

FATF



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

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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 terrorist financing 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 meaningful participation and involvement into each other’s activities.

Common interest in protecting the FATF brand:

Since the FATF and FSRBs are part of 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 practice and guidance papers, mutual evaluations and follow-up.

OBJECTIVES

A RECIPROCAL RIGHTS AND OBLIGATIONS FOR FATF AND FSRBS

Access to documents

- a) 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.

Joint events and participation in mutual evaluations

- b) The FATF and FSRB should pursue opportunities for joint events/projects, and invite FATF and FSRBs to participate actively in each others events/projects.
- c) FATF and FSRBs should offer each other the opportunity (by invitation or on request) to provide qualified assessors to participate, as appropriate, in each other's mutual evaluations. Assessment schedules should be 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.
- d) 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.
- e) The FATF and FSRBs should have effective mechanisms for allowing early identification³ of consistency issues in individual mutual evaluations, including those undertaken by IMF and World Bank, so that consistency issues are addressed early in the process and that the

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 For example, the current deadline for circulation under the FATF procedures is four weeks ahead of a Plenary meeting discussion.

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 some FSRB reports by the FATF Secretariat, while other FSRBs have set up mechanisms such as an "Expert Review Team" and "Expert Quality Control Groups" to have such reviews in place. Early identification of consistency issues in the mutual evaluation process allows such matters to be dealt with prior to their distracting from real compliance issues.

discussion of the mutual evaluation report in the plenary can focus on substance, thus assisting the assessors and the assessing body.

Access to meetings⁴

- f) 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 may submit written comments and feedback under the name of their jurisdiction on any FSRB/FATF document and papers.
- g) FATF should be allowed to send representatives from at least five member jurisdictions, not including those FATF jurisdictions that are also member of or observer to the FSRB, to participate in FSRB Plenary or Ministerial meetings. An FSRB should be allowed to send representatives from at least five member jurisdictions, not including those FSRB members that are already also a member of FATF, to participate in FATF Plenary meetings. The representatives of the FSRB jurisdiction will participate in the FATF Plenary under the umbrella of their respective FSRB⁵ and under the co-ordination of the FSRB's Presidency or Secretariat. This number can be raised if the number of delegations from one FSRB that are subject of a particular Plenary discussion exceeds five jurisdictions.
- h) For any meetings other than those under objective (g) above: FATF member delegations should be allowed to participate in other FSRB meetings. Representatives from FSRB member jurisdictions should be allowed to participate in other FATF meetings. The representatives of the FSRB jurisdictions will participate in the FATF working groups under the umbrella of their respective FSRB and under the co-ordination of the FSRB's Presidency or Secretariat.
- i) 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. Registration of delegates is done through the Secretariat of the relevant FSRB.

⁴ The number of delegations and representatives are minimum numbers that can be raised or lowered, depending on logistics and taking into account the number of members of FSRBs to allow for proportional access. Whilst there is no requirement for FSRBs/FATF to bring a minimum number of members to FATF/FSRB meetings, FSRB and FATF members are strongly encouraged to attend each others meetings. Participation in certain groups, such as mutual evaluation expert review groups, can be limited, provided that it is limited for members and members of the FSRBs alike (and vice versa).

⁵ Meaning that delegates from an FSRB jurisdiction may take the floor on behalf of their FSRB but not on behalf of their own jurisdiction.

Assistance

- j) 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' Secretariat to carry out the tasks of a Secretariat, including training on AML/CFT⁶ issues.
- k) 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

- l) FSRBs have the right to participate in the peer review process, including an assessment of FATF itself.

Other

- m) The FSRB should actively promote the FATF Recommendations⁷ and support the actions of 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

- n) The FSRB should be a regional group consisting of at minimum 5 – 6 member jurisdictions.
- o) 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.
- p) The members of the body should agree to implement the FATF Recommendations within a reasonable timeframe.

Mission and endorsement

- q) 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

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.

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.

- r) The members 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.
- s) 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.
- t) The body and its members 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.
- u) The body should be committed to promoting international co-operation among its various members and between these members and the FATF and other FSRBs.
- v) The body should commit to the FATF International Co-operation Review Group exercise, and actively support and participate in this process.

Institutional setup

- w) The body should have a President/Chair or Co-chairs.
- x) 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.
- y) 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.
- z) 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).
- aa) 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.

- bb) 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.

Budget

- cc) 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. The meeting of the body should include a discussion of the budget and budget allocations at least once per year.
- dd) 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, etc). The body may benefit from additional financial assistance provided by 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

- ee) The FSRB should have a communications policy⁸ to ensure consistent communication on the FATF Recommendations. The policy should include a requirement of the body to present an Annual Report with an overview of the activities undertaken by the body during the year. The FSRB should also have a communications policy with its members to ensure that members receive critical updates and information regarding FATF activity from their FSRB Secretariats.
- ff) The body should reach out to other international/regional organisations, and non-member jurisdictions in the region.

C FATF BRAND ISSUES

Mutual evaluations

- gg) The body should conduct mutual evaluations of its members for compliance with the FATF Recommendations, in accordance with the *Consolidated processes and procedures for mutual evaluations and follow-up*⁹, and endorse the *Key Principles for Mutual Evaluations and*

⁸ This is not necessarily a written policy but could also be based on practice.

⁹ To be developed jointly by FATF and FSRBs, based on current mutual evaluation and follow-up procedures of FATF and FSRBs. Consolidated procedures do not equal uniform procedures. This document would take into account and bring together the evaluation procedures of each separate body, with specific provisions for each body where appropriate. This will allow necessary differences between FATF and FSRB procedures that are relevant for mutual evaluation processes and procedures to be

Assessments, and endorse 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.

- hh) 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 from the body when corrective action is not taken.
- ii) Each body endorses and publishes its own mutual evaluations. Separately, the *Consolidated processes and procedures for mutual evaluations and follow-up* will contain: *i)* provisions for identifying reports that are consistent with the FATF Recommendations, since FATF does not want to continue to give the false impression that it has endorsed all reports irrespective of their consistency with either the FATF Recommendations or the assessment procedures; and *ii)* provisions for publicly identifying mutual evaluation reports which have significant technical inconsistencies or procedural differences, however, only after these issues have been communicated and tabled for discussion. Inconsistent mutual evaluation reports may no longer be published with the common FATF/FSRB mutual evaluation cover page.
- jj) The FSRB should permit FATF to publish on the FATF website adopted evaluation reports that have been endorsed by FATF. FATF will permit the FSRB to publish adopted evaluation reports of joint members.

Typologies

- kk) The body should actively conduct regional-level research and analysis of ML/TF methods and trends, in particular sharing jurisdiction's 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 FATF and FSRBs together as will the work on global threats and risk.
- ll) 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.

identified and accounted for (such as, for example, the frequency of plenary meetings, implementation plans as referred to in the *FATF Guidance on LCC countries*, and the need to allow sufficient time for translation of reports).