



WHAT ARE FATF MUTUAL EVALUATIONS?

Mutual evaluations are assessments of a country's actions to tackle money laundering and the financing of terrorism and the proliferation of weapons of mass destruction resulting in a comprehensive report. Each mutual evaluation report reviews the extent to which a country has implemented the FATF 40 Recommendations, which are the global standards to combat money laundering and the financing of terrorism and the proliferation of weapons of mass destruction (AML/CFT/CPF), in its legal, regulatory and operational framework.

A mutual evaluation examines a range of issues to ensure that the country has implemented these standards. These issues include whether the country has enacted the necessary laws, established the right policies and whether its competent authorities, including its financial intelligence unit and financial supervisors, are properly resourced.

Laws, regulations, procedures are important, as they form the building blocks for an effective system to deprive criminals from the proceeds of their crimes and terrorists from their funding and prevent the harm they can do to our society. Thanks to the FATF, most countries now have the rules and tools

to do what it takes to combat money laundering and terrorist financing. But countries need to put them to work to see real, tangible results. That is why mutual evaluation reports also look at whether countries are making good use of the rules and tools at their disposal: the FATF has identified 11 immediate outcomes of an effective system that it uses to measure a country's effectiveness in each mutual evaluation report.

The results of a mutual evaluation are an important milestone for a country. Good results demonstrate a safe and robust financial system. This contributes to economic growth, trust in the rule of law and establishes the country's position in the global financial system. Poor mutual evaluation results can have a far-reaching impact for countries, including inclusion the FATF's statements of high-risk and other monitored jurisdictions for countries with the most serious shortcomings.

The mutual evaluation report is a starting point for the country, as it identifies the priority actions that the country must take to strengthen national frameworks and make its AML/CFT/CPF actions more effective.

WHAT IS THE FATF METHODOLOGY?

The FATF Methodology for assessing technical compliance with the FATF Recommendations and the Effectiveness of AML/CFT/CPF Systems (the FATF Methodology for short) is a guide intended for use by assessors who are tasked with conducting a mutual evaluation. The Methodology provides a structured framework of analysis that ensures a level of consistency and high quality of the mutual evaluation

reports produced. Other assessing bodies, such as the FATF's regional partners, the FATF-style regional bodies and the IMF and World Bank also use the same Methodology for their AML/CFT/CPF assessments.

Each assessment looks at whether a county has the necessary laws and regulations in place, in line with the 40 FATF Recommendations. For each

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.

Recommendation, the country receives a rating that range from non-compliant to compliant. The Methodology sets out the requirements for each Recommendation, principally focusing on the laws, regulations as well as the powers and procedures that need to be in place to fight illicit finance. The Methodology indicates the points that the assessors will verify when assessing compliance with a specific Recommendation.

Sound laws, regulations and procedures are important, but what is even more important is that they are put to use and deliver results. The Methodology also identifies the 11 immediate outcomes that an effective AML/CFT/CPF framework

should be able to deliver and the characteristics of effective action in each of these 11 areas. It is up to the country to demonstrate that it is taking effective action. The extent to which a country has achieved this is reflected in ratings that range from low to high level of effectiveness.

While the FATF Methodology is an essential guide for assessors conducting mutual evaluations, it also provides useful information for countries seeking to improve their measures to combat ML/TF/PF. It offers a guidance on what characterises an effective system, and helps countries identify where they can improve.

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 countries needed to improve their performance. Using this information, the FATF made a number of changes to

the Methodology and 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 next round of mutual evaluations will place an even greater focus on effectiveness, to ensure that countries are implementing and making use of the laws, regulations and policies that are being passed.

▶ There will also be a greater emphasis on the major risks and context. This will ensure that countries, and the assessors reviewing them focus on the areas where the risks are highest, not just lower-risk areas where it is comparatively easier to launch investigations and secure convictions.

▶ With this new Methodology, mutual evaluations in the next round will assess the effectiveness of the financial sector and the non-financial businesses and professions separately. This will provide a clearer overview of the level of effectiveness of these distinct areas, and stronger and more targeted recommendations for improvement.

▶ Recommendations from the mutual evaluation reports will be more results-oriented, focusing on specific actions and timelines to tackle money laundering, terrorist financing and the financing of weapons of mass destruction.

▶ The next round of mutual evaluations will be a six-year cycle, significantly shorter than earlier rounds, which lasted 10 years on average.



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

www.fatf-gafi.org/publications/mutualevaluations