

**FATF**



# **Consolidated Processes and Procedures for Mutual Evaluations and Follow-Up**

## **“Universal Procedures”**

**June 2018**



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# **CONSOLIDATED PROCESSES AND PROCEDURES FOR MUTUAL EVALUATIONS AND FOLLOW-UP**

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## CONSOLIDATED PROCESSES AND PROCEDURES FOR MUTUAL EVALUATIONS AND FOLLOW-UP ("UNIVERSAL PROCEDURES")

1. All Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) assessment bodies (i.e. FATF, FATF-style regional bodies (FSRBs), IMF and the World Bank) will conduct the next round of assessments in accordance with the FATF 2013 Methodology. In principle, FSRBs' and International Financial Institutions' (IFI) assessment procedures should be the same as, or close to, those of the FATF. However, as in the previous round, there will be some flexibility in the procedural arrangements. Nevertheless, there will be a set of core elements which should apply to all AML/CFT assessment bodies (as noted in the *High-Level Principles and Objectives for the relationship between the FATF and the FSRBs*<sup>1</sup>).

2. Based on the Procedures for the FATF 4<sup>th</sup> Round of AML/CFT evaluations, these are the "Universal Procedures" that should form the basis for the evaluations conducted by all assessment bodies. When a FSRB's or IFI's evaluation procedure is updated, the changes will be checked against the Universal Procedures. When the Universal Procedures are updated, e.g. after the FATF Procedures are changed, all FSRBs' and IFIs' evaluation procedures should be updated within a reasonable amount of time, and will be checked against the updated Universal Procedures. Where any evaluation procedure of an assessment body continues to be inconsistent with the Universal Procedures, the FATF Secretariat would provide a paper to allow for a discussion by FATF's Evaluation and Compliance Group (ECG).

### INTERACTION WITH THE EVALUATED COUNTRY

3. The assessment team, facilitated by the FATF/FSRB Secretariat or IFI contact point(s), should engage with and consult the assessed country on an on-going basis throughout the evaluation process.

### SETTING AND RESPECTING TIMELINES

4. Assessment bodies should develop timelines for the evaluation process, following the FATF approach<sup>2</sup>. Timelines should include key milestones for the process and the relevant responsibilities of the assessment team, the assessed country and the reviewers at each of the various steps, together with remedial action for cases where the timelines are not observed.

5. The assessed countries and assessment teams have the flexibility to extend the overall timeline by up to one or two months in order to plan around plenary meetings, events or holidays or to adjust the date of the on-site visit to the most appropriate time. In practice, this may require an earlier start to the evaluation process as there is no scope for reducing the time allocated to the post-onsite stages of the process, and the assessed country and assessment team should therefore agree on the broad timeline of the evaluation at least 14 months before the plenary discussion.

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<sup>1</sup> <http://www.fatf-gafi.org/publications/fatfgeneral/documents/high-levelprinciplesfortherelationshipbetweenthefatfandthefatf-styleregionalbodies.html>

<sup>2</sup> See Appendix 1 of the FATF [Procedures](#).

6. The timelines are intended to provide guidance on what is required if the reports are to be prepared within a reasonable timeframe, and in sufficient time for discussion in Plenary. It is therefore important that both the assessors and the assessed country respect the timelines.

### Preparation for the on-site visit

7. Delays may significantly impact the ability of the Plenary to discuss the report in a meaningful way. The draft schedule of evaluations has been prepared so as to allow enough time between the on-site visit and the Plenary discussion. A failure to respect the timetables may mean that this would not be the case. By agreeing to participate in the mutual evaluation process, the country and the assessors undertake to meet the necessary deadlines and to provide full, accurate and timely responses, reports, or other material as required under the agreed procedure. Where there is a failure to comply with the agreed timelines, then the following actions could be taken (depending on the nature of the default):

a) Failure by the country-The assessment body’s President/Chair may write to the head of delegation or the relevant Minister in the country. The Plenary will be advised as to the reasons for deferral, and publicity could be given to the deferment (as appropriate) or other additional action considered. In addition, the assessment team may have to finalise and conclude the report based on the information available to them at that time.

b) Failure by the assessors, the reviewers or the Secretariat - the assessment body’s President/Chair may write a letter to or liaise with the head of delegation of the assessor or the reviewer, or the assessment body’s Executive Secretary (for the Secretariat).

8. The Secretariat will keep the Presidency/Chairmanship advised of any failures so that the President/Chairman can respond in an effective and timely way. The Plenary is also to be advised if the failures result in a request to delay the discussion of the MER.

9. The assessment team, supported by the secretariat, will conduct a desk-based review for technical compliance (TC), based on the necessary updates and information (background information on the institutional framework, risks and context and information on the measures taken to meet the criteria for each Recommendation) provided by the assessed country and other reliable sources (e.g. reports from other international organisations). The assessed country should rely on the questionnaire template for the technical compliance update<sup>3</sup> to provide relevant information to the assessment team.

10. A draft of the TC compliance annex, which need not include ratings nor recommendations, will be provided to the assessed country in sufficient time before the on-site visit for it to provide comments.

11. The FATF Methodology requires that in conducting their analysis, assessors should only take into account relevant laws, regulations or other AML/CFT measures that are in force and effect at that time, or will be in force and effect by the end of the on-site. Where relevant bills or other firm proposals to amend the system are made available, these will be referred to in the Mutual

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<sup>3</sup> See Appendix 3 of the FATF [Procedures](#) for an example, or refer to templates that some FSRBs have created.

Evaluation Report (MER)<sup>4</sup> (including for the purpose of the analysis and recommendations to be made to the assessed country) but should not be taken into account for ratings purposes unless they are in force and effect at the time of the on-site.

12. Countries should provide information on effectiveness. For each of the 11 Immediate Outcomes, they should set out fully how each of the core issues is being addressed. It is important for countries to provide a full and accurate description (including examples of information, data and other factors) that would help to demonstrate the effectiveness of the AML/CFT regime. Other countries which are FATF and FSRB members should be invited to provide information on their experience of international co-operation with the country being evaluated, or any other AML/CFT issues that they would like to see raised and discussed during the on-site visit. In addition, the assessment team and the assessed country may also identify key countries which the assessed country has provided international cooperation to or requested it from, and seek specific feedback. The onus is on the assessed country to provide all relevant and necessary information, both in relation to technical compliance and effectiveness.

13. Based on its preliminary review and analysis of the risks and the assessed country's situation prior to the on-site, the assessment team may identify specific areas which it would pay more attention to during the on-site visit and in the MER. In doing so, the team will consult the assessed country. This will usually relate to effectiveness issues but could also include technical compliance issues. Delegations will be invited to provide any information and comments that they may have that would assist the team to prepare a short scoping note identifying areas of lower and higher risk that need reduced or increased focus. The scoping note should set out briefly the areas for increased and reduced focus, and the rationale. The draft scoping note, along with relevant background information (e.g. the country's risk assessment(s)), should be sent to the reviewers (described in the section on quality and consistency, below) and to the assessed country.

14. There should be adequate confidentiality requirements that apply to the assessment team, Secretariats, reviewers, officials in the assessed country and any other person with access to assessment documents or information.

### On-site visit

15. The on-site visit will include the following.

- An initial internal preparatory meeting for the assessment team.
- Meetings<sup>5</sup> with representatives of the assessed country, the private sector or other relevant non-government bodies or persons<sup>6</sup>, including an opening and closing meeting. The opening meeting should consider including an overview of the country's understanding of risk, to complement the write-ups of the country's national risk assessment(s). The programme of

<sup>4</sup> References to MER include detailed assessment reports (DAR) prepared by IFIs.

<sup>5</sup> The assessment team should also set aside time midway through the on-site to review the progress of the mutual evaluation and where relevant, the identified areas of increased focus for the on-site.

<sup>6</sup> Generally, assessors should be given the opportunity to meet with such bodies or persons in private without a government official present, not only if there is concern that the presence of the officials may inhibit the openness of the discussion. The team may also request that meetings with certain government agencies are restricted to those agencies only.



meetings should take into account the areas where the assessment team may want to apply increased and reduced focus. Time may have to be set aside for additional or follow-up meetings, if, in the course of the set schedule, the assessors identify new issues that need to be explored, or if they need further information on an issue already discussed.

- Typically, an onsite programme would also include 1-2 days where the assessors work only on the draft MER (supported by the Secretariat), ensuring that all the major issues that arose during the evaluation are noted in the report, and discusses and agrees ratings and key recommendations.
- The assessment team should provide a written summary of its key findings to the assessed country officials at the closing meeting.

### After the on-site visit

16. There should be an adequate amount of time between the end of the on-site visit and the discussion of the MER<sup>7</sup> in Plenary in order to complete all the steps below (noting the timeline set out in Appendix 1 of the FATF *Procedures*).

17. The assessment team will prepare, coordinate and refine a draft MER and the Executive Summary, including the key findings, as well as the preliminary recommendations and ratings. This will then be sent to the assessed country, which should have at least 4 weeks to review and provide its comments on the draft MER to the assessment team.

18. With the aim to facilitate communication between the assessment team and the assessed country, the Secretariat should facilitate regular conference calls between all parties when necessary; in particular after the circulation of an updated draft MER. When writing-up the draft MERs and/or during calls, assessors should aim to clarify in writing or orally as much as possible how information submitted by the assessed country was taken into account<sup>8</sup>, if/where additional information is still needed.

19. On receipt of the assessed country's comments on the draft MER and Executive Summary, the assessment team will review the various comments and make further amendments. The revised draft MER and Executive Summary will then be sent to the reviewers and the assessed country.

### Quality and consistency review

20. All assessment bodies will have an effective and robust mechanism in place to ensure the review of the quality and consistency of their own reports that meets the following principles:

- a) *Equivalent Purpose and Rigour* – the mechanism for ensuring quality and consistency should have the same objective, and be of equivalent rigour, to the FATF Quality and Consistency review. FSRBs and IFIs should adopt and follow the same quality and consistency

<sup>7</sup> The format for the Executive Summary and MER is contained in Annex II of the Methodology. Assessors should also pay attention to the guidance on how to complete the Executive Summary and MER, including with respect to the expected length of the MER (100 pages or less, together with a technical annex of up to 60 pages).

<sup>8</sup> Assessors need not include all the information submitted by the assessed country, and should exercise discretion in determining which information are the most relevant to be included.

procedures as the FATF (set out in section IV (I) of the FATF Procedures), except where the ECG agrees to an alternative procedure.

- b) *Scoping* – the mechanism should consider whether the assessors' draft scoping note reflects a reasonable view on the focus of the assessment, and should provide feedback to the assessment team.
- c) *External Involvement* – the mechanism should include at least one expert from outside the assessment body (e.g. from the FATF, IFI, or another FSRB).

21. Following the receipt of the reviewers' and assessed country's comments, the Secretariat will engage the assessed country to discuss further changes to the draft MER, and identify issues for discussion at the face to face meeting or video/teleconference.

### Interaction with the country before the Plenary discussion

22. If requested by the assessed country, the assessment team (including Secretariat) and the assessed country should have a face to face meeting to further discuss the draft MER and Executive Summary. During this session, the assessment team and assessed country should work to resolve any disagreements over technical compliance or effectiveness issues and identify potential priority issues for Plenary discussion. If a meeting is not possible then there should at a minimum be a video or tele-conference.

### Plenary discussion

23. The revised Executive Summary and MER, together with the conclusions of the quality and consistency mechanism, and assessors' response, will then be sent to all members, associate members and observers, including FATF (for circulation to FATF members), at least five weeks (ideally six weeks) prior to Plenary for their comments. There should be no further changes to the substance of the draft MER thereafter to allow delegations to provide comments and prepare for the discussion at Plenary (and/or the working group prior to Plenary, if any). A similar process and timeline should be applied in relation to assessments of countries that are not members of FSRBs, with the documents provided well in advance of finalisation.

24. No later than two weeks preceding the Plenary, the Secretariat should engage the assessed country and the assessors on priority issues, and other comments received on the MER or Executive Summary. A list of key issues that will be discussed in Plenary will be circulated to all delegations at least two weeks prior to the Plenary discussion, whether relating to technical compliance or to effectiveness, and giving consideration to the assessed country's risk context. It will take account of the issues that the assessed country and delegations are most keen to discuss.

25. The MER will be discussed in Plenary. FATF Secretariat's representative at the Plenary will be expected to assist and advise on all issues relating to the interpretation of the Recommendations, and the quality and consistency aspects of the draft MERs. The Plenary discussion will provide members and observers adequate opportunity to raise and discuss concerns about quality and



consistency of an MER. At the end of the Plenary discussion, the MER and the Executive Summary will be submitted to the Plenary for adoption<sup>9</sup>.

### Publication and other procedures following the Plenary

26. Following the Plenary discussion of the report, the Secretariat will work with the assessors to amend all documents as agreed by the Plenary, and will circulate a revised version of the report to the assessed country. The assessed country must confirm that the MER is accurate and/or advise of any typographical or similar errors in the MER.

27. Immediately following their adoption, and before publication, all MERs will be provided to the FATF Secretariat and all other assessment bodies for possible consideration in the Global Quality and Consistency Review process. Following completion of that process, all MERs and Executive Summaries will be published on the assessment body’s website. Where there is no such review process then the reports should be published within six weeks of adoption<sup>10</sup>.

28. Where an FSRB has a Council of Ministers, or equivalent body, the MERs should be adopted at the meeting of officials (the Plenary), and there should be no delay in publication due to the need to have the approval or recognition of Ministers regarding the MERs.

### Follow-up process

29. The FATF and FSRBs should have transparent, clear and rules-based follow-up procedures, to which all members commit and which they apply rigorously and consistently. In particular, the procedures should enable FATF and the FSRBs to track progress made by countries in addressing their AML/CFT risks and deficiencies, to focus on countries which do not make sufficient progress in addressing their risks and deficiencies, and to exert pressure on such countries to improve their performance.

30. The FATF and FSRBs’ follow-up procedures should include two types of process:

- Regular follow-up as the default monitoring mechanism, based on a system of regular reporting.
- Enhanced follow-up, involving a more intensive process of follow-up, for countries with significant deficiencies, or countries making insufficient progress. In deciding whether to place a country in enhanced follow-up, the Plenary should consider both the level of technical compliance and of effectiveness reached by the country.
  - As regards technical compliance, a country would be placed into enhanced follow up if it has 8 or more NC/PC ratings for technical compliance, or is rated NC/PC on any one or more of R.3, 5, 10, 11 and 20. A country would also be placed into enhanced follow-up if, during the regular follow-up process, its level of technical compliance changed to a level that the Plenary considers as equivalent to NC/PC on any one or more of R.3, 5, 10, 11 and 20.
  - As regards effectiveness, the assessment body should consider what a reasonable level of effectiveness should be. In principle, FSRBs should aim to apply the same threshold as the

<sup>9</sup> Within an FSRB, the term “the Plenary” refers to the body of senior officials representing member countries.

<sup>10</sup> DARs should be distributed to the FATF network prior to publication.

FATF, i.e. a country would be placed into enhanced follow-up if it has a low or moderate level of effectiveness for 7 or more of the 11 effectiveness outcomes, or it has a low level of effectiveness for 4 or more of the 11 effectiveness outcomes.

31. Follow-up reports should be analysed by the Secretariat and/or the relevant FATF or FSRB review group, who should highlight both the progress made and the remaining deficiencies, and propose timelines to take remedial actions. Re-ratings for technical compliance may be allowed if the follow-up report, and other relevant information submitted by the country, provides sufficient justification for the Plenary to come to such a conclusion based on the analyses conducted by the Secretariat/the relevant Review Group. The general expectation<sup>11</sup> is for countries to have addressed most if not all of the technical compliance deficiencies by the end of the 3rd year after the adoption of the MER. In the exceptional case that it comes to the Plenary's attention that a country has significantly lowered its compliance with the FATF standards, the Plenary may request the country to address any new deficiencies as part of the follow-up process. If any of the FATF standards have been revised since the end of the on-site visit, the country will be assessed for compliance with all revised standard at the time its re-rating request is considered.

32. Follow-up reports with technical compliance re-ratings should be circulated to all members, associate members and observers, including FATF (for circulation to FATF members), at least five weeks prior to discussion in the relevant working group and/or plenary meeting, who have two weeks to provide written comments on such reports. Where there are major disagreements between the expert reviewers and the assessed country on the findings contained in the follow-up report (e.g. re-ratings) and/or major issues raised through the pre-plenary review process, the expert review group and/or secretariat should compile a short list of the most significant issues, and should circulate this to all members, observers and associate members at least two weeks prior to the relevant working group and/or plenary discussion. The relevant working group and/or plenary discussion should prioritise discussion of these issues and should be limited in time and scope.

33. In the exceptional case that it comes to the Plenary's attention that a country has significantly lowered its compliance with the FATF standards, the Plenary may request the country to address any new deficiencies as part of the follow-up process. If any of the FATF standards have been revised since the end of the on-site visit, the country will be assessed for compliance with all revised standard at the time its re-rating request is considered.

34. For countries subject to review by the International Cooperation Review Group (on the basis of an agreed ICRG action plan), no reporting is expected on the Recommendations that are included in an ongoing ICRG action plan. However, overall progress on each Recommendation is still expected to be achieved, including on parts of Recommendations that are not covered by the ICRG action plan, under the normal timelines, or as soon as the country has completed its ICRG action plan (if this is after the regular timelines).

35. The follow-up procedures should include a range of graduated measures (including letters to Ministers, high level visits and public statements regarding the level of compliance) to be taken if countries fail to meet their commitment or make insufficient progress in addressing their priority actions. The follow-up procedures should also include how countries can be moved to regular

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<sup>11</sup> It is up to the Plenary to determine the extent to which its members are subject to this general expectation, depending on the member's context.

follow-up from enhanced follow-up if the country no longer meets the criteria for enhanced follow-up.

36. The follow-up procedures should require all countries to be submitted to a follow-up assessment, which should take place within a reasonable timeframe (normally five years) after the initial MER, though this should take into account the total duration of the assessment body's round of MEs.

37. This would focus on the progress made by the country on the priority actions in its MER, and other areas where the country had significant deficiencies. The follow-up assessment could also examine any other elements of the country's AML/CFT regime which have changed significantly as well as high risk areas identified in the MER or noted subsequently in the follow-up process. The process for the follow-up assessment should include a short on-site visit (2/3 days) to assess improvements in effectiveness and other areas. Re-rating on both TC and effectiveness are possible.

### **Publication of Follow-Up Reports**

38. The general publication policy of FATF and FSRBs applies to actions taken under the follow-up policy. Regular follow-up reports and their analysis made by the Secretariat/the relevant Review Group, and the follow-up assessment reports will be published. The Plenary will retain flexibility on the frequency with which enhanced follow-up reports are published, but they will be published whenever there is a re-rating. After adoption, and prior to publication, final follow-up reports with TC re-ratings should be provided to the FATF Secretariat and all other assessment bodies for consideration in the Global Quality and Consistency Review process. Follow-up reports where no issues are raised through the pre-plenary review process or during the relevant working group/plenary discussion are not subject to this ex-post review process.

### **Joint mutual evaluations FATF/FSRBs**

39. In line with FATF's policy, FATF members that are also members of FSRB(s) will undergo a joint evaluation by these bodies. Generally, the FATF will be the principal organiser, and will provide three assessors, while one or two assessors could be provided by the participating FSRBs. The assessors will be supported by the FATF and the FSRB(s) Secretariats. The first discussion of the MER should take place in the FATF, and given the additional measures adopted for joint evaluations, the presumption is that the FATF's view would be conclusive.

40. The process (including the FATF procedures for preparing the draft MER and Executive Summary) for joint evaluations would be the same as for other FATF evaluations, with the FSRB and its members having opportunities to participate directly through being part of the assessment team, and also being able to provide comments and input like other delegations. FSRBs should allow reciprocal participation in mutual evaluation discussions for FATF members. Measures for joint evaluations defined in the FATF Procedures will apply.

### **IFI-led assessments**

41. The FATF and FSRBs are in principle responsible for the mutual evaluation process for all of their members, and there is a presumption that they will conduct the mutual evaluations<sup>12</sup> of all their members as part of this process. The presumption can be overridden on a case by case basis.

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<sup>12</sup> Including any follow-up that may be required.

42. For the FATF and FSRB assessment schedules to be fixed with appropriate certainty and in a coordinated manner, and for assessment teams to be formed in sufficient time, the process leading to a decision about which countries will have an assessment led by an IFI team should be clear and transparent. The FATF and FSRBs are to be involved at an early stage in the process of determining which countries will be assessed by an IFI (including receiving advice regarding proposals for IFI-led assessments). Where the IMF or World Bank conducts an AML/CFT assessment of an FATF/FSRB member, they should use procedures and a timetable similar to those of the FATF/FSRB, including any procedures that the FATF/FSRB has in addition to what is required by the Universal Procedures.

43. The FATF and/or FSRB Plenary will in all cases have to approve an IFI assessment for it to be accepted as a mutual evaluation.

### Ex-Post review of major quality and consistency problems

44. There may be highly exceptional situations where significant concerns about the quality and consistency of a MER remain after it has been adopted. Immediately following their adoption, and before publication, all draft MERs will be circulated to all assessment bodies and their membership for possible consideration in the Global Quality and Consistency Review process.

45. Where an FATF member, the FATF Secretariat or another assessment body considers that a draft MER has significant problems of quality or consistency, it should wherever possible raise such concerns with the assessment body conducting the assessment prior to adoption. The FATF Secretariat should be notified prior to such concerns being raised by others. The assessment body, assessment team, and assessed country should consider and work to appropriately address the concerns.

46. In order to ensure that the FATF brand is not damaged by poor quality assessments, there will be an ex-post review process, applying to all assessment bodies. The process will be based on the following:

- a) The ex-post review should be applied only when serious or major issues of quality and consistency are identified, with the potential to affect the credibility of the FATF brand as a whole (e.g. where ratings are clearly inappropriate, are not consistent with the analysis, where there has been a serious misinterpretation of the Standards or the Methodology, or where an important part of the Methodology has been systematically misapplied).
- b) Where there are significant concerns about the quality and consistency of an MER after its adoption, the assessment body<sup>13</sup> and the FATF Secretariat should be informed in writing about those concerns within two weeks of the distribution of the MER following adoption. For such concerns to be considered further in this process, any specific concern should be raised by at least two of any of the following: FATF or FSRB members<sup>14</sup> or secretariats, or IFIs; at least one of which should have taken part in the adoption of the MER.
- c) Any MER about which significant concerns have been raised will be circulated for consideration by the ECG, with a short note prepared by the FATF Secretariat (in

<sup>13</sup> Where FATF or FSRB members or secretariats consider that an MER that has been adopted by an IFI has or continues to have significant problems of quality or consistency, they should promptly inform the IFI of those concerns (and the FATF Secretariat when the concerns are raised by others).

<sup>14</sup> Not including the assessed country.

consultation with the relevant FSRB Secretariat/IFI), which also sets out the views of the assessment team and the assessed country.

- d) The assessment body will not publish the MER until the issue is resolved within FATF and the assessment body.
- e) The ECG will decide whether the report has significant problems of quality and consistency with the potential to affect the credibility of the FATF brand as a whole. In such cases ECG would make recommendations to the FATF Plenary on the appropriate action that could be taken (e.g. requesting that the relevant assessment body reconsiders the report and/or makes appropriate changes before any publication). If the assessment body declines to respond to the action requested by the FATF, then the FATF Plenary will consider what further action may be necessary.