



WHAT ARE THE FATF PROCEDURES?

The FATF is the global standard setter to tackle money laundering and the financing of terrorism and the proliferation of weapons of mass destruction. These standards, the FATF Recommendations, aim to prevent these illegal activities and the harm they cause to society. Over 200 countries and jurisdictions have committed to implementing the FATF Standards in their national legal, regulatory and operational framework to stop criminals, terrorists, the corrupt and rogue nations raise, move and use funds and fuel crime and terrorism. The FATF also assesses whether countries have implemented these Global Standards and are using them effectively to close the loopholes in the financial system and help prevent, detect, and punish criminal activity.

A mutual evaluation is a complex and time-consuming process. It requires an assessment team to have an in-depth knowledge and understanding of the assessed country's efforts to prevent criminals and terrorist from raising, using and moving funds. It is essential that the right experts are involved, that timelines are respected, to ensure a fair and consistent treatment of each country and a high-quality mutual evaluation report for each country. Using the experience from the 4th Round of Mutual Evaluations, the FATF revised the *Procedures for the FATF ML/CFT/CPF Mutual Evaluations, follow-up and ICRG* (the FATF Procedures for short). These Procedures set out the steps involved in assessing countries actions to combat money laundering, terrorist financing and

the financing of proliferation of weapons of mass destruction.

The FATF Procedures cover the mutual evaluation itself, but also the regular follow-up process, the enhanced follow-up - for countries with that require major improvements for technical compliance of effectiveness - and the ICRG process - for countries that need to make fundamental improvements. The procedures set out the composition, roles and responsibilities of the parties in these processes: assessment team, assessed countries, FATF Secretariat, working group co-chairs.

It explains the necessary steps in the mutual evaluation process, from risk and scoping exercises, mandatory timelines, FATF plenary discussion to publication. The FATF Procedures explain the follow-up monitoring mechanisms, when they apply and what is expected in each of them.

The FATF Procedures ensure that FATF conducts its mutual evaluations and follow-up in a consistent manner, so that each country benefits from a fair and unbiased assessment of its actions to tackle illicit finance. The core components of these procedures also form the basis for the Universal Procedures, which are used by other assessing bodies, including the FATF-Style Regional Bodies and the IMF and World Bank. This ensures a consistent approach to mutual evaluations, regardless of the assessing body.

ABOUT THE FATF | The FATF sets global standards to tackle money laundering and the financing of terrorism and the proliferation of weapons of mass destruction. These standards, including the FATF Recommendations, aim to prevent these illegal activities and the harm they cause to society. Over 200 countries and jurisdictions have committed to implementing the FATF Standards in their national legal, regulatory and operational

framework to stop criminals, terrorists, the corrupt and rogue nations from raising, moving and using funds and fuelling crime and terrorism. The FATF also assesses whether countries have implemented these Global Standards and are using them effectively to close the loopholes in the financial system and help prevent, detect, and punish criminal activity.



Learn more about the current mutual evaluation programme completed mutual evaluation and follow-up reports.

www.fatf-gafi.org/publications/mutualevaluations

WHAT WILL CHANGE IN THE NEXT ROUND OF ASSESSMENTS?

The FATF took stock of the results in the current round of mutual evaluation, the 4th round. It looked at what was going well, and the areas where the results were not so good. Using this information, it made a

number of changes to the Procedures that will apply to the next round of mutual evaluation, which will start when all members have been assessed against the current Methodology, as adopted in 2013.

- ▶ The assessment sequence will be based on risk, so that FATF assesses in priority the countries with the lowest scores, and that face the highest risks.
- ▶ The next round of mutual evaluations will be a six-year cycle, significantly shorter than earlier rounds which lasted 10 years on average.
- ▶ After their mutual evaluation, countries will have three-years to take action and address the deficiencies. If they fail to do so, they will automatically face a range of measures, including the possibility of the FATF publicly raising concerns about outstanding deficiencies.
- ▶ The shorter cycle, greater scrutiny and strong follow-up mechanisms will ensure that governments stay focused on taking effective action to detect, prevent and punish money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction.
- ▶ Clarified procedures for assessments in a supranational context, such as the EU context.
- ▶ The follow-up assessment process will be more results-oriented, focusing on specific actions to tackle money laundering, terrorist financing and the financing of weapons of mass destruction.
- ▶ To improve transparency and consistency, there is now one set of procedures that combines the follow up and enhanced follow procedures with the procedures to identify countries with serious and strategic shortcomings in their national frameworks.

