

FATF



High-Level Principles and Objectives for FATF and FATF-style regional bodies

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FINANCIAL ACTION TASK FORCE

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

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

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Applications for such permission, for all or part of this publication, should be made to the FATF Secretariat, 2 rue André Pascal 75775 Paris Cedex 16, France

(fax: +33 1 44 30 61 37 or e-mail: contact@fatf-gafi.org).

HIGH-LEVEL PRINCIPLES & OBJECTIVES FOR FATF AND FATF-STYLE REGIONAL BODIES (FSRBs)

HIGH-LEVEL PRINCIPLES

Standard setting:

The FATF is the only standard-setting body and the guardian and arbiter of the application of its standard and should therefore, have the opportunity to identify, communicate and table consistency issues with the FATF Recommendations. In setting the standard however, FATF depends on input from the FSRBs as much as from its own members.

Technical assistance:

FSRBs can also play an essential role in identifying and addressing AML/CFT technical assistance needs for their individual members. In those FSRBs that carry out this co-ordination work, technical assistance necessarily complements mutual evaluation and follow-up processes by helping jurisdictions to implement the FATF standards.

Autonomy:

FATF and FSRBs are free-standing organisations. There is no organisational hierarchy between FATF and the FSRBs, and an FSRB can otherwise exist for other purposes, even though recognition as an “FATF-style body” is the *conditio sine qua non* for being considered an FSRB. The FATF and FSRBs are unique, each brings different needs and experiences to the table that help to strengthen the overall AML/CFT effort.

Sharing common objectives and working in partnership:

Despite the autonomy of the FATF and individual FSRBs from one another, they share a common goal in combating money laundering and the financing of terrorism and proliferation, and in fostering effective AML/CFT systems. In concrete terms, they do this as *assessor bodies* through mutual evaluation processes and follow-up procedures. They also work toward a common goal in identifying and addressing threats to the financial system. The common objectives of the FATF and FSRBs make them part of a larger whole, thus the success or failure of one organisation necessarily affects all of them.

Reciprocity:

FATF and FSRBs operate on the basis of (mutual or joint or common) recognition of their work, which implies that FSRBs and FATF put in place similar mechanisms for effective participation and involvement in each other’s activities.

Common interest in protecting the FATF brand:

Since the FATF and FSRBs are part of a larger whole and the success or failure of one organisation can have an effect on all organisations, protection of the FATF brand is therefore in the common interest of both the FATF and FSRBs. The FATF brand is not limited to FATF output, but also extends to any FSRB output based on the FATF Recommendations, assessment methodology, best practices and guidance papers, mutual evaluations and follow-up.

OBJECTIVES

A RECIPROCAL RIGHTS AND OBLIGATIONS FOR FATF AND FSRBS

Access to documents

- 1) FATF and FSRBs¹, and their respective members should have access to all of each other's confidential and non-confidential documents, including but not restricted to Plenary, working group or subgroup, conference, training, or consultation documents, at the time that the documents are circulated to the body's own members. Observers to the FATF and/or FSRBs do not in principle have the right to access the documents of another body. Documents of another body may nonetheless be shared with observers with the consent of the body which produced the document.

Joint events and participation in mutual evaluations

- 2) The FATF and FSRBs should pursue opportunities for joint events/projects, and invite FATF and FSRB representatives to participate actively in each others events/projects.
- 3) FATF and FSRBs should offer each other the opportunity (by invitation or on request) to provide qualified assessors and reviewers to participate, as appropriate, in each other's mutual evaluations. Assessment schedules should be made available on a timely basis to facilitate this process. FATF and FSRBs should also have the possibility of providing observers to each other's mutual evaluations for training purposes. In the case of joint mutual evaluations, the rules outlined in the *Universal Procedures for AML/CFT Assessments* should apply.
- 4) The FATF and FSRBs should circulate final draft mutual evaluation reports before the discussion at a Plenary meeting, with sufficient time² to enable FATF and FSRB members and observers to provide comments prior to the Plenary discussion.

¹ Unless otherwise specified, generic references to FATF and FSRBs are to be understood as a generic term referring to the FATF or to an FSRB as a body. As is currently the case, circumstances will determine if the body is represented by individual members, the President or the Secretariat.

² The effective mechanisms should be in line with the *Universal Procedures for AML/CFT Assessments*. The deadline for circulation of draft mutual evaluation reports under the *Universal Procedures* is five weeks ahead of a Plenary meeting discussion.

- 5) The FATF and FSRBs should have effective mechanisms for allowing early identification³ of consistency issues in individual mutual evaluations, including those undertaken by the IMF and the World Bank, so that consistency issues are addressed early in the process and that the discussion of the mutual evaluation report in the plenary can focus on substance, thus assisting the assessors and the assessing body.

Access to meetings

- 6) FATF and FSRBs should offer each other and each other's member jurisdictions the opportunity to provide input to each other's discussions and decision making processes, including extending timely invitations to each other's meetings and events. FATF/FSRB member jurisdictions are encouraged to submit written comments and feedback under the name of their jurisdiction on any FSRB/FATF document and papers. Observers to the FATF or FSRBs do not have the right to access the meetings organised by another body which has not granted them membership or observership, although invitations may be granted on a case-by-case basis.
- 7) FATF should be allowed to send representatives from its member jurisdictions, not including those FATF jurisdictions that are also a member of or observer to a particular FSRB, to participate in all FSRB meetings, including ministerial, plenary, working group and sub-group meetings. FSRBs should be allowed to send representatives from their member jurisdictions, not including those FSRB members that are already also a member of FATF, to participate in FATF Plenary, working group and sub-group meetings. The representatives of the FATF/FSRB jurisdictions will participate in the meeting under the umbrella of their respective body⁴ and under the co-ordination of the FATF/FSRB's Presidency or Secretariat.
- 8) Access to meetings is in principle unlimited, however, the number of delegations and delegates may be adjusted for logistical reasons.⁵ FATF and FSRBs are each responsible to ensure that their delegations consist of delegates from competent authorities that can represent FATF, their FSRB or their jurisdiction (*i.e.*, no private sector representation or members of the press) and have the necessary expertise. The Secretariats are also

³ Some examples of such mechanisms are the review of IMF reports by the FATF before face-to-face meetings take place, early reviews of FSRB reports by the FATF Secretariat and mechanisms such as an "Expert Review Team" and "Expert Quality Control Groups". Early identification of consistency issues in the mutual evaluation process allows such matters to be dealt with and avoid distraction from real compliance issues.

⁴ Meaning that delegates from an FATF/FSRB jurisdiction may take the floor on behalf of their FATF/FSRB but not on behalf of their own jurisdiction.

⁵ The number of delegations and/or representatives may be limited depending on logistics and taking into account the number of members of FSRBs to allow for proportional access. For example, delegates may be asked to rotate their presence in a meeting room. Whilst there is no requirement for FATF/FSRBs to bring a minimum number of members to FATF/FSRB meetings, FSRB and FATF members are strongly encouraged to attend each other's meetings. Participation in certain groups, such as mutual evaluation expert review groups, can be limited, provided that the limitation applies to both members of the FATF and FSRBs alike.

responsible for co-ordinating participation in meetings, especially in cases where there is a need to limit delegates in the meeting rooms for logistical reasons. Registration of delegates is done through the Secretariats.

Assistance

- 9) Secretariat to Secretariat assistance: FSRBs may seek to obtain assistance, at their request or as a result of the peer review process, from the FATF Secretariat or from other FSRBs' Secretariats to carry out the tasks of a Secretariat, including training on AML/CFT⁶ issues.
- 10) FATF to FSRB assistance: FSRBs can obtain assistance to carry out training for FSRB jurisdictions, including AML/CFT assessment training, from the FATF Secretariat and FATF jurisdictions.

Peer review

- 11) The FATF and FSRBs should participate in the peer review process aimed at assessing the fulfilment of the HLPOs by any of the bodies in the global network.

Other

- 12) FSRBs should actively promote the FATF Recommendations⁷ and support the actions of the FATF at the international level through its members' implementation of and compliance with the FATF Recommendations, and through the adoption of policies consistent with FATF Recommendations and actions. FATF should actively support the work of FSRBs on the regional level.

B GOVERNANCE STRUCTURES FOR FATF AND FSRBS

Membership and observership

- 13) The FSRB should be a regional group consisting of at minimum 6 member jurisdictions.
- 14) The FSRB should be able to consider membership and observership applications of FATF members and observers, of other FSRBs, and of other FSRB members and observers that are active in its region and that otherwise meet the FSRBs membership or observership criteria.
- 15) The members of the body should agree to implement the FATF Recommendations within a reasonable timeframe.

⁶ The term AML/CFT in this list extends to other illicit financing issues or emerging threats that are incorporated into the FATF Recommendations and FATF Mandate.

⁷ References to the FATF Recommendations include all FATF requirements subject to FATF mutual evaluations, as updated from time to time.

Mission and endorsement

- 16) The body should observe its written agreement, such as a mandate, memorandum of understanding or terms of reference, which sets out the objectives of the body and commits the member governments to implementing the body's principles and programs for combating ML/TF, to undertake mutual evaluations and follow-up, and to promote international co-operation among its members and with other FATF/FSRB members. The body may consider developing an AML/CFT strategy for the region, regional frameworks for (operational) co-operation, such as Heads of FIU meetings, and playing a role in identifying technical assistance and training needs, co-ordinating and providing technical assistance and training in the AML/CFT area, which includes hosting (mutual evaluation) training seminars for its members.
- 17) The members and observers should endorse the body's mission, which should include supporting the FSRB's efforts to ensure that members implement AML/CFT measures in accordance with the FATF Mandate and Recommendations.
- 18) The FSRB should not have functions in other areas that are substantially outside the scope of AML/CFT matters or that would seriously hinder performing its effective functioning as an FSRB.
- 19) The body its members and its observers should endorse the FATF Recommendations and mutual evaluation related material as interpreted by the FATF, and support other related FATF material and policies, such as best practice papers, guidance, and policy papers.
- 20) The body should be committed to promoting international co-operation among its various members and between these members and the FATF and other FSRBs.
- 21) The body should commit to the FATF International Co-operation Review Group exercise, and actively support and participate in this process.

Institutional setup

- 22) The body should have a President/Chair or Co-chairs.
- 23) The body should provide a firm basis for its Secretariat, for example, by concluding a written agreement with the hosting country or by being a part of an existing international or regional body. The Secretariat will serve and be accountable to the Chair and members of the body. It should be appropriately trained, resourced and structured to perform its functions and carry out decisions of the membership. The selection of the Secretariat staff should be based on merit and integrity, and endeavour to reflect the diversity of its membership, and the body and its staff should not be afforded immunity from criminal prosecution for serious offences.
- 24) The body should meet on a regular basis, preferably at least twice a year. This should always encompass at least one plenary meeting of officials and experts, but could also include a meeting of Ministers to ensure political backing of what otherwise should be a technical body.

- 25) The Plenary should be the highest authority where no ministerial exists, and the ultimate decision making body on all technical issues (*i.e.*, Mutual Evaluation Reports, follow-up reports).
- 26) If necessary due to the decision making structure of the body, the body should have in place a decision-making process for when the body cannot meet (*i.e.*, written procedure, “round robin”, etc.), to enable the body to take decisions, when appropriate.
- 27) The body should record its meetings and decisions in a transparent manner, and its meeting records should include decisions taken and reflect important issues discussed and raised. Meeting records and final documents should be distributed and available to members and observers in a timely fashion after the conclusion of the meetings.

Financial procedures and budget

- 28) The body needs to have in place adequate and transparent budgetary arrangements, including proper budgeting and independent auditing functions. The annual budget should be adequate to ensure the short term and long term financial viability of the body. To this end, the body shall put in place controls and processes to provide reasonable assurance to its members that transactions are made in accordance with acceptable financial practices and that its assets are safeguarded, and all the body’s resources are well managed. In addition, the body shall provide its members a written report on its financial activity at least once a year. This report shall present a table outlining all income and the offsetting expenditures with a comparative view of prior year expenditures.⁸ The meeting of the body should include a discussion of the budget and budget allocations at least once per year.
- 29) Core funding for the budget should come from member government contributions, and should allow the body to exercise all its core functions (such as plenary meetings, mutual evaluations, typologies, technical assistance co-ordination, etc.). The body may benefit from additional financial assistance provided by its members, non-members and/or international organisations to conduct relevant additional programs; but should safeguard its impartiality by remaining a non-profit organisation and not undertake any for-profit activity that would affect the impartiality or effectiveness of the organisation.

Other

- 30) The body should have a communications policy⁹ to ensure consistent communication on the FATF Recommendations and their implementation. The policy should include a requirement for the body to present an Annual Report with an overview of its activities undertaken during the year. The body should also have a policy on communication with its members to

⁸ Where FSRBs are part of a larger international body or organisation, the report on their financial activities may be part of the general budgetary report of that international body or organisation, provided that the latter has established criteria equivalent to those laid down in this paragraph (e.g. reporting on financial activity or financial stability on a biennial basis).

⁹ This is not necessarily a written policy but could also be based on practice.

ensure that they receive critical updates and information regarding FATF and FSRB activities.

- 31) The body should reach out to other international/regional organisations, and non-member jurisdictions in the region.
- 32) Given the particular role of financial intelligence units in helping to implement the FATF standards, the body should seek ways of working with the Egmont Group of FIUs with the aim of incorporating operational expertise of FIUs into its activities, including mutual evaluations, typologies and policy documents. The body should also consider organising a forum, where this is feasible, to further facilitate the contribution of operational experience.

C FATF BRAND ISSUES

Mutual evaluations

- 33) The body should conduct mutual evaluations of its members for compliance with the FATF Recommendations, in accordance with the *Universal Procedures for AML/CFT Assessments*¹⁰, and endorse the *Key Principles for Mutual Evaluations and Assessments*, and the principle that all mutual evaluations of FATF and FSRBs must be consistent and based on a common interpretation of the FATF Recommendations to protect the FATF brand.
- 34) The body's mutual evaluation and follow-up processes should incorporate a Plenary discussion of all mutual evaluation reports and of relevant follow-up reports and should exert adequate peer pressure on the members to come into compliance with FATF Recommendations. This includes ensuring that there are appropriate consequences in accordance with FATF standards and procedures from the body when corrective action is not taken.
- 35) Each body endorses and publishes its own mutual evaluations. Nonetheless, before publication, the mutual evaluations of all assessment bodies will be subject to a quality and consistency review in accordance with the procedures outlined in the *Universal Procedures*. This review aims to identify any serious or major issues with the potential to affect the credibility of the FATF brand. Inconsistent and poor quality mutual evaluation reports will not be published with the common FATF/FSRBs mutual evaluation cover page, and the jurisdiction will not be considered to have been assessed.
- 36) The FSRB should permit FATF to publish on the FATF website adopted mutual evaluation reports that have been endorsed by the FATF. FATF will permit the FSRB to publish adopted evaluation reports of joint members.

¹⁰ The *Universal Procedures* allow necessary differences between FATF and FSRB procedures that are relevant for mutual evaluation processes and procedures to be identified and accounted for (such as, for example, the frequency of plenary meetings, implementation plans and the need to allow sufficient time for translation of reports).

Risk and typologies

- 37) The body should understand the risks associated with money laundering and terrorist financing in the region. The body should also support national, regional and global AML/CFT threat and risk assessments. The FATF will co-ordinate with FSRBs the work on global AML/CFT threats and risk.
- 38) The body should conduct regional-level research and analysis of ML/TF methods and trends where relevant, in particular sharing jurisdictions' experiences in typologies exercises and join FATF and other FSRBs in joint typologies work. Global co-ordination of all typologies work will continue to be undertaken by the FATF and FSRBs together.
- 39) The FSRB should conduct its typologies work in accordance with best practices, procedures and templates used for FATF typologies reports, if it wishes to submit such work to FATF for endorsement / publication.

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Contact the FATF

FATF Secretariat
2 rue André Pascal
75775 Paris Cedex 16, France
Tel: +33 (0) 1 45 24 90 90
Fax: + 33 (0) 1 44 30 61 37
contact@fatf-gafi.org
www.fatf-gafi.org

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