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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.

Characteristics of an effective system

A country properly identifies, assesses and understands its money laundering and terrorist financing risks, and co-ordinates domestically to put in place actions to mitigate these risks. This includes the involvement of competent authorities and other relevant authorities; using a wide range of reliable information sources; using the assessment(s) of risks as a basis for developing and prioritising AML/CFT policies and activities; and communicating and implementing those policies and activities in a co-ordinated way across appropriate channels. The relevant competent authorities also co-operate, and co-ordinate policies and activities to combat the financing of proliferation. Over time, this results in substantial mitigation of money laundering and terrorist financing risks.

This outcome relates primarily to Recommendations 1, 2, 33 and 34.

Note to Assessors:

- 1) Assessors are not expected to conduct an in-depth review of, or assess the country's assessment(s) of risks. Assessors, based on their views of the reasonableness of the assessment(s) of risks, should focus on how well the competent authorities use their understanding of the risks in practice to inform policy development and actions to mitigate the risks.
- 2) Assessors should take into consideration their findings for this Immediate Outcome (IO) in their assessment of the other IOs. However, assessors should only let their findings relating to the co-operation and co-ordination of measures to combat the financing of proliferation affect the assessments of IO.11 and not of the other IOs. (i.e. IO.2 to IO.10) that deal with combating money laundering and terrorist financing.

Core issues to be considered in determining if the Outcome is being achieved

- 1.1. How well does the country understand its ML/TF risks?
- 1.2. How well are the identified ML/TF risks addressed by national AML/CFT policies and activities?

EFFECTIVENESS ASSESSMENT

90

- 1.3. To what extent are the results of the assessment(s) of risks properly used to justify exemptions and support the application of enhanced measures for higher risk scenarios, or simplified measures for lower risk scenarios?
- 1.4. To what extent are the objectives and activities of the competent authorities and SRBs consistent with the evolving national AML/CFT policies and with the ML/TF risks identified?
- 1.5. To what extent do the competent authorities and SRBs co-operate and co-ordinate the development and implementation of policies and activities to combat ML/TF and, where appropriate, the financing of proliferation of weapons of mass destruction?
- 1.6. To what extent does the country ensure that respective financial institutions, DNFBPs and other sectors affected by the application of the FATF Standards are aware of the relevant results of the national ML/TF risks?

a) Examples of information that could support the conclusions on Core Issues

1. The country's assessment(s) of its ML/TF risks (e.g. types of assessment(s) produced; types of assessment(s) published / communicated).
2. AML/CFT policies and strategies (e.g. AML/CFT policies, strategies and statements communicated/published; engagement and commitment at the senior officials and political level).
3. Outreach activities to private sector and relevant authorities (e.g. briefings and guidance on relevant conclusions from risk assessment(s); frequency and relevancy of consultation on policies and legislation, input to develop risk assessment(s) and other policy products).

b) Examples of Specific Factors that could support the conclusions on Core Issues

4. What are the methods, tools, and information used to develop, review and evaluate the conclusions of the assessment(s) of risks? How comprehensive are the information and data used?
5. How useful are strategic financial intelligence, analysis, typologies, and guidance?
6. Which competent authorities and relevant stakeholders (including financial institutions and DNFBPs) are involved in the assessment(s) of risks? How do they provide inputs to the national level ML/TF assessment(s) of risks, and at what stage?
7. Is the assessment(s) of risks kept up-to-date, reviewed regularly and responsive to significant events or developments (including new threats and trends)?
8. To what extent is the assessment(s) of risks reasonable and consistent with the ML/TF threats, vulnerabilities and specificities faced by the country? Where appropriate, does it take into account risks identified by other credible sources?
9. Do the policies of competent authorities respond to changing ML/TF risks?
10. What mechanism(s) or body do the authorities use to ensure proper and regular co-operation and co-ordination of the national framework and development and

EFFECTIVENESS ASSESSMENT

91

implementation of policies to combat ML/TF, at both policymaking and operational levels, and where relevant, the financing of proliferation of weapons of mass destruction? Does the mechanism or body include all relevant authorities?

11. Are there adequate resources and expertise involved in conducting the assessment(s) of risks, and for domestic co-operation and co-ordination?

Immediate Outcome 2

International co-operation delivers appropriate information, financial intelligence, and evidence, and facilitates action against criminals and their assets.

Characteristics of an effective system

The country provides constructive and timely information or assistance when requested by other countries. Competent authorities assist with requests to:

- locate and extradite criminals; and
- identify, freeze, seize, confiscate and share assets and provide information (including evidence, financial intelligence, supervisory and beneficial ownership information) related to money laundering, terrorist financing or associated predicate offences.

Competent authorities also seek international co-operation to pursue criminals and their assets. Over time, this makes the country an unattractive location for criminals (including terrorists) to operate in, maintain their illegal proceeds in, or use as a safe haven.

This outcome relates primarily to Recommendations 36 - 40 and also elements of Recommendations 9, 24, 25 and 32.

Note to Assessors:

Assessors should take into consideration how their findings on the specific role of relevant competent authorities in seeking and delivering international co-operation under this IO would impact other IOs (particularly IO.3, IO.5, IOs. 6 to 10) including how the country seeks international co-operation with respect to domestic cases when appropriate.

Core Issues to be considered in determining if the Outcome is being achieved

- 2.1. To what extent has the country provided constructive and timely mutual legal assistance and extradition across the range of international co-operation requests? What is the quality of such assistance provided?
- 2.2. To what extent has the country sought legal assistance for international co-operation in an appropriate and timely manner to pursue domestic ML, associated predicate offences and TF cases which have transnational elements?
- 2.3. To what extent do the different competent authorities seek other forms of international co-operation to exchange financial intelligence and supervisory, law enforcement or other information in an appropriate and timely manner with their foreign counterparts for AML/CFT purposes?

10. How well has the country worked with the requesting or requested country to avoid or resolve conflicts of jurisdiction or problems caused by poor quality information in requests?
11. How do competent authorities ensure that details of the contact persons and requirements for international co-operation requests are clear and easily available to requesting countries?
12. To what extent does the country prosecute its own nationals without undue delay in situations when it is unable by law to extradite them?
13. What measures and arrangements are in place to manage and repatriate assets confiscated at the request of other countries?
14. Are there aspects of the legal, operational or judicial process (e.g., excessively strict application of dual criminality requirements etc.) that impede or hinder international co-operation?
15. To what extent are competent authorities exchanging information, indirectly, with non-counterparts?
16. Are adequate resources available for: (a) receiving, managing, coordinating and responding to incoming requests for co-operation; and (b) making and coordinating requests for assistance in a timely manner?

- 2.4. To what extent do the different competent authorities provide (including spontaneously) other forms of international co-operation to exchange financial intelligence and supervisory, law enforcement or other information in a constructive and timely manner with their foreign counterparts for AML/CFT purposes?
- 2.5. How well are the competent authorities providing and responding to foreign requests for co-operation in identifying and exchanging basic and beneficial ownership information of legal persons and arrangements?
 - a) *Examples of information that could support the conclusions on Core Issues*
 1. Evidence of handling and making requests for international co-operation with respect to extradition, mutual legal assistance and other forms of international co-operation (e.g., number of requests made, received, processed, granted, or refused relating to different competent authorities (e.g., central authority, FIU, supervisors, and law enforcement agencies) and types of request; timeliness of response, including prioritisation of requests; cases of spontaneous dissemination / exchange).
 2. Types and number of co-operation arrangements with other countries (including bilateral and multilateral MOUs, treaties, co-operation based on reciprocity, or other co-operation mechanisms).
 3. Examples of: (a) making, and (b) providing successful international co-operation (e.g., making use of financial intelligence / evidence provided to or by the country (as the case may be); investigations conducted on behalf or jointly with foreign counterparts; extradition of suspects/criminals for ML/TF).
 4. Information on investigations, prosecutions, confiscation and repatriation/sharing of assets (e.g., number of ML/TF investigations/ prosecutions, number and value of assets frozen and confiscated (including non-conviction-based confiscation) arising from international co-operation; value of assets repatriated or shared).
 - b) *Examples of Specific Factors that could support the conclusions on Core Issues*
 5. What operational measures are in place to ensure that appropriate safeguards are applied, requests are handled in a confidential manner to protect the integrity of the process (e.g., investigations and inquiry), and information exchanged is used for authorised purposes?
 6. What mechanisms (including case management systems) are used among the different competent authorities to receive, assess, prioritise and respond to requests for assistance?
 7. What are the reasons for refusal in cases where assistance is not or cannot be provided?
 8. What mechanisms (including case management systems) are used among the different competent authorities to select, prioritise and make requests for assistance?
 9. How do different competent authorities ensure that relevant and accurate information is provided to the requested country to allow it to understand and assess the requests?

Immediate Outcome 3

Supervisors appropriately supervise, monitor and regulate financial institutions and DNFBBs for compliance with AML/CFT requirements commensurate with their risks.

Characteristics of an effective system

Supervision and monitoring address and mitigate the money laundering and terrorist financing risks in the financial and other relevant sectors by:

- preventing criminals and their associates from holding, or being the beneficial owner of, a significant or controlling interest in a management function in financial institutions or DNFBBs; and
- promptly identifying, remedying and sanctioning, where appropriate, violations of AML/CFT requirements or failings in money laundering and terrorist financing risk management.

Supervisors⁶⁹ provide financial institutions and DNFBBs with adequate feedback and guidance on compliance with AML/CFT requirements. Over time, supervision and monitoring improve the level of AML/CFT compliance, and discourage attempts by criminals to abuse the financial and DNFBB sectors, particularly in the sectors most exposed to money laundering and terrorist financing risks. This outcome relates primarily to Recommendations 14, 26 to 28, 34 and 35, and also elements of Recommendations 1 and 40.

Note to Assessors:

Assessors should also consider the relevant findings, including at the financial group level, the level of international co-operation which supervisors are participating in when assessing this IO.

Core issues to be considered in determining if the Outcome is being achieved

- 3.1. How well does licensing, registration or other controls implemented by supervisors or other authorities prevent criminals and their associates from holding, or being the beneficial owner of a significant or controlling interest or holding a management function in financial institutions or DNFBBs? How well are breaches of such licensing or registration requirements detected?
- 3.2. How well do the supervisors identify and maintain an understanding of the ML/TF risks in the financial and other sectors as a whole, between different sectors and types of institution, and of individual institutions?

⁶⁹ References to "Supervisors" include SRBs for the purpose of the effectiveness assessment.

- 3.3. With a view to mitigating the risks, how well do supervisors, on a risk-sensitive basis, supervise or monitor the extent to which financial institutions and DNFBBs are complying with their AML/CFT requirements?
- 3.4. To what extent are remedial actions and/or effective, proportionate and dissuasive sanctions applied in practice?
- 3.5. To what extent are supervisors able to demonstrate that their actions have an effect on compliance by financial institutions and DNFBBs?
- 3.6. How well do the supervisors promote a clear understanding by financial institutions and DNFBBs of their AML/CFT obligations and ML/TF risks?

a) Examples of Information that could support the conclusions on Core Issues

1. Contextual factors regarding the size, composition, and structure of the financial and DNFBB sectors and informal or unregulated sector (e.g., number and types of financial institutions (including M/T/S) and DNFBBs licensed or registered in each category; types of financial (including cross-border) activities; relative size, importance and materiality of sectors).
2. Supervisors' risk models, manuals and guidance on AML/CFT (e.g., operations manuals for supervisory staff; publications outlining AML/CFT supervisory / monitoring approach; supervisory circulars, good and poor practices, thematic studies; annual reports).
3. Information on supervisory engagement with the industry, the FIU and other competent authorities on AML/CFT issues (e.g., providing guidance and training, organising meetings or promoting interactions with financial institutions and DNFBBs).
4. Information on supervision (e.g., frequency, scope and nature of monitoring and inspections (on-site and off-site); nature of breaches identified; sanctions and other remedial actions (on-corrective actions, reprimands, fines) applied, examples of cases where sanctions and other remedial actions have improved AML/CFT compliance).

b) Examples of Specific Factors that could support the conclusions on Core Issues

5. What are the measures implemented to prevent the establishment or continued operation of shell banks in the country?
6. To what extent are "fit and proper" tests or other similar measures used with regard to persons holding senior management functions, holding a significant or controlling interest, or professionally accredited in financial institutions and DNFBBs?
7. What measures do supervisors employ in order to assess the ML/TF risks of the sectors and entities they supervise/monitor? How often are the risk profiles reviewed, and what are the trigger events (e.g., changes in management or business activities)?
8. What measures and supervisory tools are employed to ensure that financial institutions (including financial groups) and DNFBBs are regulated and comply with their AML/CFT obligations (including those which relate to targeted financial sanctions on terrorism, and to

countermeasures called for by the FATF)? To what extent has this promoted the use of the formal financial system?

9. To what extent do the frequency, intensity and scope of on-site and off-site inspections relate to the risk profile of the financial institutions (including financial group) and DNFBPs?
10. What is the level of co-operation between supervisors and other competent authorities in relation to AML/CFT (including financial group ML/TF risk management) issues? What are the circumstances where supervisors share or seek information from other competent authorities with regard to AML/CFT issues (including market entry)?
11. What measures are taken to identify, license or register, monitor and sanction as appropriate, persons who carry out MVTs?
12. Do supervisors have adequate resources to conduct supervision or monitoring for AML/CFT purposes, taking into account the size, complexity and risk profiles of the sector supervised or monitored?
13. What are the measures implemented to ensure that financial supervisors have operational independence so that they are not subject to undue influence on AML/CFT matters?







































































