) may undergo a joint evaluation, led by the FATF.

The Global Network

The FATF and FATF-style Regional Bodies are interdependent partners in the global Anti-Money laundering and countering the financing of terrorism. The FATF in conjunction with the 9 FATF-style regional bodies constitute the Global Network of countries. 75% of FATF Members are also members or observers of one or more FATF-style regional bodies. For the purposes of data collection in this report, references to FATF-style Regional Body Members indicates only non-FATF Members of these groups.

The FATF Recommendations

The 40 FATF Recommendations are an international standard, which countries should implement through measures adapted to their particular circumstances. They set out a comprehensive and consistent framework of measures which countries should implement in order to combat money laundering and terrorist financing, as well as the financing of proliferation of weapons of mass destruction.

FOR MORE INFORMATION

www.fatf-gafi.org/publications/fatfrecommendations/documents/fatf-recommendations.html

THE FATF “BIG SIX” RECOMMENDATIONS

The 40 FATF Recommendations are evaluated in a risk-based manner. However, certain Recommendations are viewed as vital building blocks for a functional AML/CFT regime, regardless of the risk and context. These are Recommendations that make up the “big six” and consist of Recommendations 3, 5, 6, 10, 11, and 20 corresponding to criminalizing ML & TF offence, targeted financial sanctions for TF, customer due-diligence & record keeping measures and reporting of suspicious transactions.

If a country is rated Non-compliant or Partially Compliant (NC/PC) on 3 or more of these big six, then a country may be subject to the International Co-operation Review Group process, should they meet the prioritisation criteria⁵. In respect to terrorist financing, both Recommendations 5 (TF Offence) and 6 (targeted financial sanctions for terrorism finance), are among the “Big Six” Recommendations.

The Mutual Evaluation Review

Mutual evaluations are peer reviews, in which experts drawn from a number of governments review another country’s adherence to the FATF standards according to a set of Procedures that outline the global process. **These reviews are based on the FATF Methodology** which outlines the assessment of two basic components, **effectiveness** and **technical compliance**. The FATF Methodology is used by the FATF, the FATF-Style Regional Bodies (FSRBs) and other assessment bodies such as the IMF and the World Bank.

- ◆ The emphasis of any assessment is on **effectiveness** – A country must demonstrate that, in the context of the risks it is exposed to, it has an effective framework to stop criminals generating or hiding the proceeds of crime and to prevent the financing of terrorism. The assessment team looks at 11 Immediate Outcomes to determine the level of effectiveness of a country’s efforts. Countries deemed to be sufficiently effective receive a “substantial” or “high” ratings of effectiveness (SE/HE) (as opposed to moderate to low effectiveness ratings – ME/LE).
- ◆ The assessment also looks at whether a country meets the technical requirements of each of the 40 FATF Recommendations in its laws, regulations

and other legal instruments. Countries that meet the compliance rating are rated “compliant” or “largely compliant” (C/LC) (as opposed to “non-compliant” or “partly compliant” NC/PC)

FATF mutual evaluations are in-depth country reports analysing the implementation and effectiveness of measures to combat money laundering and terrorist financing. The mutual evaluation reports give a detailed overview of a country’s money laundering, terrorism and proliferation financing risks and the actions they have taken to mitigate these risks.

The FATF is currently conducting the **fourth round of mutual evaluations** for its members based on the FATF Recommendations.⁶ **The FATF mutual evaluation reports** are then used as the basis to recommend changes and to ensure a follow-up on progress in the months and years following a country’s evaluation⁷.

FOR MORE INFORMATION

www.fatf-gafi.org/publications/mutualevaluations/documents/effectiveness

www.fatf-gafi.org/publications/mutualevaluations/documents/more-about-mutual-evaluations.html

⁵ A country may be subject to review by ICRG for example if it is above a 5 Billion USD threshold for M3 (Money supply). More information on the ICRG process can be found in the box on page 18.

⁶ Many FSRBs have not performed as many rounds of evaluation due to for example their more recent creation, but all are using the same Methodology.

⁷ Once they conclude their respective fourth round mutual evaluation (ME) cycle, countries in the Global Network of FATF and FATF-style regional bodies will move into the fifth round of MEs. The FATF has revised the Methodology for use by all countries, and has also revised the Procedures for FATF countries in the Strategic Review. The Universal Procedures will be updated accordingly for non-FATF countries.

TECHNICAL COMPLIANCE AND EFFECTIVENESS

Mutual evaluations result in two sets of ratings:

Technical Compliance (TC)

40 ratings that represent the extent to which the country as established the laws, regulations and operational framework required by the FATF. These are the building blocks for a robust framework to combat money laundering, and the financing of terrorism and proliferation. The ratings scale:

- » **Compliant (C)**
There are no shortcomings.
- » **Largely compliant (LC)**
There are only minor shortcomings.
- » **Partially compliant (PC)**
There are moderate shortcomings.
- » **Non-compliant (NC)**
There are major shortcomings.
- » **Not applicable (na)**
A requirement does not apply, due to the structural, legal or institutional features of the country.

Effectiveness

11 Ratings that reflect the extent to which a country's measures are effective. The assessment is conducted on the basis of 11 immediate outcomes, which represent key goals that an effective AML/CFT/CPF system should achieve. The ratings scale :

- » **High level of effectiveness (HE)**
The Immediate Outcome is achieved to a very large extent. Minor improvements needed.
- » **Substantial level of effectiveness (SE)**
The Immediate Outcome is achieved to a large extent. Moderate improvements needed.

» Moderate level of effectiveness (ME)

The Immediate Outcome is achieved to some extent. Major improvements needed.

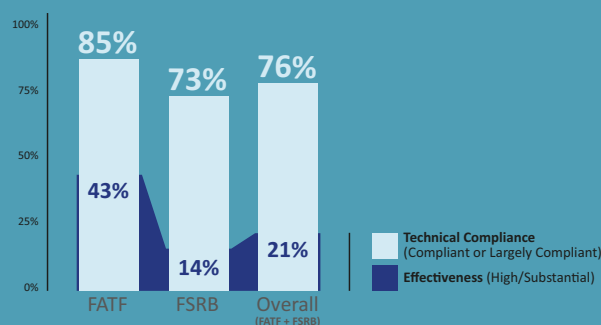
» Low level of effectiveness (LE)

The Immediate Outcome is not achieved or achieved to a negligible extent. Fundamental improvements needed.

The below chart highlights the overall average levels of technical compliance and effectiveness ratings of FATF and FATF-Style Regional bodies and highlights the contrast between these two rating metrics. In nearly all cases, effectiveness trails behind technical compliance. Effectiveness often requires that countries go far beyond passing of laws and regulations to demonstrate actions commensurate with risk profile and broader context and materiality.

Figure 0.1.

AVERAGE EFFECTIVENESS AND TECHNICAL COMPLIANCE RATINGS IN THE 4TH ROUND



Note: Threshold for TC is to count average ratings of 40 Recommendations "C" or "LC" and for effectiveness, average 11 Immediate Outcomes rated above "HE" or "SE".
Source: Ratings of 120 assessed jurisdictions from the Global Network since 2013

Follow-up Processes

Regular and enhanced follow-up

After publication of their mutual evaluation report, a country enters the follow-up process, which monitors the progress they make in addressing the deficiencies. Depending on the results of their mutual evaluation, they can enter a regular or enhanced follow-up process, with more frequent reporting.

International co-operation and review (ICRG)

The FATF also identifies jurisdictions with significant weaknesses in their regimes to combat money laundering and terrorist financing to work with those

countries to address their weaknesses. The FATF's process encourages countries to swiftly address these deficiencies and helps protect the integrity of the international financial system by issuing a public warning about the risks emanating from the identified jurisdictions.

FOR MORE INFORMATION

www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/more/more-on-high-risk-and-non-cooperative-jurisdictions.html

ICRG: IDENTIFYING AND ADDRESSING SERIOUS WEAKNESSES IN THE GLOBAL FINANCIAL SYSTEM

The FATF continually identifies and reviews jurisdictions with strategic AML/CFT/CPF deficiencies that present a risk to the international financial system and closely monitors their progress. The FATF's International Co-operation Review Group (ICRG) oversees the process.

The FATF reviews jurisdictions based on threats, vulnerabilities, or particular risks arising from the jurisdiction. Specifically, a jurisdiction will be reviewed when:

1. It does not participate in a FATF-style regional body (FSRB) or does not allow mutual evaluation results to be published in a timely manner; or
2. It is nominated by a FATF member or an FSRB. The nomination is based on specific money laundering, terrorist financing, or proliferation financing risks or threats coming to the attention of delegations; or
3. It has achieved poor results on its mutual evaluation, specifically⁸:
 - » it has 20 or more non-Compliant (NC) or Partially Compliance (PC) ratings for technical compliance; or

- » it is rated NC/PC on 3 or more of the following Recommendations: 3, 5, 6, 10, 11, and 20; or
- » it has a low or moderate level of effectiveness for 9 or more of the 11 Immediate Outcomes, with a minimum of two lows; or
- » it has a low level of effectiveness for 6 or more of the 11 Immediate Outcomes.

To be removed from FATF monitoring, a jurisdiction must address all or nearly all the components of its action plan. Through the ICRG process, the FATF has so far publicly identified over 80 jurisdictions. The process is instrumental in ensuring the high-level political commitment necessary for necessary legal, regulatory and operational reforms. Over 60 of these publicly identified countries made the necessary changes to close the loopholes and successfully exited the ICRG process. By strengthening their national framework, they help prevent the harm caused by money laundering and terrorist financing in their own country and worldwide.

⁸ For more information and details on the FATF ICRG Process, see: <https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/more/more-on-high-risk-and-non-cooperative-jurisdictions.html>

CHAPTER 1

ASSESSMENT OF RISK, COORDINATION AND POLICY SETTING

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.

Why it's Important

Assessing, understanding and taking effective action to tackle money laundering, terrorist financing and proliferation risks is essential to countries' efforts to combat serious crime and terrorism, and central to the effective implementation of the 40 FATF Recommendations. The fourth round of mutual evaluations is the first time that the understanding of risks and the actions taken to mitigate these risks, are being assessed as a part of Mutual Evaluation.

Immediate Outcome 1 and its underlying Recommendations (Recommendations 1, 2, 33, 34 and partly Recommendation 15) are the cornerstone to the FATF's risk-based approach to prevent money laundering and the financing of

terrorism and proliferation. It appraises countries on their understanding of money laundering, terrorist financing and proliferation risks. Importantly, it also assesses to what extent the relevant competent authorities' co-ordinate and implement policies and demonstrate action in practise. Countries have flexibility in their approach to risk assessment, either through a national risk assessment or individual threat and sector assessments.

To have a general understanding of a country's risks, FATF reports consider the risk factors and materiality of the economy, highlight the size and types of economic activities, and issues such as corruption and other structural factors.

HOW DO SOME COUNTRIES ACHIEVE A HIGH LEVEL OF EFFECTIVENESS?

Countries that performed well in respect to the assessment of risk demonstrated the below characteristics:

- » Ongoing mechanisms to monitor and update money laundering and terrorist financing risks, and shared with other agencies and (where possible) the private sector.
- » Risk assessments that are detailed, clear, and adequately weigh the identified risks from low to high. More time, prior to their assessment, for relevant authorities to understand and develop strategies to mitigate risks.

MAIN FINDINGS

During the current round, all assessed countries completed one or more risk assessment(s). For over half of these countries, primarily FSRB members, this was the first time they completed a process to assess and understand the risks to which they were exposed.

Many countries adopted their first risk assessments, in most cases in the form of a national risk assessment (NRA), and have implemented or adjusted national policies to address money laundering, terrorist and proliferation financing just before their 4th round Mutual Evaluation.

Countries' national policies should reflect changing risks nevertheless, many countries are conducting risk assessments and adopting the risk-based approach late, and at a slow-pace. By the time of their evaluation, governments often haven't had time to implement policies and co-ordinate with public and non-public bodies to respond effectively to their risks. This may lead to gaps in authorities' abilities to mitigate money laundering and terrorist financing risks.

Analysis

Identified money laundering and terrorist financing risks

More than two-thirds of countries identified drug trafficking as the major predicate offences posing money laundering risk, followed by corruption, fraud and tax crimes⁹.

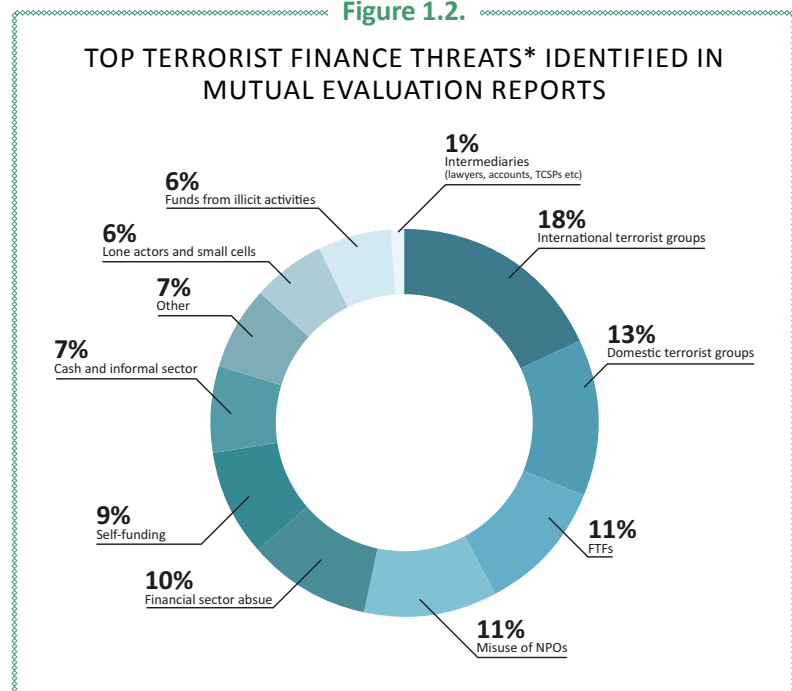
Figure 1.1.



Source: In-text review of 59 country mutual evaluation reports, consisting of 29 FATF and 30 FSRB Members. Financial crimes in chart refers to securities fraud, market abuse, and insider trading.

More than half of countries identified international terrorist groups as the top terrorist financing threat. Domestic terrorist groups, the activities of foreign terrorist fighters, and the misuse of non-profit organisations were also considered serious threats to a third of countries.

Figure 1.2.



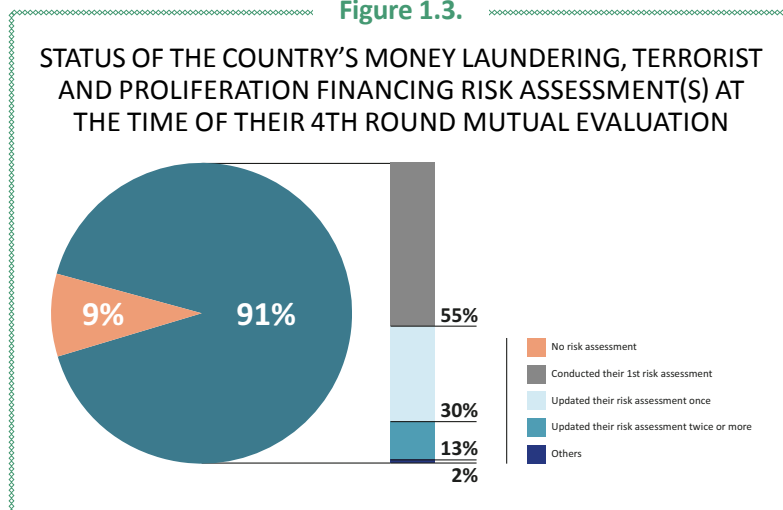
* Terrorist finance threats refers to activities related to terrorist financing. Source: In-text review of 59 country mutual evaluation reports, consisting of 29 FATF and 30 FSRB Members. (Number indicates the number of countries that identified it as a threat).

⁹ Based on review of a sample 59 mutual evaluation reports of which 29 from FATF and 30 FATF-style regional body countries.

Understanding of risks, and policies of co-ordination to money laundering, terrorist and proliferation financing risks

At the time of on-site discussions for FATF mutual evaluations, more than 90% of the 59 countries reviewed for this exercise had completed risk assessment(s) for money laundering, terrorist and proliferation financing risks¹⁰.

Figure 1.3.



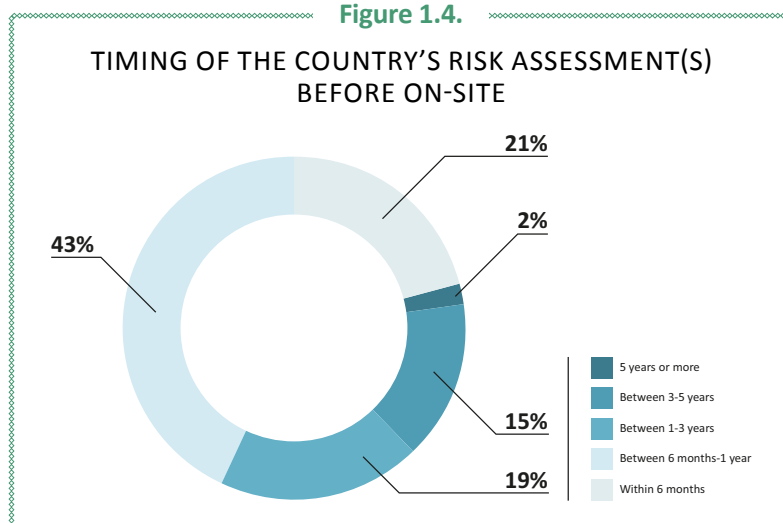
Source: In-text review of 59 country mutual evaluation reports, consisting of 29 FATF and 30 FSRB Members. (number indicates the number of countries that identified it as a threat)

So far, during the fourth round mutual evaluations, countries often prepared up-to-date risk assessments just prior to their FATF evaluations. In more than half of all countries, this was the first version of such a risk

assessment. Nearly two-thirds of countries completed their risk assessment(s) in the year before their on-site assessment, of which one-third completed it less than six months before.

The relatively recent completion of risk assessments likely explains why some countries are adopting the FATF's risk-based approach at a slow pace, as some countries may not have had enough time to respond to their identified risks with effective policies and co-ordinated action. However, progress is notable and countries are now developing coordination mechanisms (such as special co-ordination and communication across agencies, and new ML/TF/PF strategies and policies) for risk assessment and mitigation in a bid to implement sound national AML/CFT/CPF policies.

Figure 1.4.



Source: In-text review of 59 country mutual evaluation reports, consisting of 29 FATF and 30 FSRB Members.

Risk Based Approach

Thanks to the widespread adoption of money laundering and terrorist financing risk assessments¹¹, 75% of all assessed jurisdictions now have a solid legal framework for assessing risk and applying a risk-based approach for combatting ML/TF (Recommendation 1 - Assessing Risk and Applying the Risk-based

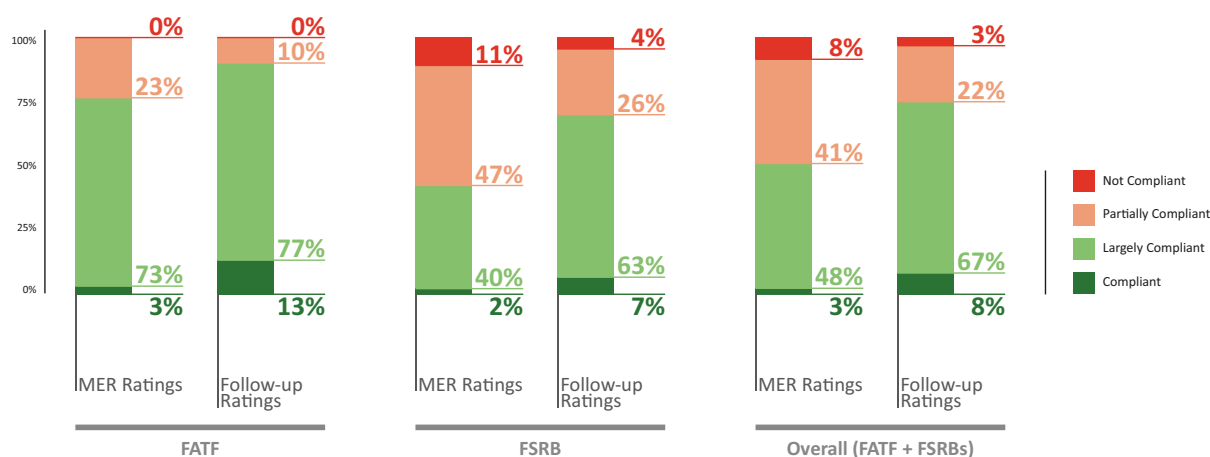
approach). Important progress can be observed through the results of the follow-up process, where to-date, there has been a 24% increase in technical compliance during the course of the fourth round from just over 50% to 75% (MER ratings v. Follow-up ratings below).

¹⁰ Based on broadly representative sample of 59 countries. The vast majority of countries have done this in the form of a NRA, although the FATF Standards provide flexibility in the approach that countries can take (e.g. whether through a NRA or various individual threat and sector assessments).

¹¹ Recent updates to the FATF Standards also clarify that countries should also identify, assess, and understand the proliferation financing risks for the country. In the context of Recommendation 1, "proliferation financing risk" refers strictly and only to the potential breach, non-implementation or evasion of the targeted financial sanctions obligations referred to in FATF Recommendation 7.

Figure 1.5.

COMPLIANCE WITH RECOMMENDATION 1: ASSESSING RISK AND APPLYING THE RISK-BASED APPROACH



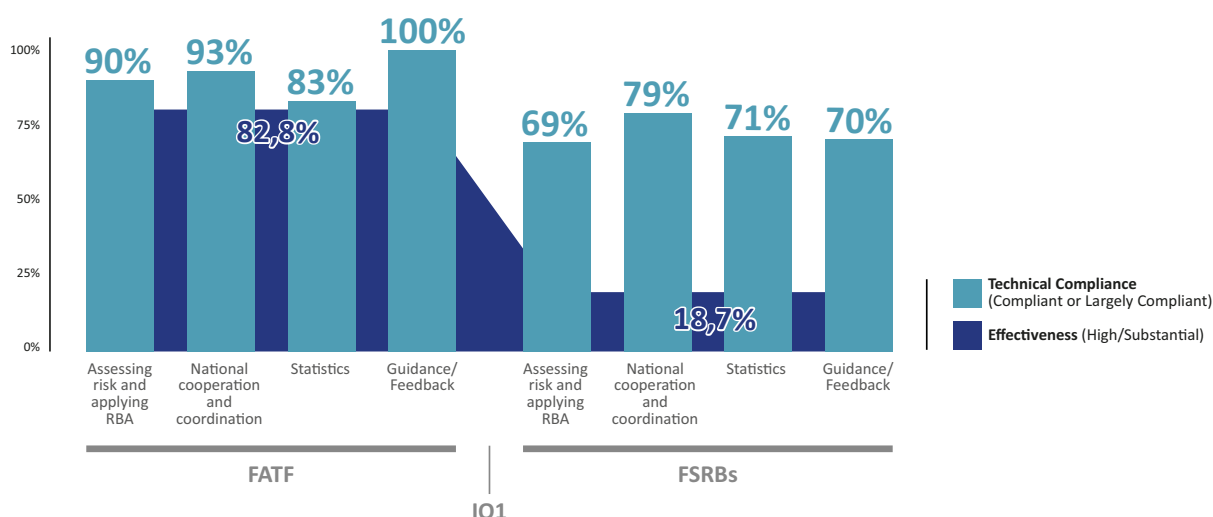
Source: 120 assessed jurisdictions from Global Network since 2013. (To note that Follow-up process is an ongoing process and not all countries might have undergone a re-evaluation of Recommendation-1)

Effectiveness tied to Immediate Outcome 1 in the FATF assessment Methodology goes beyond the risk assessment and legal frameworks required to identify risks. Effective implementation of the risk-based approach requires that countries' relevant agencies and stakeholders demonstrate that they have a strong understanding of risks, and where appropriate, take mitigating measures. To be effective, countries must demonstrate to the assessors that they have put in place specific policies and strategies that have a

demonstrable impact on mitigating the identified risks. FATF Member countries have developed policies in response to risks, and today, most FATF countries are at least substantially effective (82%). On the other hand, implementation of the risk-based approach is a challenge for FATF-style regional body countries. From FATF-style regional body members, 81% achieved a low or moderate rating for effectiveness for Immediate Outcome 1 and just 19% achieved a substantial or higher rating.

Figure 1.6.

TECHNICAL COMPLIANCE COMPARED TO EFFECTIVENESS FOR RISK-BASED APPROACH (IMMEDIATE OUTCOME 1)



Source: 120 jurisdictions from Global Network countries assessed since 2013; (Recommendations 1,2,33 and 34 from left to right; Effectiveness for IO-1)

Of the FATF countries, only 3% achieved a high rating, the top mark. Given that FATF members include some of the world's largest financial centres, there is still considerable scope for improvement. The lower effectiveness among FSRB countries also highlights a need for further

strengthening of risk-mitigation policies to address the gaps identified in risk assessments. Capacity building efforts for policy development, training and awareness raising among relevant stakeholders are all useful tools to contribute to improving risk mitigation.

WHAT IMPROVEMENTS CAN COUNTRIES MAKE?

To improve their national understanding of risk, countries should first and foremost address their recommended actions in their Mutual Evaluation Reports. Looking more widely, countries should:

- » Use the published risk assessment as the basis for a thorough, inter-agency process to agree a comprehensive response strategy to the risks identified, and ensure there is buy-in from all relevant competent authorities.
- » Share up-to-date national risk assessments and sectoral risk assessments as widely as possible with relevant stakeholders¹². Where relevant, interact closely with external stakeholders in the private sector, research institutes, non-profit organisations and civil society to help develop their understanding of risks¹³.
- » Strive to improve the quality of data on financial crime and terrorist financing available for the purposes of risk assessment and development of national policies to counter identified risks.
- » Consult the FATF's guidance on Money Laundering and Terrorist Financing Risk Assessments and the The FATF Guidance on Proliferation Financing Risk Assessment and Mitigation (see annex below). Where possible, countries should review the gaps identified in their existing national risk assessments before developing new risk assessments.

Chapter 1: Assessment of risk, coordination and policy setting

¹² If there are confidentiality issues, authorities should produce public versions or give briefings on a regular basis.

¹³ Countries can leverage the expertise of external stakeholders, who can provide further input on risks and relay feedback on trends and shifting behaviour to relevant authorities.

CHAPTER 2

INTERNATIONAL CO-OPERATION

IMMEDIATE OUTCOME 2 International Co-operation delivers appropriate information, financial intelligence, and evidence, and facilitates action against criminals and their assets.

Why it's Important

International co-operation is an essential component of an effective national anti-money laundering and counter terrorist financing system. An effective system is one where law enforcement and other competent authorities engage with foreign counterparts to locate criminals, recover assets, and exchange evidence, intelligence and information.

International co-operation is important not only for effective national systems, but also to strengthen the global fight against money laundering, terrorist and proliferation financing. Immediate Outcome 2 and the underlying Recommendations (Recommendations 36 to 40) help achieve this.

HOW DO SOME COUNTRIES ACHIEVE A HIGH LEVEL OF EFFECTIVENESS?

Countries that performed well in respect to international co-operation demonstrated many of the below traits:

- » Relevant authorities provide or seek information such as mutual legal assistance and extradition through formal channels¹⁴.
- » Relevant authorities make reasonable efforts to accommodate requests and overcome common obstacles to international co-operations (such as legislative issues, such as high evidentiary thresholds or strict dual criminality requirements).

MAIN FINDINGS

In general, countries are effectively cooperating with international counterparts. Ratings for technical compliance and effectiveness here are among the

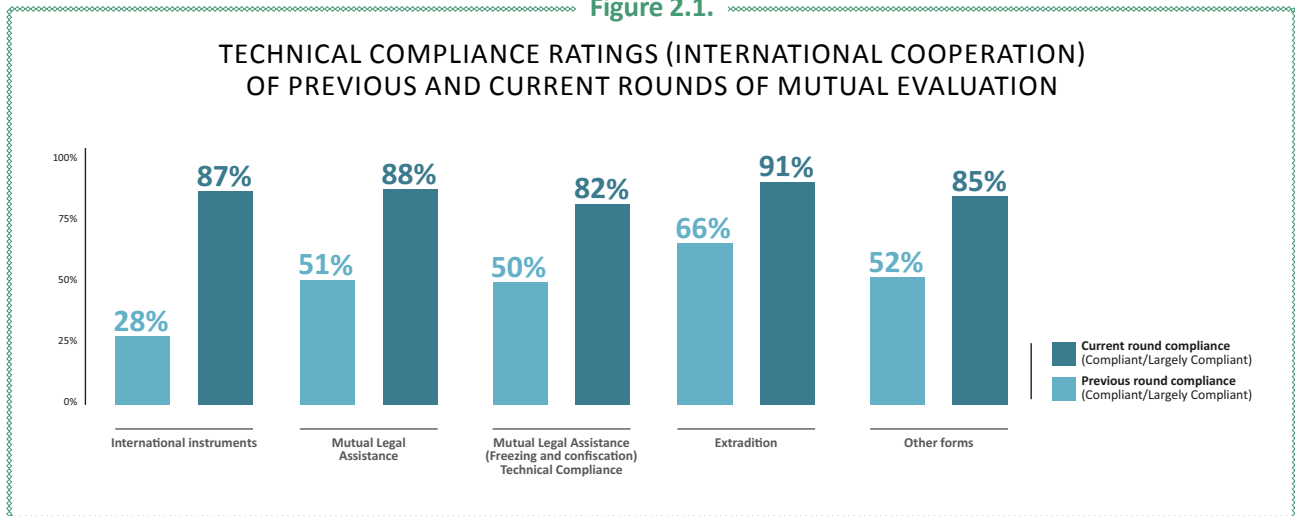
highest, with half of all jurisdictions demonstrating a satisfactory level of effectiveness.

¹⁴ It is difficult to say that effective countries also rely on informal co-operation, as not all effective countries have positive key findings on informal co-operation. This may however be due to the difficulty with which countries can report or provide evidence on the effectiveness of informal exchanges between competent authorities.

Analysis

Since the previous (3rd) round of Mutual Evaluations¹⁵, countries in the Global Network have made considerable progress putting in place mechanisms to facilitate international co-operation.

Figure 2.1.

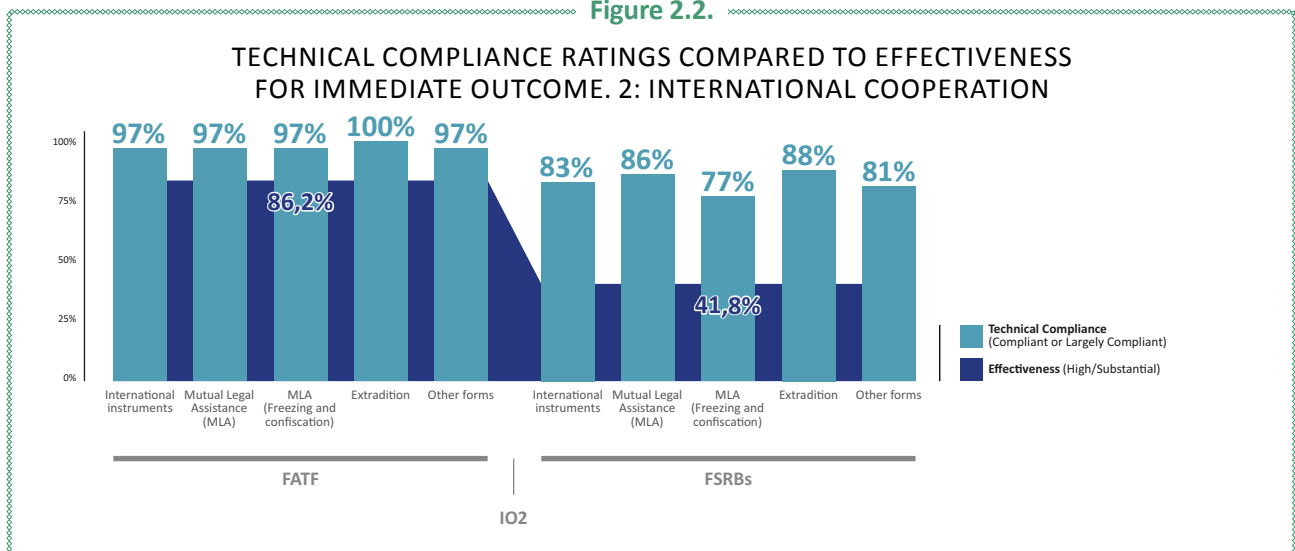


Source: Previous round: average of 176 assessed jurisdictions from the Global Network; Current round: average of 120 assessed jurisdictions from the Global Network since 2013; (Recommendations 36 to 40 from left to right)

Technical compliance is very strong in the relevant Recommendations, with nearly all of FATF jurisdictions and most FATF-style regional body jurisdictions meeting the compliance thresholds (rated compliant or largely compliant for R.36, 37, 38, 39 and 40).

Over 80% of assessed FATF jurisdictions are effective¹⁶ in implementing measures to ensure international cooperation. On the other hand, about 60% FSRB jurisdictions need major to fundamental improvements to make their system sufficiently effective.

Figure 2.2.



Source: 120 jurisdictions from Global Network countries assessed since 2013; (Recommendations 36 to 40 from left to right; Effectiveness for IO-2)

¹⁵ FATF's third round may correspond to other evaluation rounds in FATF-style regional bodies. For the purposes of this analysis, the terms "previous round" or "third round" generally refers to the Mutual Evaluations based on the FATF Forty Recommendations 2003 and the Nine Special Recommendations on Terrorist Financing 2001, and using the AML/CFT Methodology 2004 (as amended from time to time).

¹⁶ As noted in the Briefing section of this report, "Effective" refers to high or substantial effectiveness (HE/SE) ratings, as opposed to low or moderate effectiveness (LE/ME) ratings, which denote "non-effective" implementation of FATF standards according to the FATF Methodology).

The FATF Mutual Evaluation Reports assess both formal and informal forms of co-operation. During mutual evaluations, the data for informal forms of co-operation is sometimes not readily available to assessors, as it is often not recorded in systems, and occurs between individual counterparts in relevant authorities. For this reason, data on informal exchanges are often hard to come by in a reliable manner. Where data is available, responses generally indicate positive levels of informal co-operation, with 59% of evaluations taking a positive view on levels of informal co-operation among financial intelligence units and 59% for law enforcement agencies alike (versus only 17% and 5% negative views (respectively) and remaining being neutral or not available).

Information on formal co-operation, often taking the form of seeking or providing MLAs, or extraditions is more readily available because it relies on

international legal channels. The chart below suggests that countries often provide satisfactory information through mutual legal assistance in 61% of cases. However, their requests for information through MLAs are often not in line with their risks, as only 34% of countries reviewed have a positive finding against this metric.

Figure 2.3.

**INTERNATIONAL MUTUAL LEGAL ASSISTANCE
BY LAW ENFORCEMENT AGENCIES**

	Seeking MLA	Providing MLA
Positive	34%	61%
Neutral	15%	7%
Negative	41%	10%
(Not enough information)	10%	22%

Source: In-text review of 59 country mutual evaluation reports, consisting of 29 FATF and 30 FSRB Members.

FORMAL AND INFORMAL INFORMATION EXCHANGE

Formal International Cooperation (may be admissible in court proceedings): Law Enforcement Agencies (including prosecutors) exchange through formally established mechanisms like International Instruments or conventions (For example, multilateral treaties or bilateral treaties generally centred on reciprocity, MLA or extradition). Usually, the type and range of information (to be) exchanged or action(s) (to be) taken is clearly defined.

Informal International Cooperation (generally inadmissible in courts): Law enforcement agents, supervisors, or other authorities informally reaching out to counterparts in other countries to obtain information. This is generally the easiest and quickest way to obtain relevant information. Informal exchange mechanisms can be facilitated by third-parties, such as the Egmont group of Financial Intelligence Units, which provides a secure web for information exchange. Other examples include INTERPOL messaging between members.

WHAT IMPROVEMENTS CAN COUNTRIES MAKE?

While the majority of countries assessed demonstrated effective formal and informal co-operation, the extent and rate at which this co-operation is taking place does not seem to align with the outputs reported in other chapters (e.g., investigations with a cross-border element, joint supervisory activities, and administrative asset recoveries). This suggests that the current level of international co-operation is not having an impact on successful or effective ML/TF investigations and asset recovery.

- » To increase overall levels of international co-operation, where possible and strategically valuable, countries should establish dedicated liaison officers overseas to

facilitate exchanges and joint-investigations into complex cases involving multiple jurisdictions.

- » Countries should seek and provide information on a more frequent basis to address the global gap in identifying and pursuing complex (and often cross-border) money laundering investigations (identified in IO.7 – see Chapter 7).
- » Where possible, report and record instances of international co-operation (including successful and un-successful instances) to improve reporting and performance indicators.

CHAPTER 3

SUPERVISION

IMMEDIATE OUTCOME 3 Supervisors appropriately supervise, monitor and regulate financial institutions, designated non-financial businesses and professions and Virtual Asset Service Providers (VASPs) for compliance with AML/CFT requirements commensurate with their risks.

Why it's Important

Supervisors play a crucial role in preventing money laundering and terrorist financing. These administrative authorities ensure regulated entities understand the risks facing their business and how to mitigate them. Supervisors are also key to countries' understanding of risks and the ability to mitigate threats through their efforts to monitor, engage and respond to emerging risks.

Immediate Outcome 3 and its underlying Recommendations (Recommendations 14, 15, 26

to 28, 34 and 35) builds an effective supervisory and enforcement system comprising a wide range of supervisory measures. These are bolstered by measures and actions taken by law enforcement and other competent authorities.

Supervision should be a cohesive and resilient part of every country's preventive AML/CFT/CPF framework. However, this report suggests that improvement is needed in several aspects of most supervisory efforts.

HOW DO SOME COUNTRIES ACHIEVE A HIGH LEVEL OF EFFECTIVENESS?

Countries that performed well in respect to supervision demonstrated many of the below traits:

- » Supervisors have a good or very good understanding of risks, with regularly updated sectoral risk assessments.
- » Supervisors use a combination of tools to identify and understand risk, including offsite and onsite actions.
- » AML/CFT/CPF regulations cover most or all designated non-financial businesses and professions (with supervisors monitoring their implementation).
- » Supervisors co-operate on a domestic and international basis.
- » Supervisors apply the risk-based approach to a large extent for Financial Institutions, and for designated non-financial businesses and professions.
- » Supervisors have access to a range of sanctions, or which many are considered effective.
- » Supervisors are conducting outreach activities to the private sector on a regular basis to support understanding and implementation of obligations.

MAIN FINDINGS

The 4th round of mutual evaluations thus far show that countries have made progress for technical compliance. However, on effectiveness, just 10% of countries have effectively implemented supervisory measures.

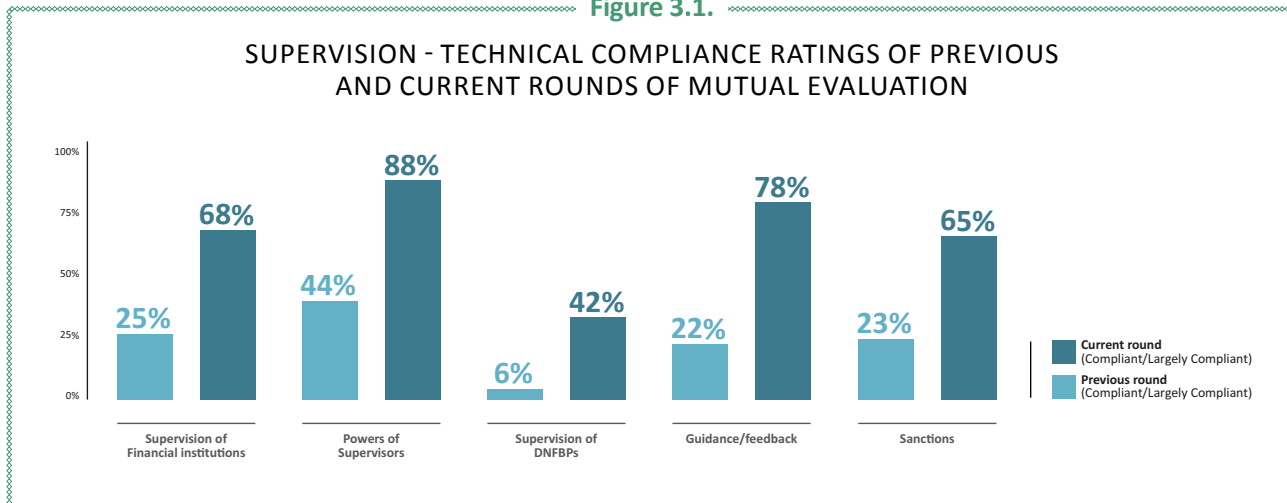
Nevertheless, due to notable improvements in the past decade, there is a supervisory structure in place in most countries. Countries must now prioritise effective supervision in practice, in particular with respect to designated non-financial businesses and professions.

Analysis

Both FATF and FATF-style regional body countries have made considerable progress in legal and institutional

frameworks. The figure below highlights the progress made since the previous round of mutual evaluations.

Figure 3.1.



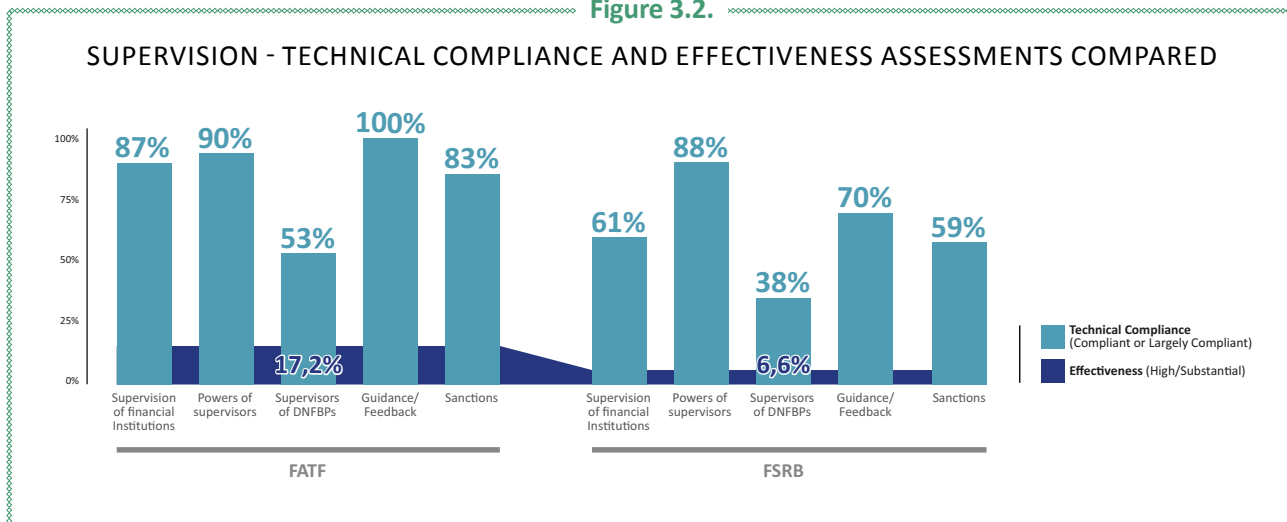
Source: Previous round: 176 assessed Global Network countries; Current round: 120 assessed Global Network countries since 2013; (Recommendations 26,27,28,34 and 35 from left to right)

It is clear that countries are putting in place a structure to build effective supervisory frameworks, particularly for financial institutions, and to a lesser extent for designated non-financial businesses and professions. Out of the assessed FATF/FATF-style regional body countries, 68% are compliant or largely compliant on supervision and regulation of financial institutions (Recommendation 26). The corresponding figure for designated non-financial businesses and professions stands at 42% (Recommendation 28). Almost 90% of these countries have a legal framework

to ensure adequate powers to supervisors that is either fully or largely compliant with the FATF requirements (Recommendation 27) (see below).

With the exception of DNFBDP supervision, technical compliance for most countries' supervisory systems is generally strong across the Global Network. This stands in contrast to the effectiveness ratings: the majority of countries are rated "moderate" for Immediate Outcome 3.

Figure 3.2.

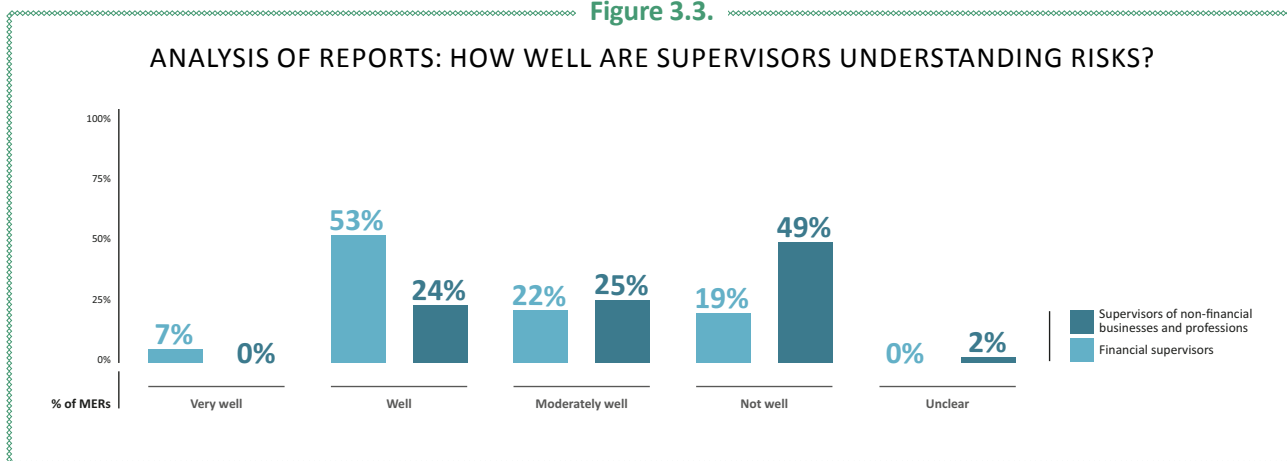


Source: 120 assessed Global Network countries since 2013 (Recommendations 26,27,28,34 and 35 from left to right; Effectiveness for IO-3)

Overall, the largest gaps to achieving effective ratings for all countries (i.e. achieving substantial or high effectiveness) are in the implementation of the risk-based approach to supervision of DNFBPs and the application of sanctions for non-compliance. Across nearly all indicators, financial institutions have more effective supervision than non-financial businesses and professions, mirroring the findings from the section on preventive measures. Supervisors of banks and other financial institutions have largely

demonstrated a risk-based approach to supervision. 60% of national financial institutions' supervisors demonstrated a strong understanding of risks. On the other hand, only 24% of supervisors covering designated non-financial business and professions were noted to have such a strong risk-understanding (see below). The relatively lower effectiveness of designated non-financial businesses and professions has persisted over the past 10 years.

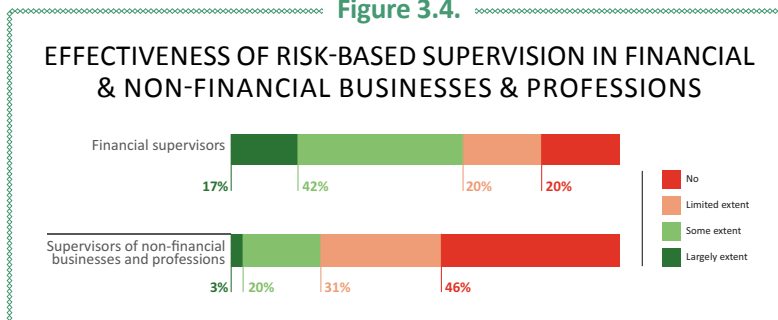
Figure 3.3.



Source: In-text review of 59 countries' mutual evaluation reports, consisting of 29 FATF and 30 FSRB Mutual Evaluation Reports

Across both financial and non-financial sectors, supervisors are overall struggling to effectively implement a risk-based approach. In the analysed sample, as the graph below highlights, just 17% of financial institutions' supervisors and 3% of designated non-financial business and practise (DNFBP) supervisors had been able to do so to a large extent.

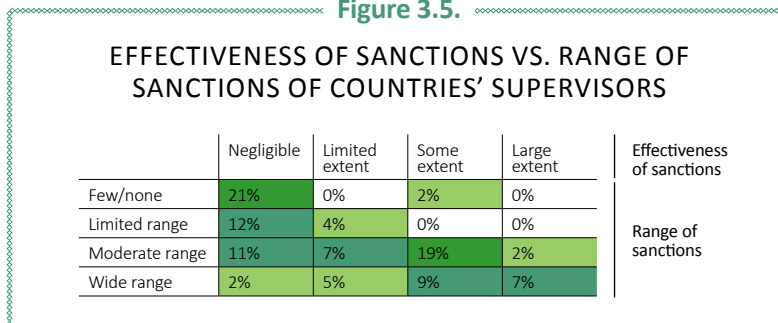
Figure 3.4.



Source: In-text review of 59 countries' mutual evaluation reports, consisting of 29 FATF and 30 FSRB Members.

Looking towards sanctions¹⁷ applied by supervisors to supervised entities, performance is low. Countries' sanctions are not very effective (limited or not effective in 59% of cases) as indicated in figure 3.5.

Figure 3.5.



Source: In-text review of 59 country mutual evaluation reports, consisting of 29 FATF and 30 FSRB Members. Note: Information collected from 57 countries with 2 countries responses not available.

¹⁷ Examples of ranges and types of sanctions include: written warnings; orders to comply with specific instructions (possibly accompanied with daily fines for non-compliance); ordering regular reports from the institution on the measures it is taking; fines for non-compliance; barring individuals from employment within that sector; removing, replacing or restricting the powers of managers, directors, and controlling owners; imposing conservatorship or suspension or withdrawal of the license; or criminal penalties where permitted.

WHAT IMPROVEMENTS CAN COUNTRIES MAKE?

To improve supervision, countries should first and foremost address the recommended actions in the Mutual Evaluation Reports. Looking more widely, countries should also consider the following:

- » Continue to broaden regulatory frameworks to include non-financial sectors, ensuring adequate supervision and implementation of adequate, proportionate and dissuasive sanctions when needed.
- » Adequately identify and assess ML/TF risks and contribute into the national risk assessment exercises.
- » Invest in relevant resources, human, technical or other as needed and justified by the assessment of ML/TF risks.
- » Adjust the nature and focus of supervisory activity to the identified ML/TF risks and national context. This may include longer, more in depth and frequent supervisory activity, as well as more nuanced supervisory plans for different sectors, depending on ML/TF risks.
- » Overall, the transition from a rule-based to a risk-based approach takes time. It also requires a change in the supervisory culture, and investment in capacity building and training of staff, in addition to the development and implementation of a comprehensive supervisory toolkit. The FATF has recently published high level guidance to assist countries and supervisors (see Annex).

CHAPTER 4

PREVENTIVE MEASURES

IMMEDIATE OUTCOME 4 Financial institutions and Designated Non-financial Businesses and Professions adequately apply AML/CFT preventive measures commensurate with their risks and report suspicious transactions.

Why it's Important

Prevention is the first line of defence to money laundering, terrorist and proliferation financing. A well-regulated private sector plays a vital role in preventing proceeds of crime and funds in support of terrorism from entering the financial and other sectors. Relevant businesses (also known as designated entities) are expected to identify, assess and understand the risks to which they are exposed and take measures commensurate to those risks to mitigate them effectively. For designated entities, this means conducting due diligence on customers, enhanced due diligence for certain high-risk clients, filing Suspicious Transaction Reports (STRs), as well as other measures. These practises are covered

by Immediate Outcome 4 and its underlying Recommendations (Recommendations 9 to 23) of the FATF Standards.

The assessment of the effectiveness of preventive Anti-Money laundering, counter terrorism and proliferation finance controls is a key new element of the 2013 FATF Methodology (Immediate Outcome 4). FATF mutual evaluation reports each summarise on-site discussions with both public and private sectors, give an overview of the sectors that are doing well with respect to risks, and where measures are not being implemented adequately in line with the standards.

HOW DO SOME COUNTRIES ACHIEVE A HIGH LEVEL OF EFFECTIVENESS?

Countries that performed well in respect to preventive measures demonstrated the below traits:

- » Authorities identify and understand the relative risk of each sector in a detailed manner. Authorities also conduct awareness raising, particularly in highest-risk or important (high materiality) sectors, and work with the private sector to identify new and emerging risks. Conversely, the private sector also demonstrates an effective understanding of risks relevant to their activities.
- » Authorities often engage with the private sector and exchange information, notably through public-private-partnerships to rapidly exchange information on risks and high-risk activities or persons.
- » In the financial sector, strong regulatory coverage extends beyond the large banks and financial institutions, and reaches all relevant businesses (such as insurance, lenders and securities sector).
- » Authorities ensure that often-neglected sectors in designated non-financial businesses and professions (like real estate agents, lawyers and trust and company service providers) conduct due diligence, keep records and file suspicious transaction reports in a manner that reflects risks.

MAIN FINDINGS

Across the Global Network, there has been significant progress in establishing the legal and regulatory framework that sets out the AML/CFT/CPF obligations for the private sector. Globally, financial institutions largely have a clear understanding of the risks they

face and have increasingly taken effective action to improve risk mitigation measures. In contrast, the non-financial sector, such as real estate agents, lawyers and accountants, generally have a poor understanding of the risks they face and regularly fail to mitigate them.

These low ratings are most commonly associated with the private sector’s weak understanding of risks, which leads to low levels of risk-mitigating measures that are vulnerable to exploitation by ML, TF and PF. Low regulatory compliance in the non-financial sector impacts countries’ ability to effectively tackle money laundering and counter terrorist financing. Nearly all (97%) of 120 assessed countries have low to moderate ratings for Immediate Outcome 4.

Financial institutions and designated non-financial businesses and professions still apply a tick-box approach to preventive measures. These entities need a change of culture to enact supervisory systems to conduct customer due diligence, keep records, and file suspicious transaction reports in order to apply a truly risk-based approach.

Analysis

On technical compliance, countries have generally put in place the legal and regulatory framework required for preventive measures for financial institutions. Overall, there has been good progress across FATF and FATF-style regional bodies:

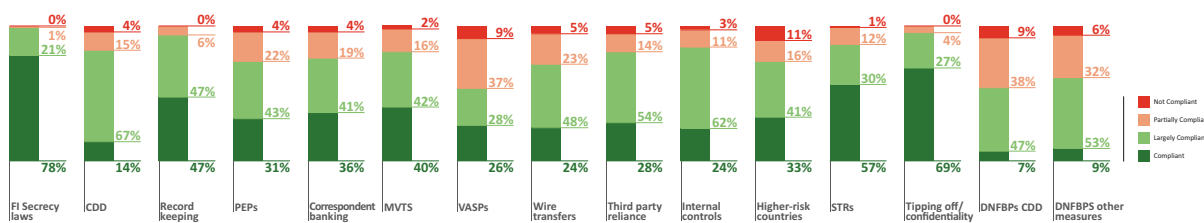
- » Financial institution secrecy laws (Recommendation 9) have the highest compliance rate across all preventive measures, 100% of the FATF countries and 99% of the FATF-style regional body countries have either fully implemented the FATF’s technical requirements, or with only minor shortcomings.
- » There has been significant improvement in the last decade for Customer due diligence (CDD) requirements (Recommendation 10) and

record keeping (Recommendation 11) two areas where, with 97% of the FATF countries and 84% of the FATF-style regional body countries, are on average, achieving largely compliant or compliant ratings (through Mutual Evaluation and subsequent follow-up process), compared to 50% and 26% in the previous round of Mutual Evaluation assessments.

- » Suspicious transactions reporting requirements (Recommendation 20 and Recommendation 21) are implemented in the vast majority of countries, with considerable improvements amongst FATF and FATF-style regional body countries since the 3rd round.

Figure 4.1.

TECHNICAL COMPLIANCE FOR THE 15 RECOMMENDATIONS RELATED TO PREVENTIVE MEASURES (IMMEDIATE OUTCOME 4)¹⁸

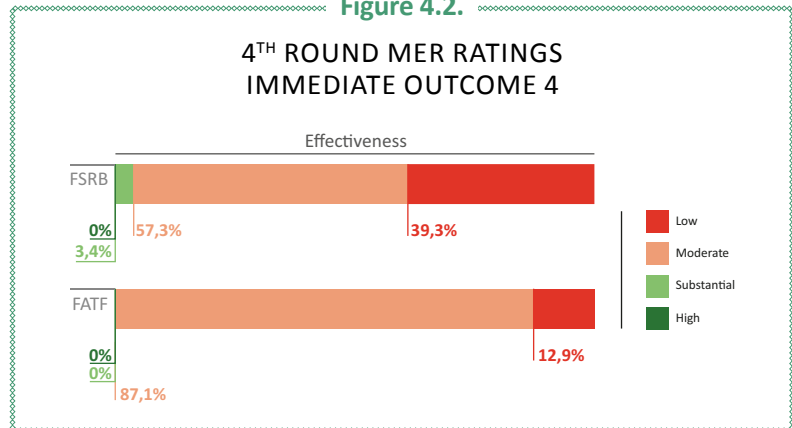


Source: 120 assessed jurisdictions from the Global Network since 2013; (Recommendations 9 to 23, in order from left to right)

¹⁸ Immediate Outcome 4 relates primarily to Recommendations 9-23 (inclusive), and also elements of Recommendations 1, 6 and 29.

However, countries have yet to work on delivering stronger effectiveness: 97% of countries are not yet achieving a high level of effectiveness.

Figure 4.2.

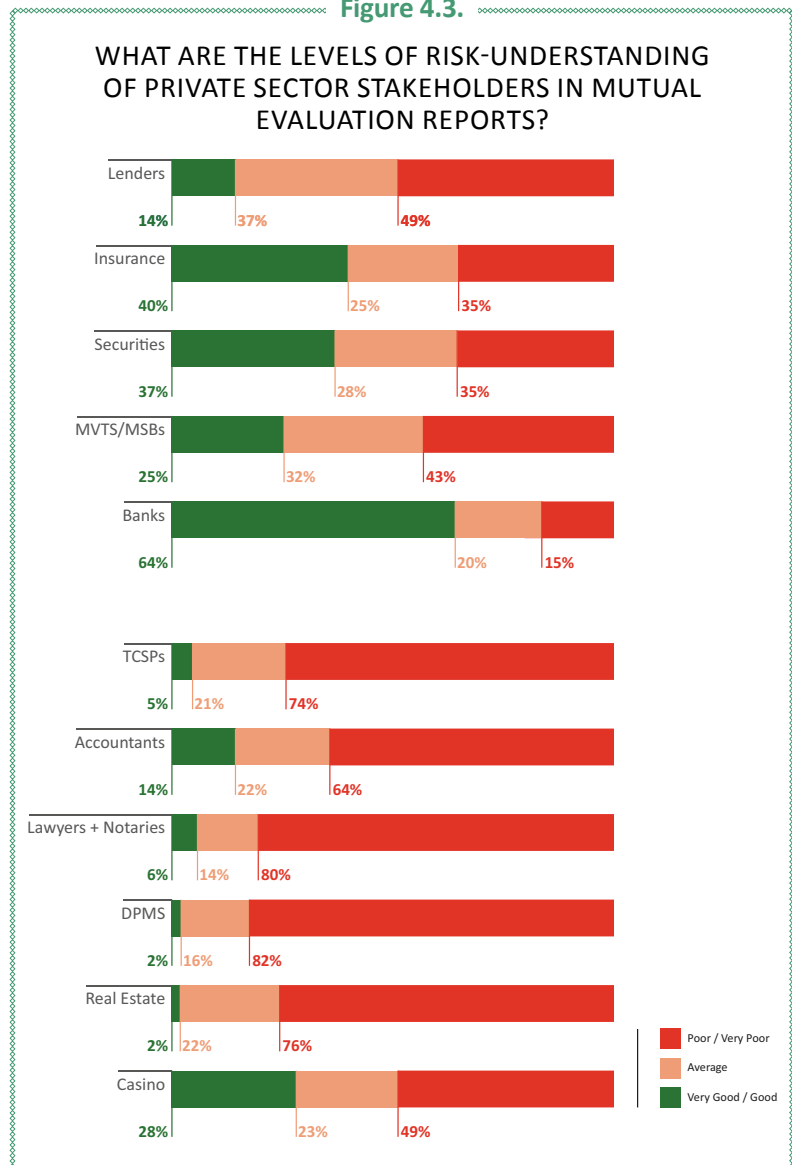


Source: 120 assessed jurisdictions from the Global Network since 2013.

Understanding and mitigating risks

Understanding and mitigation of risks overall is varied across institutions. For financial institutions, over half of the banking, insurance, securities, and money or value transfer services sectors reviewed have average to very good risk understanding. Designated non-financial business and professions mostly have below-average to poor understanding of money laundering and terrorist financing risks, with the exception of casinos. Just over half (51%) of countries reviewed demonstrated an average to very good understanding of the risks they faced.

Figure 4.3.



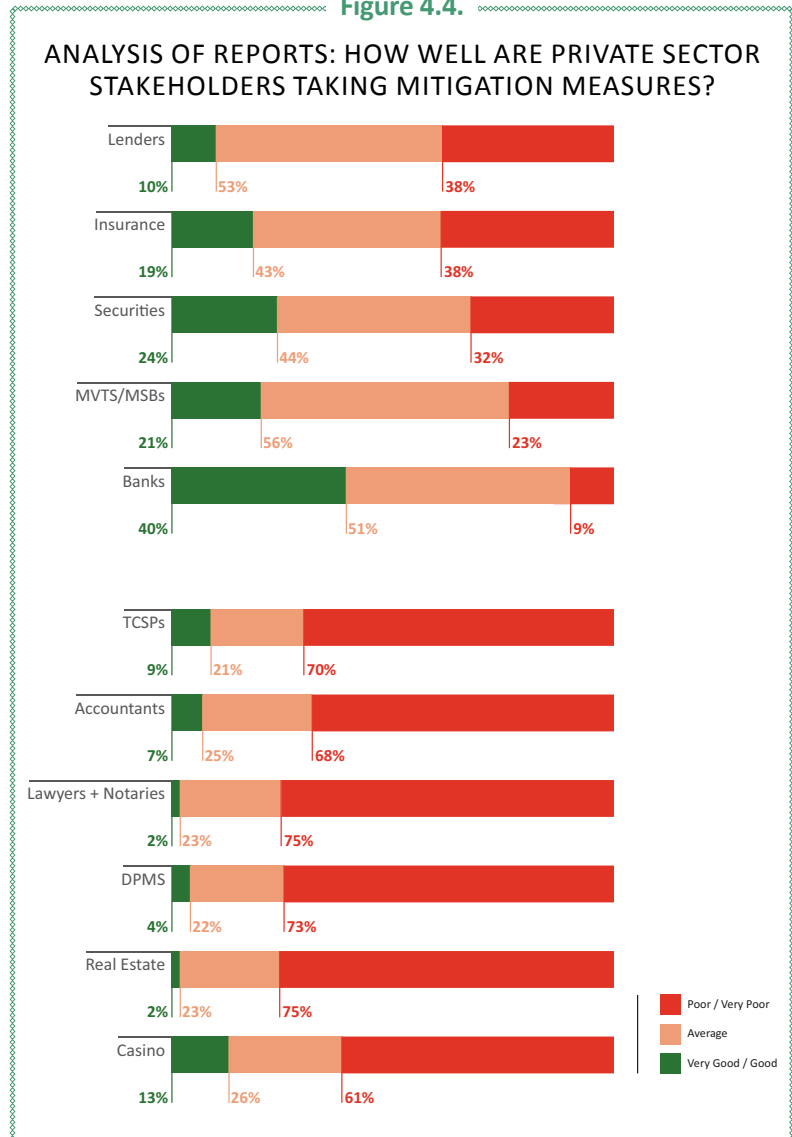
Source: Assessors appraisal of private sector risk-assessment in 59 countries' Mutual Evaluation Reports (29 FATF and 30 FSRB Mutual Evaluation Reports).

This difference is more pronounced for risk mitigation measures (e.g. enhanced due diligence for certain clients, thresholds for reporting, etc.), which shows financial institutions ranking consistently above real estate agents, lawyers, accountants and other designated non-financial businesses and professions. As the chart below shows, nearly two-thirds of all countries reviewed have adequate risk-mitigation measures for financial institutions. Meanwhile designated non-financial businesses and professions in more than 70% of countries are poorly implementing mitigation measures.

Responding to Risks

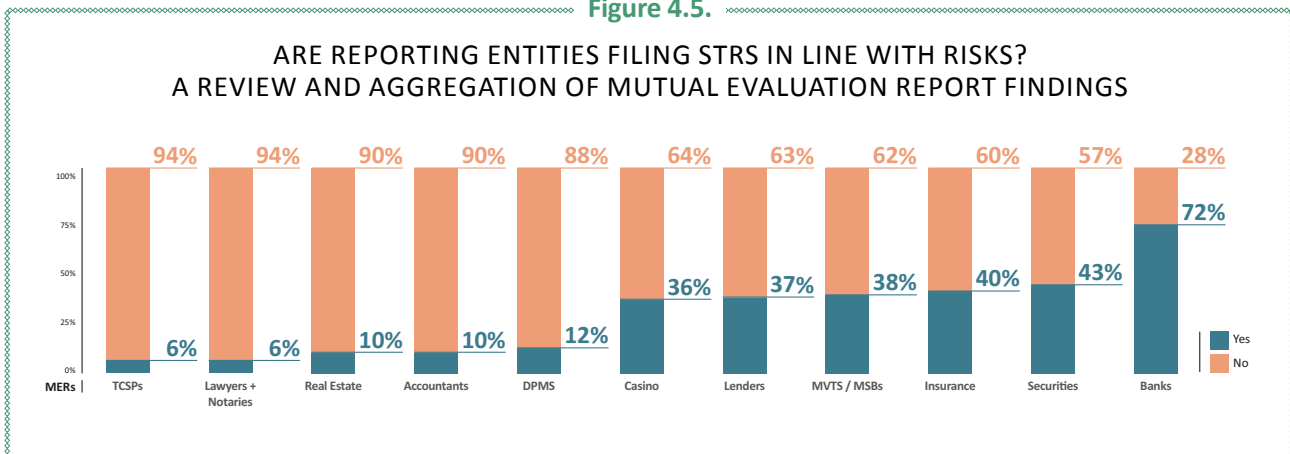
However, all sectors can improve on areas such as suspicious transaction report filing. Reporting entities in the vast majority of sectors are not filing risk-based suspicious transaction reports. This is particularly an issue in non-financial businesses and professions. In the sample used for this analysis, just 6% of countries' trust and company service providers and notaries, and 10% of real-estate agents, notaries and accountants were filing suspicious transaction reports in a manner that is consistent with the country's risk profile. The only exception to this appears to be banks, which demonstrate 72% effectiveness.

Figure 4.4.



Source: Assessors appraisal of private sector risk-mitigation in 59 countries' Mutual Evaluation Reports (29 FATF and 30 FSRB Mutual Evaluation Reports).

Figure 4.5.



Source: Assessors appraisals in 59 countries' mutual evaluation reports consisting of 29 FATF and 30 FSRB Mutual Evaluation Reports

WHAT IMPROVEMENTS CAN COUNTRIES MAKE?

To improve their preventive measures, countries should first and foremost address the recommended actions in the Mutual Evaluation Reports. Looking more widely, countries should:

- » Continue to work on ensuring private sector improves implementation of preventive measures such as customer due diligence.
- » Focus efforts on preventive measures for vulnerable sectors like real estate, lawyers and trusts and company service providers (see Ch. 1 – risks).
- » All designated entities must strengthen their reporting requirements on suspicious transaction reports.

CHAPTER 5

TRANSPARENCY AND BENEFICIAL OWNERSHIP

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.

Why it's Important

The use of anonymous shell companies and other complex financial structures for illicit finance and tax evasion has been a major issue for some time. Criminals and terrorists commonly use legal persons and opaque legal arrangements to hide ownership, masking both their own assets and laundered funds. Following the publication of leaks and reports showing the impact of insufficient transparency of ownership, the issue of beneficial ownership transparency has rightly received increased public attention.

Immediate Outcome 5 and its underlying Recommendations (Recommendation 24 on transparency of legal persons and Recommendation 25 on legal arrangements) assesses jurisdictions' effectiveness in preventing the misuse of legal persons and arrangements. This involves understanding vulnerabilities of legal persons, ensuring accurate beneficial ownership information is available in a timely manner to competent authorities, and sanctioning relevant persons for not complying with these requirements.

Members have initially agreed on tougher global rules for beneficial ownership (Recommendation 24).

These rules now mean that all countries will need to have a beneficial ownership registry or an equivalent system in place. This will ensure that authorities have efficient access to adequate, accurate and up-to-date information on the beneficial ownership of companies and other legal persons that are created in the country, as well as those that present ML/TF risk and have sufficient links with their country. This will help stop criminals, corrupt actors, and UNSC sanctions evaders from hiding their illicit activities and dirty money behind shell companies. In addition to closing beneficial ownership loopholes, the FATF has also banned the establishment of new physical bearer shares and strengthened disclosure requirements for existing bearer shares and nominee arrangements, which will stop these being used to hide money laundering. The FATF is continuing to review the Recommendation for beneficial ownership and transparency of legal arrangements (Recommendation 25) to ensure that these are more closely aligned with risks and better reflect the current global challenges.

HOW DO SOME COUNTRIES ACHIEVE A HIGH LEVEL OF EFFECTIVENESS?

Countries that performed well in respect to transparency and beneficial ownership demonstrate the below traits:

- » Most better performing countries demonstrate improvements to their legal frameworks through the establishment of beneficial ownership registries and by restricting the use of higher risk arrangements, such as bearer shares and warrants and have adequate measures to mitigate risks from nominee relationships, though some others achieve good results using other means such as notarial systems or enhanced enforcement.
- » National authorities have a strong understanding of risks from legal persons and arrangements after undertaking risk assessments and use these risk-assessments to apply mitigating measures

that cover all relevant sectors (e.g. legal persons, which are often missed).

- » Use of multiple independent sources to collect information on beneficial ownership (i.e. multi-pronged approach).

- » Laws and regulations in place to sanction non-compliance with reporting requirements on beneficial ownership, alongside a proven ability to identify cases of non-compliance and sanction entities at sufficiently dissuasive levels.

MAIN FINDINGS

Since the previous round of evaluations, an increasing number of countries now have legal powers to collect beneficial ownership information and apply sanctions, and more countries are putting in place the systems to identify and mitigate risks from legal persons and arrangements. However, the number of countries with the right combination of laws and regulations remains limited overall. Unlike most other areas, both technical compliance and effectiveness are below average across the Global Network. Most countries have yet to make sufficient progress on preventing

legal persons and arrangements from being abused for money laundering and terrorist financing. And while most countries have made progress on placing limits or stricter controls on certain high-risk activities like the use of bearer shares, other activities like nominee relationships are still an important vulnerability in many jurisdictions. These can be used to circumvent measures intended to prevent the misuse of legal persons and also contribute to lower technical compliance and effectiveness scores.

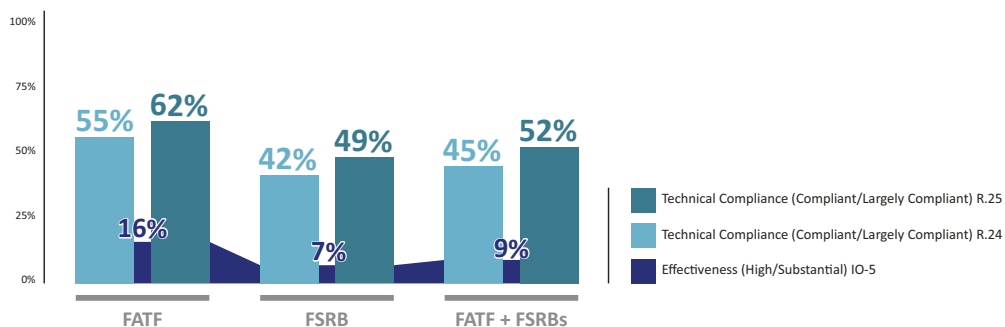
Analysis

Just about half (52%) of countries, on average, have the necessary laws and regulations to understand, assess the risks of, and verify the beneficial owners or controllers of companies (legal persons and

arrangements - Recommendations 24 and 25). Only 9% of countries are meeting the effectiveness requirements of this immediate outcome.

Figure 5.1.

COMPARING TECHNICAL COMPLIANCE TO EFFECTIVENESS FOR RECOMMENDATIONS 24-25 AND IMMEDIATE OUTCOME 5 (LEGAL PERSONS AND ARRANGEMENTS)



Source: 120 assessed jurisdictions from the Global Network since 2013

Countries that perform well on technical compliance meet a range of important requirements – They have laws that ensure disclosures of trustee identity, and designate appropriate legal powers to relevant authorities to access to beneficial ownership information on a timely basis. Countries that score

well also have appropriate sanctions to dissuade and punish those who are not compliant with registration rules. These are all important pre-requisites for effective systems, but these laws and regulations alone also do not guarantee a strong performance for Immediate Outcome 5.

Understanding of vulnerabilities of legal persons and arrangements

Identifying and assessing money laundering and terrorist financing vulnerabilities of legal persons is an important starting point for demonstrating effectiveness. 58% of jurisdictions have conducted a risk assessment of higher-risk legal persons as part of either a national risk assessment or standalone sectorial assessment. The FATF Methodology does not require countries to understand vulnerabilities related to legal arrangements¹⁹. However many do not assess all higher-risk legal persons, only some of them. In addition, where countries fail to understand relevant vulnerabilities, countries are less likely to apply appropriate mitigating measures to legal

persons.²⁰ 63% of the jurisdictions with a low or moderate risk understanding of legal persons did not apply appropriate mitigating measures to at least one type of legal person representing a higher risk.

Figure 5.2.

	Conducted as part of NRA	Sectorial assessment	No assessment
Low	8%	0%	27%
Moderate	24%	10%	10%
Good	6%	10%	4%

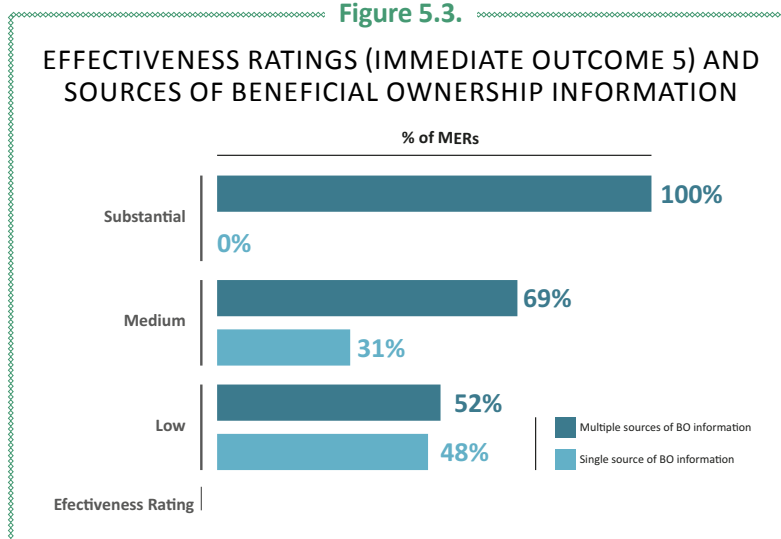
Source: In-text review of 59 country mutual evaluation reports, consisting of 29 FATF and 30 FSRB Members.

Availability of Beneficial Ownership Information

Effective regulatory systems need to have accurate and up-to-date beneficial ownership information available and accessible to the relevant authorities. Almost all countries have registries (100% of FATF and 93% of FATF-style regional body members) that hold basic information on companies. The majority (68%) of the 59 jurisdictions reviewed also use multiple sources of information (in addition to registries) to identify beneficial owners. This is a “multi-pronged” approach, and all countries rated as effective use this approach. However on its own, a multi-pronged approach does not necessarily translate into effectiveness for Immediate Outcome 5. For example, 84% of the jurisdictions using a multi-pronged approach received low or moderate scores for Immediate Outcome 5. This suggests that the multi-pronged approach should be considered an

important, but not sufficient, element of a country’s legal frameworks. To be effective, countries must still demonstrate a solid understanding of risks, the use of proportionate and dissuasive sanctions for non-compliance²¹ and ensure that the information on legal persons and arrangements is available²² accurate, complete and up-to-date.

Figure 5.3.



Source: In-text review of 59 country mutual evaluation reports, consisting of 29 FATF and 30 FSRB Members.

¹⁹ Consistent with the risk-based approach, countries are required to identify and focus on higher-risk legal persons and entities, and may exclude those that may be lower risk.

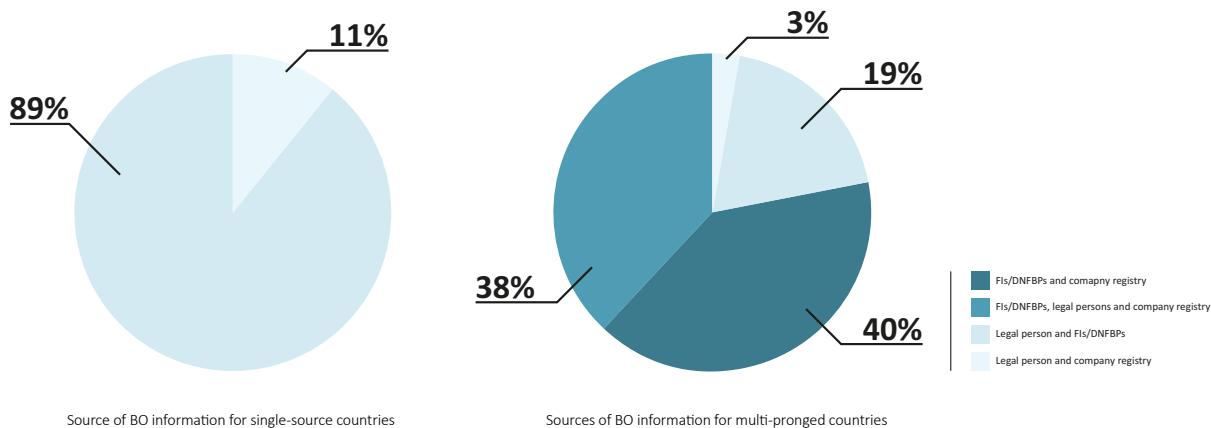
²⁰ The FATF Methodology does not require countries to understand vulnerabilities related to legal arrangements.

²¹ Many reports (57% of FATF and 73% of FSRB reports) identify failure to apply penalties as a primary way in which penalties are not dissuasive. Overall, relatively few penalties are cited and it seems most are not proportionate.

²² Whether through registries or through other sources information sources, such as institutional record-keeping practises (e.g. customer due-diligence records).

Figure 5.4.

SOURCES OF INFORMATION BY APPROACH TO ACCESS BENEFICIAL OWNERSHIP INFORMATION



Source: In-text review of 59 country mutual evaluation reports, consisting of 29 FATF and 30 FSRB Members.

Bearer Share Warrants and Nominee Relationships

Ensuring that bearer shares and nominee relationships are subject to appropriate mitigating measures is a vital component for effectiveness. Of the jurisdictions reviewed that permit bearer shares and bearer share warrants (57% of FATF and 50% of FATF-style regional body jurisdictions,) the majority (88% of FATF and 53% of FATF-style regional body jurisdictions) apply mitigating measures to bearer shares and bearer share warrants.

Around two-thirds of FATF and FATF-style regional body jurisdictions (69% and 63%) permit the creation of nominees. However, only 38% of FATF and 34% of FSRB jurisdictions have put appropriate mitigating measures in place (See figure 5.5).

WHAT ARE BEARER SHARES?

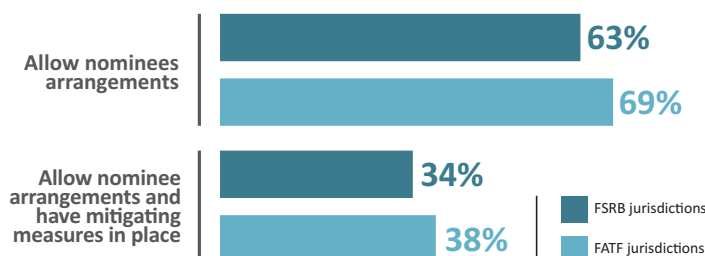
Bearer shares are a type of share/security wholly owned by the person or entity that holds the physical certificate. There is no registration or tracking of ownership and simply put, the bearer (of the physical certificate) is the owner. Without mitigating measures, bearer shares can be exchanged without a trace, and the ultimate beneficial owner can be hidden.

WHAT ARE NOMINEE ARRANGEMENTS?

These are arrangement or relationship between two parties where one party agrees to act on behalf of the other party. For example, as a director or a shareholder. Without mitigating measures, nominee arrangements, higher risk individuals (e.g. politically exposed persons) can exercise control over a company while side-stepping supervision or reporting requirements.

Figure 5.5.

JURISDICTIONS ALLOWING NOMINEE ARRANGEMENTS AND THOSE IMPLEMENTING MITIGATING MEASURES



Source: In-text review of 59 country mutual evaluation reports, consisting of 29 FATF and 30 FSRB Members.

WHAT IMPROVEMENTS CAN COUNTRIES MAKE?

To improve the transparency of beneficial ownership and legal persons, countries should first and foremost address their recommended actions in the Mutual Evaluation Reports. Looking more widely, countries still have a large amount of work to do to achieve effectiveness in the future. Improvements are needed across several areas:

- » Improve risk assessments to cover relevant legal persons and arrangements to strengthen understanding of vulnerabilities.
- » Improve adequacy, accuracy and timeliness of information in beneficial ownership information.
- » Ensure seamless and easy access to information by competent authorities
- » Countries that have legal persons able to issue bearer shares or bearer share warrants should apply the mechanisms prescribed in the FATF Recommendations (R.24) to ensure that they are not misused for money laundering or terrorist financing²³.
- » Ensuring effective, proportionate and dissuasive sanctions.

²³ See R. 24 – Interpretive note. This includes, for example by applying one or more of the following mechanisms: (a) prohibiting them; (b) converting them into registered shares or share warrants (for example through dematerialisation); (c) immobilising them 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.

CHAPTER 6

FINANCIAL INTELLIGENCE, MONEY LAUNDERING INVESTIGATIONS, PROSECUTIONS AND CONFISCATION

IMMEDIATE OUTCOME 6 Financial intelligence and all other relevant information are appropriately used by competent authorities for money laundering and terrorist financing investigations.

IMMEDIATE OUTCOME 7 Money laundering offences and activities are investigated and offenders are prosecuted and subject to effective, proportionate and dissuasive sanctions.

IMMEDIATE OUTCOME 8 Proceeds and instrumentalities of crime are confiscated.

Why it's Important

Successful criminal justice systems detect and disrupt money laundering threats, sanction criminals and deprive them of the proceeds of their criminal activity. To achieve this, countries must have effective

and efficient mechanisms to punish offenders and dissuade others from committing similar offences in a manner consistent with risk.

HOW DO SOME COUNTRIES ACHIEVE A HIGH LEVEL OF EFFECTIVENESS?

A well-functioning criminal justice system includes all three of the following elements:

- » Operationally independent financial intelligence unit (FIU) collecting suspicious transaction reports, conducting relevant analysis and disseminating these findings to investigative authorities.
- » Investigative authorities analysing the financial intelligence and other sources of information, and conducting parallel financial investigations to identify money laundering schemes (including complex and stand-alone cases of laundering), and successfully prosecuting offenders.
- » Asset recovery units or relevant authorities identifying, tracing, seizing and confiscating proceeds and instrumentalities of crime (including terrorism) in co-ordination with investigating authorities, or independently.

MAIN FINDINGS

Nearly all countries now have legal and operational frameworks to identify, investigate and prosecute money laundering and confiscate proceeds of crime. Most countries have FIUs that serves as a national centre for the receipt and analysis (and dissemination) of suspicious transaction reports and other information relevant to money laundering, associated predicate offences and terrorist financing. Nearly all countries also have designated investigators/prosecutors for pursuing ML activity or identifying, tracing and seizing proceeds. However, a low percentage of these individuals have adequate skills in financial investigations and asset tracing.

Most countries are not achieving the expected results for convictions and confiscations. The number of investigations and prosecutions are often small in comparison to risks. Where investigations and

prosecutions do occur, confiscations and asset recovery measures often do not occur as part of the action. Whereas in regards ML investigations and prosecutions, these are more likely to be for self-laundering, or cases that do not involve complex money laundering schemes (which are known to cause the greatest harm to society). Consequently, only a small fraction of all proceeds of crime is currently being recovered and convictions for money laundering are often not in line with the major risks identified within each country.

It is clear that investigations and prosecutions are an area of focus where the FATF and other regional bodies should seek to do more. Countries must in particular improve global efforts around asset recovery to ensure that criminals are more effectively deprived of their proceeds and instrumentalities of crime.

Analysis

Nearly 85% of all FATF and FATF-style regional body jurisdictions have implemented the technical requirements of all relevant Recommendations²⁴. During the previous round of mutual evaluations, 74% of FATF jurisdictions complied with the more limited FATF technical requirements of equivalent Recommendations. This was even lower for FATF-style regional body jurisdictions.

In the third and fourth round, many countries passed new laws to create operationally independent financial intelligence units, or enacted new legislation to empower specific agencies to co-ordinate complex money laundering investigations.

WHAT IS A FINANCIAL INTELLIGENCE UNIT (FIU)?

A Financial Intelligence Unit is a national agency that serves as the central agency for the receipt of disclosures filed by reporting entities. The FIU is responsible for receiving (and requesting), analysing and disseminating to the competent authorities, disclosures of financial information concerning suspected proceeds of crime and potential financing of terrorism, or required by national legislation or regulation, in order to combat money laundering and terrorist financing.

According to the Egmont Group²⁵, there are four models of FIUs: Judicial, law enforcement, administrative and hybrid.

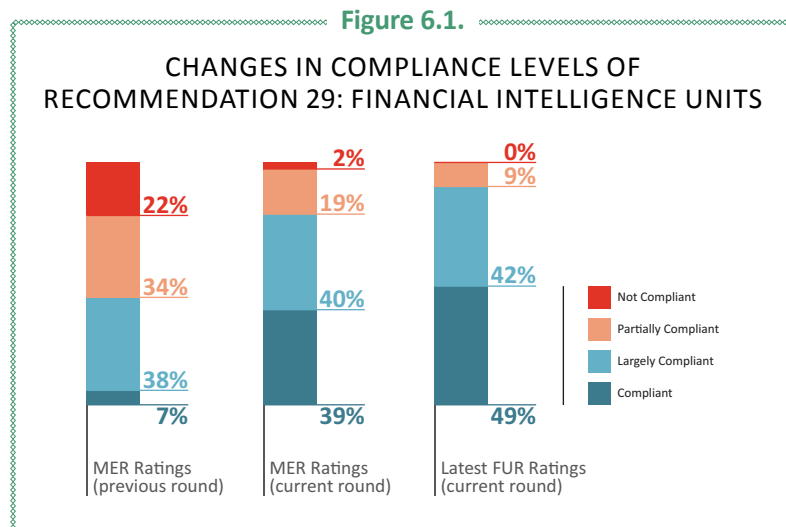
FATF Recommendation 29 requires that all countries establish an FIU. However, considering that there are different FIU models, this Recommendation does not prejudge a country's choice for a particular model.

²⁴ Recommendations 3, 4, 29, 30, 31 and 32

²⁵ The Egmont Group of Financial Intelligence Units is an international organization that facilitates cooperation and intelligence sharing between national financial intelligence units to investigate and prevent money laundering and terrorist financing.

Today, nearly all countries in the FATF Global Network have successfully created and resourced financial intelligence units as required by Recommendation 29. Previously, only certain well-developed economies had created such units, but this FATF requirement has transformed the global financial intelligence landscape. Increasingly FIUs are helping to identify cases for law enforcement authorities to investigate perpetrators, mainly thanks to increasingly well-developed financial intelligence and analysis skills and training. Financial intelligence units are now active contributors to criminal justice pathways, and act as a force-multiplier in investigations into organised crime and transnational criminal enterprises, often providing vital information, data and insights into the connections between criminal actors and legal persons and arrangements.

Recommendation 29 also requires the FIUs to be part of the Egmont Group of FIUs. Since its creation in 1995 with 13 members, 152 members have joined the group, totalling to 165 FIUs in 2020 enabling deeper cooperation and intelligence sharing to fight ML/TF.



Countries have also passed new asset seizure and forfeiture laws including, in some cases, unexplained wealth orders and new provisions for rapid freezing and seizing to avoid the dissipation of assets once identified.

Countries have taken a variety of approaches to the investigation and prosecution of money laundering offences. Some have centralised the investigative powers for money laundering into a single agency. Others have shared powers between various law enforcement agencies and prosecutors' offices or have formed specialized multi-agency units.

Similarly, countries have adopted legal and other reforms to recover assets and to do so more effectively, in particular the proceeds of corruption. Countries have implemented models that rely on asset recovery units, or specialized teams focused on

identifying, freezing and seizing suspected proceeds of crime.

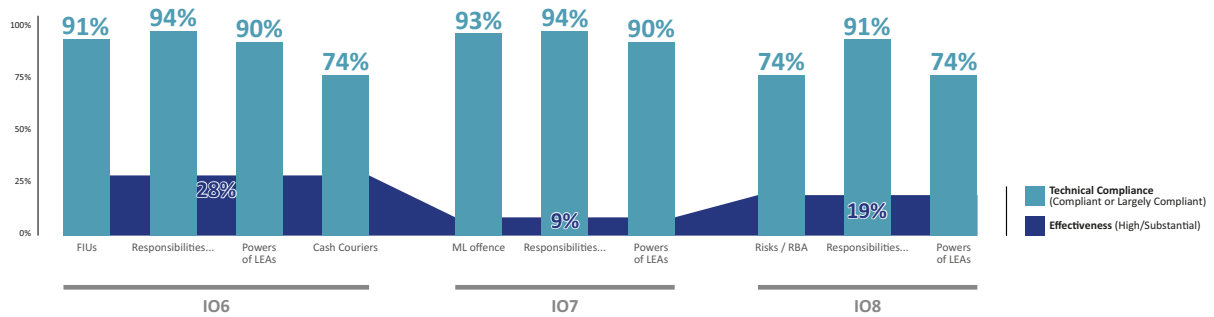
The majority of the assessed jurisdictions are technically compliant or largely compliant with the FATFs Recommendations in this chapter²⁶. However, most countries need to make better use of financial intelligence, investigations, prosecutions, convictions and asset seizure, confiscation and recovery to achieve an effective a holistic criminal justice framework to combat money laundering, in particular complex and cross-border money laundering.

Just 19% of the 120 assessed jurisdictions are demonstrating high or substantial levels of effectiveness in investigating, prosecuting and convicting money laundering offences and confiscating the proceeds of crimes.

²⁶ Corresponding Recommendations for IO.6 are R.29 to 32; for IO.7 are R.3, 30, 31; for IO.8 are R.1, 4, 32.

Figure 6.2.

TECHNICAL COMPLIANCE RATINGS COMPARED TO EFFECTIVENESS ACROSS THE GLOBAL NETWORK FOR IMMEDIATE OUTCOMES 6-8: FINANCIAL INTELLIGENCE, MONEY LAUNDERING INVESTIGATIONS, PROSECUTIONS AND CONFISCATION

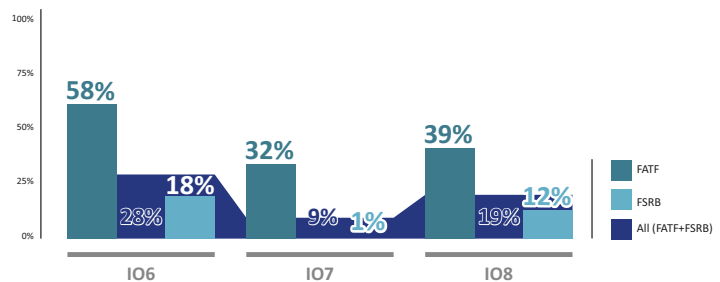


Source: Latest compliance and effectiveness ratings of 120 assessed jurisdictions since 2013 (4th round FATF+FSRB); Recommendations for IO.6 are R.29 to 32; for IO.7 are R.3, 30, 31; for IO.8 are R.1, 4, 32, in order from left to right

As Figure 6.3 highlights, the lack of effective prosecution, conviction and confiscation is particularly acute in the members of FATF-style Regional Bodies.

Figure 6.3.

EFFECTIVENESS LEVELS BROKEN DOWN BY FATF AND FSRB JURISDICTIONS



Source: 120 assessed jurisdictions from the Global Network since 2013

On Immediate Outcome 7, effectiveness data suggests that only 1% of all FATF-style regional bodies reviewed are effectively prosecuting and convicting money laundering offences, and none are pursuing money laundering investigations in line with risks. Less than a third of FATF countries reviewed for this exercise demonstrated investigations in line with risk²⁷.

In practice, the overall number of prosecutions and convictions for money laundering remains low.

Where prosecutions and convictions do take place, they are often misaligned with the main proceeds generating offences in that country. Self-laundering investigations are the most commonly-cited types of investigations (where data is available in the assessment reports). These investigations often do not involve complex money laundering activity, and may be related to other types of criminality not listed as high-priority in risk assessments.

²⁷ Based on a sample exercise, which consisted of 30 FSRB and 29 FATF country MERs.

WHAT IS SELF-MONEY LAUNDERING?

Where the crime (or the primary offence) and the money laundering offence is perpetrated by the same person. Often, self-laundering cases involve fewer individuals (or co-conspirators) and smaller sums, often using basic placement and simple layering or mixing techniques.

WHAT IS PROFESSIONAL MONEY LAUNDERING?

Individuals, organizations or networks providing money laundering services to criminals, often in a

highly organized manner using complex systems and schemes to evade detection and handle large transactions and amounts of proceeds, often with involving international wire transfers, offshore and on-shore accounts, legal persons and arrangements and other tools. This is also often known as third-party laundering. Often these individuals, organisations and networks are involved in laundering for a fee or commission.

For more information, see the 2018 FATF Report on Professional Money Laundering.

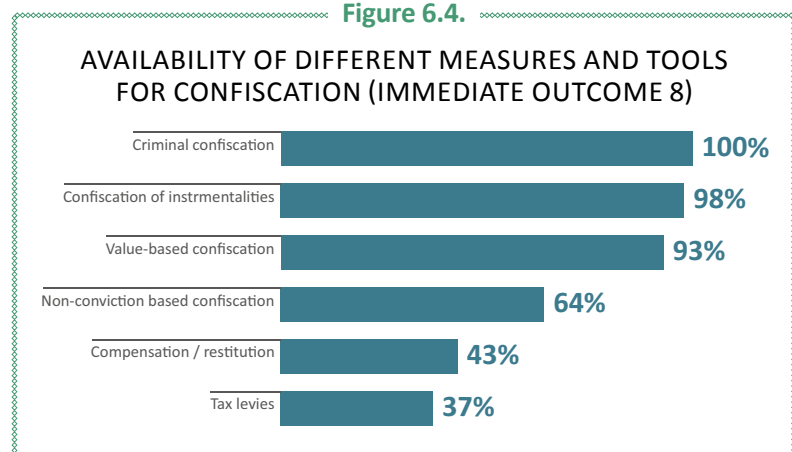
In contrast, countries rarely report significant numbers of investigations involving professional money laundering schemes. Professional schemes often require in-depth financial intelligence collection and analysis, asset identification, freezing and seizing, and coordinated multi-agency (sometimes multi-jurisdictional) investigations to uncover the professional actors. Third party offences also involve large sums of proceeds and professionalised and well-organized criminal actors.

Based on calculations from a limited sample of jurisdictions, countries are recovering only a very small fraction of all estimated proceeds. While countries largely have the legal frameworks in place to identify, freeze, and seize funds related to money laundering with minimal delay, few countries appear to make it a priority to confiscate assets or ensure that asset seizure and confiscation is a strong deterrent to crime.

Nevertheless, as the chart below indicates, countries generally have adequate legal powers to enable effective securing, freezing and confiscation. A review 59 FATF and

FATF-style regional bodies found that all of the Global Network countries have laws and regulations for criminal confiscation (100%), most have measures to confiscate instrumentalities (98%) and conduct value-based confiscation (93%). While not required by the FATF standards, over two-thirds of countries reviewed (37 out of the 59 reviewed) also enable non-conviction confiscation, which can aid in the identification and recovery of proceeds. These findings show that authorities have many of the necessary tools. Nevertheless, their focus should turn to building a culture of asset recovery given the low overall effectiveness.

Figure 6.4.



Source: In-text review of 59 country mutual evaluation reports, consisting of 29 FATF and 30 FSRB Members.

WHAT IMPROVEMENTS CAN COUNTRIES MAKE?

To improve the criminal justice efforts to combat money laundering and terrorist financing, countries should first and foremost address the recommended actions in their Mutual Evaluation Reports. Looking more widely, countries should also undertake the following actions:

In order to target the proceeds of crime, many countries must make major or fundamental improvements across criminal justice systems. In general terms, this means **strengthening a culture of financial investigations** among relevant authorities and **prioritising risk-focused cases**. This means that, in practice, countries need to look towards structural deficiencies within and across agencies, and work on ways to overcome behavioural and cultural obstacles that stand in the way of effective identification, investigation and

prosecution of complex and money laundering cases and asset recovery.

There is no “silver bullet” to resolving these issues in immediate outcomes 6, 7 and 8. Criminal justice systems are complex and require strategic co-ordination with commitment and buy-in at all levels of government (including at the political level) to achieve positive outcomes. Countries themselves need to significantly improve their criminal justice systems through concrete actions and coordination. This includes depriving criminals of their proceeds of crime and demonstrating that crime does not pay by stopping third-party and professional money launderers, who handle the money for major organised crime groups and other offenders.

CHAPTER 7

TERRORIST AND PROLIFERATION FINANCING

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.

IMMEDIATE OUTCOME 10 Terrorists, terrorist organisations and terrorist financiers are prevented from raising, moving and using funds, and from abusing the NPO sector.

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.

Why it's Important

The FATF plays a central role in global efforts to combat terrorist financing. This includes setting global standards to combat terrorist financing, assisting jurisdictions in implementing financial provisions of UN Security Council resolutions on terrorism, and evaluating countries' ability to prevent, detect, investigate and prosecute the financing of terrorism. The FATF Recommendations provide a complete legal and institutional framework that gives jurisdictions the tools needed to combat terrorist financing, including:

- » specific requirements to comprehensively criminalise it as a distinct offence (Recommendation 5)
- » targeted financial sanctions and terrorist asset freezing (Recommendation 6)²⁸
- » preventive measures to protect non-profit organisations

The FATF has also responded to the threat of illicit proliferation of weapons of mass destruction by updating its Standards to include measures on the implementation of targeted financial sanctions related to proliferation (Recommendation 7). These are complemented by

- » the inclusion of proliferation finance into national and institutional risk assessment processes (Recommendation 1)
- » domestic co-operation and co-ordination (Recommendation 2)
- » the application of all relevant Recommendations to virtual asset service providers (Recommendation 15).

²⁸ Notably Recommendation 5, for IO.9, Recommendations 6 and 8 for IO.10. Related but non-TF Specific Recommendations sit in the preventive measures and operational and law enforcement powers and responsibilities, and in International co-operation requirements.

HOW DO SOME COUNTRIES ACHIEVE A HIGH LEVEL OF EFFECTIVENESS?

There are several countries that do well prosecuting and convicting terrorist financing and preventing proliferation financing. These countries have demonstrated improvements in a range of areas, and feature many, if not most, of the following traits:

- » Terrorist financing is adequately integrated into the counterterror strategy in the country.
- » There is a strong and demonstrated understanding of terror financing risks. This includes when the risk is low or when the terrorist act may not occur in that country.
- » Authorities have a proven ability to conduct parallel financial investigations during terrorism cases.
- » Their judicial framework enables terrorism finance prosecutions, such as the ability to pursue the financing of an individual terrorist without a link to a terrorist act in practice.
- » Non-profit organisations most at risk of abuse from terrorist organisations are identified and risks mitigated in a targeted manner without undue harm or restrictive measures placed upon legitimate non-profit organisations.
- » Countries use a non-criminal or administrative process to implement targeted financial sanctions against designated persons and entities without delay.
- » Countries have clearly identified procedures implemented for (i) designation/listing, (ii) freezing/unfreezing, (iii) delisting, and (iv) granting exemptions for targeted financial sanctions related to WMD proliferation.
- » Countries have mechanisms for providing guidance to covered private sector entities to understand the risks from breach, evasion, or non-implementation of U.N. targeted financial sanctions related to proliferation.
- » Countries have identified competent authorities who co-operate and co-ordinate on policies related to CPF.

MAIN FINDINGS

Countries have made progress implementing the legal and operational frameworks to fight terrorist financing, and to a lesser degree on the financing of proliferation of weapons of mass destruction. However, across the Global Network, countries need to focus more on

effectively using these measures to investigate and prosecute these crimes, transpose United Nations Security Council designations without delay and freeze or confiscate assets with links to terrorism or proliferation.

Analysis

Terrorist Financing Prevention, Prosecution and Conviction

Tackling terrorist financing risks has been a major focus of the FATF's work for almost two decades. This is reflected in the inclusion of the terrorism-focused Recommendations (Recommendations 5 and 6) in the International Co-operation Review Group's referral criteria in the 4th round (i.e., two of the 'Big 6' Recommendations – For more information, see "Briefing" section).

The recent intensification of terrorist attacks around the world in the 21st Century, (and in particular in

2015) led the FATF to agree on urgent concerted action to strengthen global counter terrorist financing regimes. The leadership role of the FATF through initiatives such as the terrorist financing fact finding initiative (see box below) has had an important impact in leading to stronger laws and regulations against terrorist financing in many countries. Today, 90% of Global Network countries have criminalised terrorist financing in line with the FATF's requirements (which include supporting organisations)²⁸. Countries have also made progress in other areas, such as establishing robust systems to identify and freeze terrorism related assets and apply targeted financial sanctions.

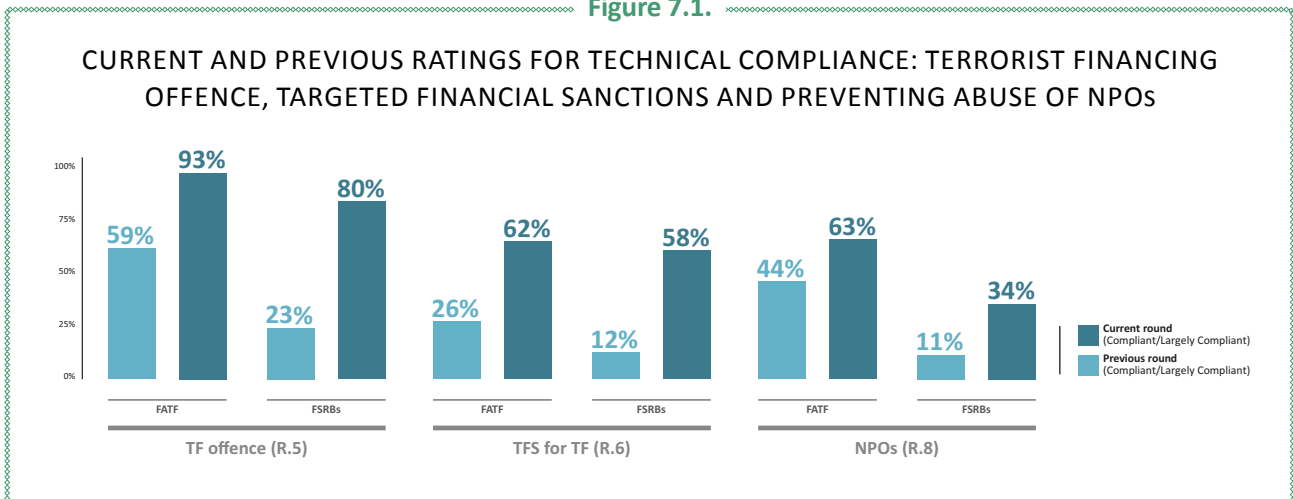
²⁹ These figure includes 4th round follow-up re-ratings.

THE FATF'S ACTIONS TO STOP TERRORIST FINANCING

In 2015, the FATF conducted a fact-finding initiative to determine whether all jurisdictions had implemented the FATF Recommendations to criminalise terrorist financing and to ensure that countries implemented key measures to cut off terrorism-related financial flows, in accordance with the FATF Recommendations. This analysis and the process that followed it, resulted in many countries making urgent reforms. During the fact-finding initiative, 27 jurisdictions expanded their laws to combat foreign terrorist fighters, and by the end of the initiative, 98% (all but

4 of the 194) participating jurisdictions criminalised terrorist financing as a distinct offence, and 71% of all jurisdictions (and 94% of FATF members) ensured that the terrorist financing offence applied to financing a terrorist organisation even for a purpose unrelated to committing a terrorist act. The exercise also yielded a number of other facts on the status of terrorism finance laws and implementation measures that have served as building blocks to develop guidance and improve global effectiveness against terrorist financing in the years that have followed.

Figure 7.1.



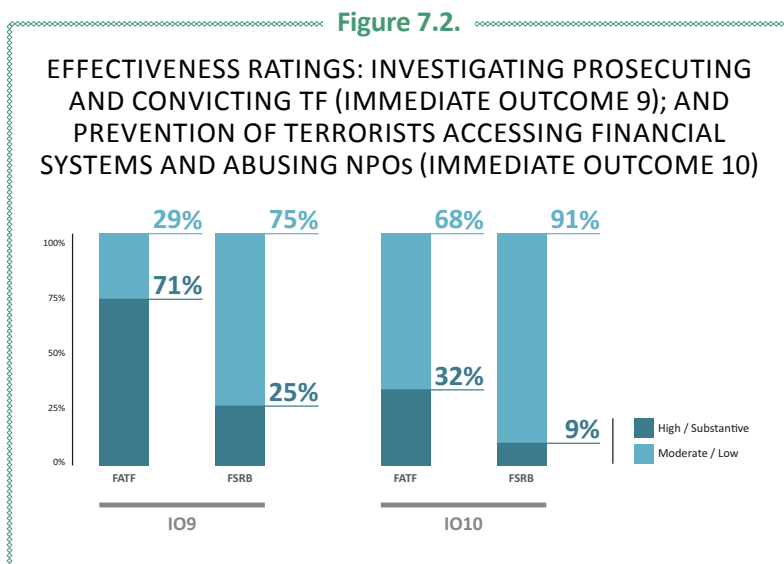
Source: previous round consisted of 176 assessed Global Network jurisdictions; Current round: 120 assessed Global Network jurisdictions since 2013 (thus far)

Despite the progress in establishing robust laws and regulations, the effective implementation of these measures remains an important concern.

Over 70% of all FATF members have a substantial or high level of effectiveness for investigating and

prosecuting terrorism finance offences (Immediate Outcome 9). On the other hand, the majority of FATF-style regional body members (75%) have either a low or moderate rating, with only a few demonstrating a substantial level of effectiveness.

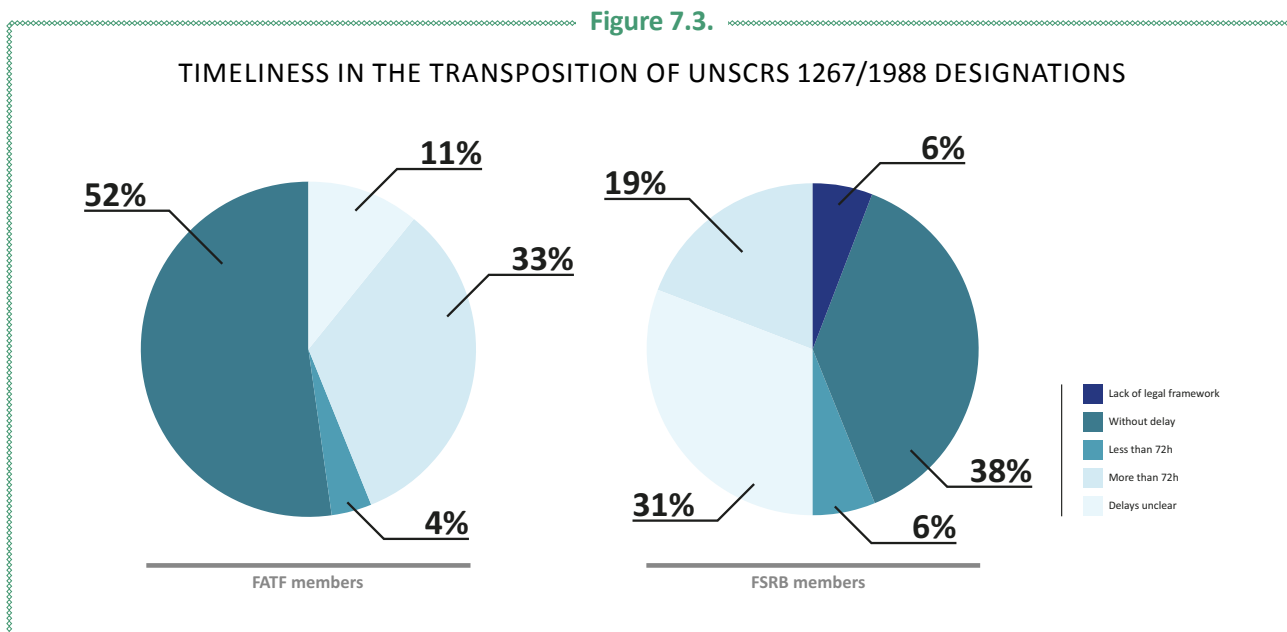
When it comes to freezing and confiscating terrorism-related assets and the implementation of targeted financial sanctions for terrorism finance (Immediate Outcome 9), the majority of countries have not yet reached sufficient levels of effectiveness. As Figure 7.2 indicates, countries in both FATF and FATF-style regional bodies are currently underperforming on effectiveness.



Source: 120 assessed jurisdictions from the Global Network since 2013

The data shows that implementation of targeted financial sanctions remains an important challenge for countries. For most, there are still barriers to implementing UN targeted financial sanctions

without delay. On average countries take too long to transpose the entities or individuals designated by the UN Security Council (see below).



Source: In-text review of 59 country mutual evaluation reports, consisting of 29 FATF and 30 FSRB Members.

In practice, 40% of jurisdictions used, to varying degrees, terrorism finance targeted financial sanctions to freeze terrorist assets and fewer (22%) used terrorism finance confiscation measures in accordance with the relevant UN Security Council Resolutions³⁰. Additionally, countries are often not

assessing the risks of their non-profit organisation sectors and are therefore not conducting risk-based monitoring or outreach. 59% and 81% of FATF and FATF-style regional body countries do not conduct risk-based supervision of non-profit organisations.

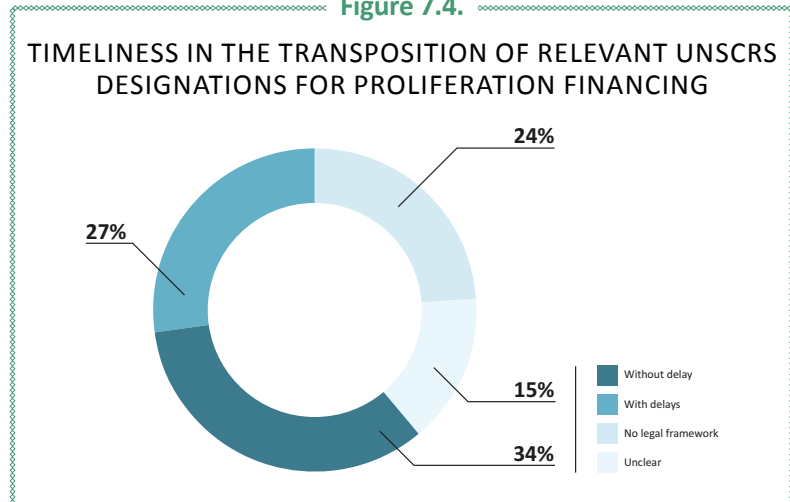
³⁰ United Nations Security Council Resolutions (UNSCRs) relating to the prevention and suppression of terrorism and terrorist financing, such as UNSCR 1267(1999) and its successor resolutions, and UNSCR 1373(2001).

Prevention of Proliferation Financing

The FATF introduced measures to counter the financing of the proliferation of weapons of mass destruction (Recommendation 7) in 2012. The 4th round is the first assessment cycle that looks at countries' measures to prevent the raising, moving, and using of funds related to proliferation financing. Most countries have not yet developed the legal framework to implement, without delay, targeted financial sanctions related to proliferation financing when they are called for by the United Nations Security Council (a requirement of the FATF Recommendations). Countries are also experiencing shortfalls in (i) identifying assets held by those acting on behalf of designated entities and (ii) communicating and enforcing clear policies related to listings/delisting/exemptions for covered private sector entities. This impacts effectiveness levels for Immediate

Outcome 11, which are largely unsatisfactory, with 52% of FATF members and 82% of FATF-style regional body members rated either low or moderate. Only 34% of the 59 sampled jurisdictions transpose United Nations Security Council designations without delay (see below).

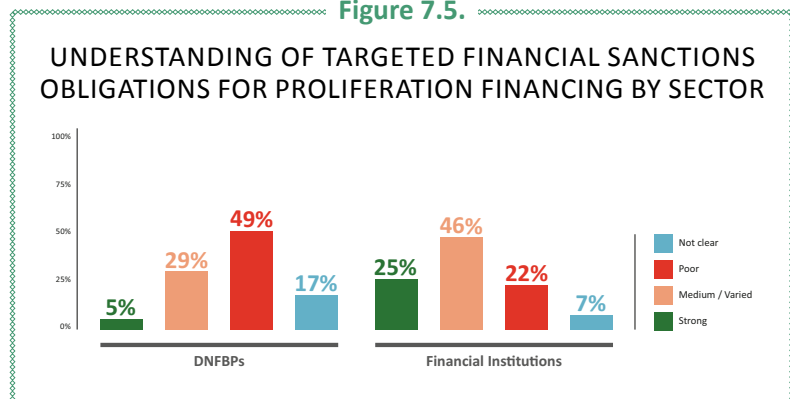
Figure 7.4.



Source: In-text review of 59 country mutual evaluation reports, consisting of 29 FATF and 30 FSRB Members.

Reporting entities (financial and designated non-financial businesses and professions) have varying degrees of awareness of their reporting obligation on proliferation finance. In more than two-thirds of countries, financial institutions demonstrate on average a medium-to-high understanding of their obligations regarding targeted financial sanctions for proliferation financing. However, designated non-financial businesses and professions have a poor to unclear understanding in 70% of cases (see chart below).

Figure 7.5.



Source: In-text review of 59 country mutual evaluation reports, consisting of 29 FATF and 30 FSRB Members.

WHAT IMPROVEMENTS CAN COUNTRIES MAKE?

IMMEDIATE OUTCOMES 9 AND 10 (FINANCING OF TERRORISM)

- » To improve their responses to financing of terrorism risks, countries should first and foremost address the recommended actions in the Mutual Evaluation Reports. While the FATF's focus on terrorism finance has helped significantly advance the legal and institutional framework around this important issue, a number of countries have difficulty understanding the nature of the terrorist financing risks they face or have effective means to combat them. Countries should also do more to effectively assess risks and implement mitigating measures. On terrorist financing investigations (Immediate Outcome 9), countries should ensure that terrorist financing is an integral part of any counter terrorism strategy. They should also ensure that risks (including risks to NPOs – related to Immediate Outcome 10) are well-understood, even when the risk of a terrorist attack within its border may not be high in the jurisdiction. Finally, the FATF recommends that authorities work towards conducting parallel financial investigations and ensure that the judicial frameworks are in place to pursue terrorist financing offences.
- » Countries should continue to focus on the timely use of targeted financial sanctions (Immediate Outcome 10), and the related technical compliance of Recommendation 6, for the effective implementation of targeted financial sanctions.

IMMEDIATE OUTCOME 11 (PROLIFERATION FINANCING)

- » For proliferation financing (Immediate Outcome 11), countries should work to enhance their overall technical compliance of Recommendation 7. This is due to the high number of jurisdictions lacking a legal mechanism to implement relevant targeted financial sanctions without delay. Countries should subsequently ensure TFS for PF is implemented without delay in practice, including through clear communication and outreach to the private sector.
- » Countries should ensure they are clearly communicating and enforcing procedures for (i) designation/listing, (ii) freezing/unfreezing, (iii) delisting, and (iv) granting exemptions for individuals and entities subject to targeted financial sanctions related to WMD proliferation
- » Countries should provide additional guidance to relevant financial institutions and designated non-financial businesses and professions in order to improve overall risk-awareness and address vulnerabilities to proliferation financing.
- » Similarly, countries should provide guidance to relevant private sector entities (particularly correspondent banking services, trade financing and virtual asset service providers) on the potential risks of breach or evasion of targeted financial sanctions.

CONCLUSION

The FATF peer evaluation system and risk-based approach analyses technical compliance as well as effectiveness, where most other global standard-setting organisations solely focus on technical compliance. By analysing the effectiveness of systems and institutions; the extent to which laws and regulations are implemented; and how well and to what degree countries deliver on actual outputs (such as investigations, prosecutions, convictions and asset recovery cases), the FATF sets the global standard for country evaluations, and a very high bar for success.

This report reveals a number of areas of progress but also highlights the major shortfalls and challenges that remain. It is clear that nearly all countries need to make substantial improvements regarding the effective implementation of the FATF's standards. Through the FATF's Strategic Review, the FATF has shown that it is committed to improve the assessment process, and to continue to push its members to strive to do better. In the course of the Strategic Review, the FATF developed several solutions to address shortfalls, and address gaps in evaluation methodology and procedures that it will implement in the 5th round of Mutual Evaluations. These solutions aim to make the process more timely, risk based, and effective (for more details on the changes to Methodology and Procedures, see section below).

Countries must improve their anti-money laundering and counter terrorism financing measures by focusing on effectively implementing the FATF's standards to combat crime and terrorism. Countries should focus on achieving tangible results by developing a culture that 'follows the money' that fuels criminal and terrorist activity.

It is incumbent upon governments, the financial and non-financial sectors to take further action in line with the FATF 40 Recommendations. In addition, countries should prioritise addressing the specific recommended actions in their mutual evaluation reports. Countries and relevant stakeholders should also use the range of FATF guidance and toolkits available to assist all relevant bodies and businesses to implement a risk-based approach.

Following the Strategic Review, the FATF, its global network partners, and observer organisations will continue to build on the current successes and lessons learned to sharpen global AML/CFT/CPF systems. The FATF will continue to update its Standards, when relevant, and ensure that its evaluation systems are optimised to provide countries with the most up-to-date evaluation framework that will continue to set the global standard for country evaluations.

ANNEX I: OVERVIEW OF CHANGES FROM THE FATF STRATEGIC REVIEW PROCESS

Changes to the FATF Evaluation Methodology

The FATF has made numerous changes to the FATF Methodology on nearly all immediate outcomes, and how assessors review effectiveness, to make it more clear and structured in all methodology. These include:

Assessment of risk coordination and policy setting (Chapter 1)

- Changes to risk and scoping and clarification of acceptable information and sources of credible information.
- Amendments to guide assessors towards areas of higher money laundering and terrorist financing risks and to verify whether the risks are up to date and specific.

International Co-operation (Chapter 2)

- Stronger focus on weighting and impact of international co-operation, and how it affects a country's performance vis-à-vis the other standards.
- Emphasis on quality of international co-operation and whether it generates results and improves overall effectiveness.
- Clarification that countries should not only seek information via international co-operation, but also use this information to generate results in investigations and prosecutions.
- Additional work, guidance and publications by FATF on the topic (links to publications and description).

Supervision (Chapter 3) and Preventive Measures (Chapter 4)

- Two separate immediate outcomes to evaluate financial and non-financial businesses and professions, to provide a clearer overview of effectiveness for each of these distinct sectors and to develop stronger and more targeted recommendations.

Transparency and Beneficial Ownership (Chapter 5)

- The FATF is reviewing the Recommendations for beneficial ownership and transparency in a separate exercise, which is underway in parallel to the Strategic Review.
- The FATF is working to ensure that the rules for beneficial ownership and transparency are more closely aligned with risks and better reflect the current global challenges associated with legal persons and arrangements (Recommendations 24 and 25). Members have initially agreed on tougher global rules for beneficial ownership (Recommendation 24). These rules now mean that all countries will need to have a beneficial ownership registry or an equivalent system in place. This will ensure that authorities have efficient access to adequate, accurate and up-to-date information on the beneficial owner of companies and other legal persons that are created in the country, as well as those that present ML/TF risk and have sufficient links with their country. In addition to closing beneficial ownership loopholes, the FATF has also banned the establishment of new physical bearer shares and strengthened disclosure requirements for existing bearer shares and nominee arrangements, which will stop these being used to hide money laundering.

Financial intelligence, money laundering investigations, prosecutions and confiscation (Chapter 6)

To ensure that assessors and the assessed country have a better understanding of how to build an effective criminal justice system, the FATF will re-focus these immediate outcomes by:

- Defining the term financial intelligence and clearly delineating the roles and responsibilities of the financial intelligence unit strengthening their role in the criminal justice system (Immediate Outcome 6).
- Ensuring a focus on the type of money laundering cases that are in line with risks, so that countries cannot list less relevant cases (such as self-laundering for low-risk offences) and expect to achieve higher effectiveness (Immediate Outcome 7).

Beyond the Strategic Review, the FATF will hold further discussions on ways of improving confiscation measures a (Immediate Outcome 8), enhancing asset recovery by strengthening Recommendations 4 and 38 on the domestic and cross-border frameworks, and by strengthening collaboration between the FATF/FSRBs and the Asset Recovery Networks – CARIN and the ARINs.

Terrorist and proliferation financing (Chapter 7)

- Clarifications to Immediate Outcome 9, to align investigations and prosecutions with the risk scoping identified in Immediate Outcome 1. Changes also ensure that assessors should focus on elements of risk-based investigations, and to what extent investigations are carried out in line with such risks.
- Immediate Outcome 10 has been modified and several aspects of the confiscation process have been placed squarely into Immediate Outcome 8. This has placed additional emphasis in Immediate Outcome 10 on TF-TFS implementation, whose wording has been amended.
- On Immediate Outcome 11, modifications have been brought from changes to the FATF Standard, from changes to Recommendation 7, and to align with changes to Immediate Outcome 10. (Details forthcoming).

Other General Changes throughout the FATF Methodology

- Changes to supporting information like the “Characteristics of an effective system (...)” sections, “examples of information” and “examples of specific factors (...)” throughout to clarify how countries need to implement the Standards and how they will be assessed.
- Overarching changes to Methodology to ensure that the mutual evaluation framework is more attune to risk. This includes more consistent references to risk throughout the Methodology, so that there is a greater emphasis on the major risks and context to ensure that countries and assessors focus on the areas where the risks are highest.

Overview of Changes to the FATF Evaluation, Follow-up and ICRG Procedures

Introduction and Matters of General Application

The existing 4th Round Procedures form the basis for the revised FATF Procedures. The text was reorganised thematically and edited for clarity. Substantive changes to the revised FATF Procedures reflect the AGSR’s decisions for measures to make FATF processes more focused, timely and risk based. Some of these changes include the following:

- Fifth round evaluations will take place in a six year cycle, reducing the amount of time between evaluations. The factors that determine the sequence of 5th round evaluations include risk related elements such as time since the last evaluation, general AML/CFT/CPF risks in the country, and relative size of the economy and financial sector.
- Clarified procedures for conducting assessments in a supra national context.
- Roles and responsibilities of participants in the mutual evaluation follow-up and ICRG processes are clearer and, in some cases, formalised for the first time. Requirements for individual participants, teams and ICRG Joint Groups have been updated and formalised for greater transparency.

Procedures in the Evaluation Process

Revised Procedures for the mutual evaluation process include various factors that will help increase focus on risk and effectiveness. The factors include:

- The evaluation process is expanded by one month to allow time for an enhanced risk and scoping exercise so that the assessment process is more clearly aligned with the risks faced in each country from the beginning of the process.
- Technical compliance assessments will be conducted as a continuation of 4th round follow up. Technical compliance with the FATF Recommendations will only be assessed when the assessed country has made a change to the legal, regulatory, or operational framework.

- The evaluation process will include collaboration between the assessment team and assessed countries to develop strategic Key Recommended Actions (KRA) and a KRA Roadmap to guide the assessed country to more effective implementation of AML/CFT/CPF measures. The KRA will be limited in number and should add value by identifying and prioritising specific and targeted measures to most effectively mitigate the risks the country faces, the deficiencies that exist, and taking into account relevant contextual factors.
- When a mutual evaluation report is adopted, the FATF President will write to the appropriate minister conveying the KRA Roadmap and FATF expectations for improvements to be made during follow up.

Procedures in the Follow-up Process

In an effort to streamline and make the follow up process more effective, the AGSR substantially revised the FATF follow-up procedures. Changes to the procedures for follow up reflect the AGSR's decisions regarding the following:

- A country's follow-up measures will be assessed as progress against the KRA Roadmap.
- Entry criteria for both enhanced follow-up and ICRG have been further strengthened to incentivise improvement before the evaluation process begins.
- Countries will report to Plenary 3 years after adoption of their mutual evaluation report and will be expected to fully or largely address all KRA and improve technical compliance with all Recommendations rated NC or PC by that time.
- Application of enhanced measures is triggered automatically if a country fails to fully or largely address all KRA outlined in its KRA Roadmap. These enhanced measures include a high level mission to determine political commitment and issuance of a FATF public statement.

Procedures in the ICRG Process

To enhance transparency and consistency across the Global Network, the ICRG process are now incorporated into a single document with the FATF procedures for MEs and follow up. The existing ICRG Procedures and Guidelines were used as the basis for the revised text and were edited for clarity. Substantive changes to ICRG procedures include:

- Reinforcing the technical nature of the ICRG process and the role of ICRG Joint Group participants as independent experts.
- Formalising the process for appointing ICRG Joint Group co-chairs for a two-year term, renewable in consultation with the FATF President.
- Clarification of ICRG decision making processes.
- Treatment of KRA Roadmaps in the ICRG process (including a hand-over meeting from the assessment team to the Joint Group), replacement of the term "action plan", certain flexibility for joint Groups to amend KRA Roadmaps adopted by FSRBs, and the binding nature of the KRA Roadmap at the beginning of the Observation Period for purposes of assessing a country's POPR and deciding on its public identification.
- Transition to a two-Plenary reporting cycle for countries under active ICRG review, with additional flexibility for more frequent reporting when requested by the country under review or required due to insufficient progress.

Other Substantive Decisions from the Strategic Review

In addition to changes to the Methodology and Procedures, the FATF agreed to a number of other important processes for the 5th Round of Mutual Evaluations. These decisions will also improve the timeliness, effectiveness and efficiency of the next round of mutual evaluations. These are:

- a. An in-principle agreement to start the next round of FATF Mutual Evaluations in 2025, and a flexible approach to commencing 5th round mutual evaluations for FSRBs, with a commitment of the FATF and other observers to support FSRBs efforts to complete the current round of mutual evaluations and prepare for the 5th round.
- b. An agreement to a 6 to 7 year mutual evaluation cycle, with an in-principle agreement that FSRB's shall align themselves to this cycle with some degree of flexibility (i.e. a 7 year cycle where necessary).
- c. A decision to maintain the status quo, whereby joint FATF and MENAFATF assessments continue for non-FATF GCC Members in the 5th round.
- d. An agreement to sequence the next round of mutual evaluations in a risk-based manner, with elements of risk described in the updated 5th round procedures.
- e. An agreement to discontinue the 5th round effectiveness follow-up process, effective immediately.
- f. An agreement to modify the (current) 4th round International Co-operation Review Group procedures process for approving and renewing joint-group co-chairs, with clear mandate lengths and composition of joint group.

ANNEX II: ADDITIONAL WORK AND PUBLICATIONS

Chapter 1: Assessment of risk, coordination and policy setting

- FATF Guidance on National money laundering and Terrorist Financing Risk Assessments, March 2013
<https://www.fatf-gafi.org/publications/methodsandtrends/documents/nationalmoneylaunderingandterroristfinancingriskassessment.html>
- FATF Guidance on Terrorist Financing Risk Assessments, July 2019
<https://www.fatf-gafi.org/publications/methodsandtrends/documents/terrorist-financing-risk-assessment-guidance.html>
- FATF Guidance on Risk Based Approach for:
 - a. Securities Sector, October 2018
<https://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/RBA-Securities-Sector.pdf>
 - b. Life insurance sector, October 2018
<https://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/RBA-Life-Insurance.pdf>
 - c. Money and Value transfer Services, February 2016
<https://www.fatf-gafi.org/media/fatf/documents/reports/Guidance-RBA-money-value-transfer-services.pdf>
 - d. Trust and company service providers, June 2019
<https://www.fatf-gafi.org/media/fatf/documents/reports/RBA-Trust-Company-Service-Providers.pdf>
 - e. Accounting profession, June 2019
<https://www.fatf-gafi.org/media/fatf/documents/reports/RBA-Accounting-Profession.pdf>
 - f. Legal Professionals
<https://www.fatf-gafi.org/media/fatf/documents/reports/Risk-Based-Approach-Legal-Professionals.pdf>
 - g. Virtual Assets and Virtual Asset Service Providers, October 2021
<https://www.fatf-gafi.org/media/fatf/documents/recommendations/Updated-Guidance-VA-VASP.pdf>

Chapter 2: International Co-operation

Chapter 3: Supervision

- FATF Guidance on Risk-Based Supervision, March 2021
<https://www.fatf-gafi.org/media/fatf/documents/Guidance-Risk-Based-Supervision.pdf>

Chapter 4: Preventive measures

- FATF Guidance on Risk Based Approach for:
 - a. Banking Sector, October 2014
<https://www.fatf-gafi.org/media/fatf/documents/reports/Risk-Based-Approach-Banking-Sector.pdf>
 - b. Securities Sector, October 2018
<https://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/RBA-Securities-Sector.pdf>
 - c. Life insurance sector, October 2018
<https://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/RBA-Life-Insurance.pdf>
 - d. Money and Value transfer Services, February 2016
<https://www.fatf-gafi.org/media/fatf/documents/reports/Guidance-RBA-money-value-transfer-services.pdf>
 - e. Trust and company service providers, June 2019
<https://www.fatf-gafi.org/media/fatf/documents/reports/RBA-Trust-Company-Service-Providers.pdf>
 - f. Accounting profession, June 2019
<https://www.fatf-gafi.org/media/fatf/documents/reports/RBA-Accounting-Profession.pdf>
 - g. Legal Professionals, June 2019

Chapter 5: Transparency and beneficial ownership

- FATF Guidance on Transparency and Beneficial Ownership, October 2014
<https://www.fatf-gafi.org/media/fatf/documents/reports/Guidance-transparency-beneficial-ownership.pdf>

Chapter 7: Terrorist and proliferation financing

- FATF Best practices on confiscation, October 2012
<https://www.fatf-gafi.org/media/fatf/documents/reports/Best%20Practices%20on%20Confiscation%20and%20a%20Framework%20for%20Ongoing%20Work%20on%20Asset%20Recovery.pdf>
- FATF President's paper on Anti- money laundering and counter terrorist financing for judges & prosecutors, June 2018
<https://www.fatf-gafi.org/media/fatf/documents/reports/AML-CFT-Judges-Prosecutors.pdf>

Chapter 6: Financial intelligence, money laundering investigations, prosecutions and confiscation

The FATF Strategy on Combatting Terrorist Financing sets out the broad objectives for FATF's work in this area. Under this strategy, the FATF, in close collaboration with the regional FATF-style regional bodies and other partners such as the UN, has completed work to support countries around the world in combatting terrorist financing.

TERRORIST FINANCING

- Ethnically or Racially Motivated Terrorism Financing, July 2021
<https://www.fatf-gafi.org/media/fatf/documents/reports/Ethnically-or-racially-motivated-terrorism-financing.pdf>
- Terrorist Financing Risk Assessment Guidance, July 2019
<https://www.fatf-gafi.org/media/fatf/documents/reports/Terrorist-Financing-Risk-Assessment-Guidance.pdf>
- Terrorist Financing Disruption Strategies, October 2018
<https://www.fatf-gafi.org/media/fatf/documents/brochuresannualreports/TF%20Disruption%20strategies%20handout.pdf>
- Financing of Recruitment for Terrorist Purposes, January 2018
<https://www.fatf-gafi.org/media/fatf/documents/reports/Financing-Recruitment-for-Terrorism.pdf>
- Terrorist Financing in Central and West Africa, October 2016
<https://www.fatf-gafi.org/media/fatf/documents/reports/Terrorist-Financing-West-Central-Africa.pdf>
- Emerging Terrorist Financing Risks, October 2015
<https://www.fatf-gafi.org/media/fatf/documents/reports/Emerging-Terrorist-Financing-Risks.pdf>
- Risk of Terrorist Abuse in Non-Profit Organisations, June 2014
<https://www.fatf-gafi.org/media/fatf/documents/reports/Risk-of-terrorist-abuse-in-non-profit-organisations.pdf>
- High-Level Synopsis: Mitigating the Unintended Consequences of the FATF Standards, October 2021
<https://www.fatf-gafi.org/media/fatf/documents/Unintended-Consequences.pdf>
- FATF Guidance on Criminalising Terrorist Financing, October 2016
<https://www.fatf-gafi.org/media/fatf/documents/reports/Guidance-Criminalising-Terrorist-Financing.pdf>
- Best Practices Paper on Recommendation 2: Sharing among domestic competent authorities information related to the financing of proliferation, February 2012
<https://www.fatf-gafi.org/publications/fatfrecommendations/key/cespaperonrecommendation2sharingamongdomesticcompetentauthoritiesinformationrelatedtothefinancingofproliferation.html>

PROLIFERATION FINANCING

- FATF Guidance on Proliferation Financing Risk Assessment and Mitigation, June 2021
<https://www.fatf-gafi.org/media/fatf/documents/reports/Guidance-Proliferation-Financing-Risk-Assessment-Mitigation.pdf>
- FATF Guidance on Proliferation Financing, February 2018
<https://www.fatf-gafi.org/media/fatf/documents/reports/Guidance-Countering-Proliferation-Financing.pdf>
- FATF Proliferation Financing Report, June 2018
<https://www.fatf-gafi.org/media/fatf/documents/reports/Typologies%20Report%20on%20Proliferation%20Financing.pdf>



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