



Preparing for the 4th Round of Mutual Evaluations

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The FATF Mandate

3 core activities

Set Standards

Assess compliance

Identify and respond to international
theats



Role of CFATF in relation to FATF

CFATF Objective and Activities



FSRBS: Implementation of Standards

Self-assessment of the implement. of Stand.

Programme of Mutual evaluation

Training and technical assistance programmes

Biannual plenary meetings



Involvement of CFATF jurisdictions at FATF level



- Participating in Plenary Meetings
- One size fits all approach / Risk based approach => Providing input
- Participation in policy making when providing input / comments:
 - FATF Revised Standards
 - 4th Round procedures
 - Policy papers
 - Questionnaires





Mutual Evaluation Report

Anti-Money Laundering and
Combating the Financing of
Terrorism

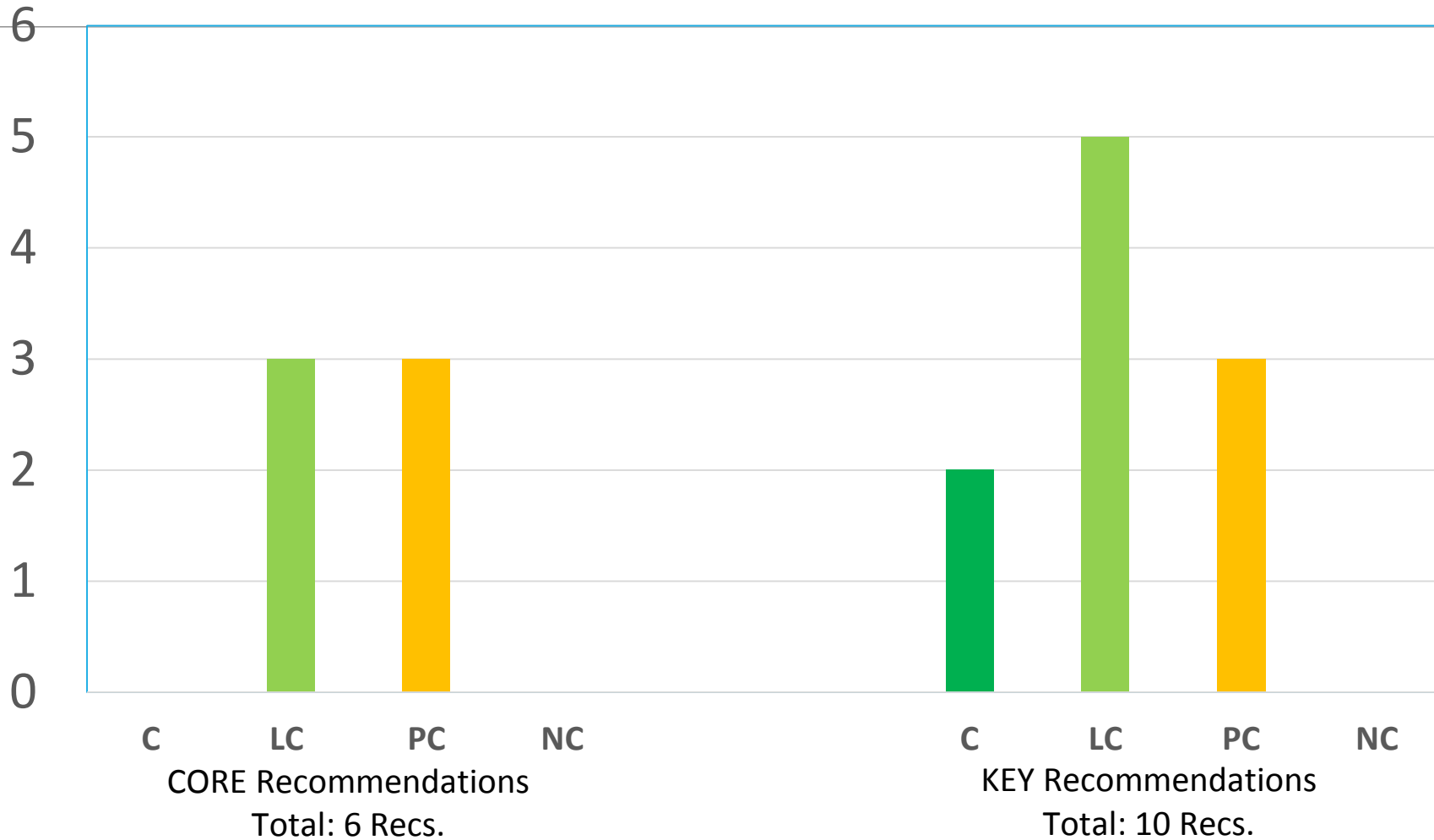
Anguilla

JULY 6 2010

The results of the 3rd Round to Anguilla

Level of Compliance of Anguilla

3rd Round



Where are the Strengths and Weakness?

* at present



Recommendation	New Number	CORE / Old Number	Rating
CDD	10	5	PC
Reporting of Suspicious Transactions	20	13	PC
Reporting of Suspicious Transactions	20	IV	PC
		1	LC
Record Keeping	11	10	LC
Terrorist Financing Offence	5	II	LC

Where are the Strengths and Weakness?

* at present



Recommendation	New Number	KEY / Old Number	Rating
Regulation and Supervision of Financial Institutions	26	23	PC
FIU	29	26	PC
Mutual Legal Assistance	37	V	PC
Confiscation and Provisional Measures	4	3	LC
Financial Institution Secrecy Laws	9	4	LC
International Instruments	36	35	LC
International Instruments Targeted Financial Sanctions related to Terrorism and Terrorist Financing	6	III	LC
Mutual Legal Assistance	37	36	C
Other forms of International Cooperation	40	40	C



Procedures for the Fourth Round of AML/CFT Mutual Evaluations

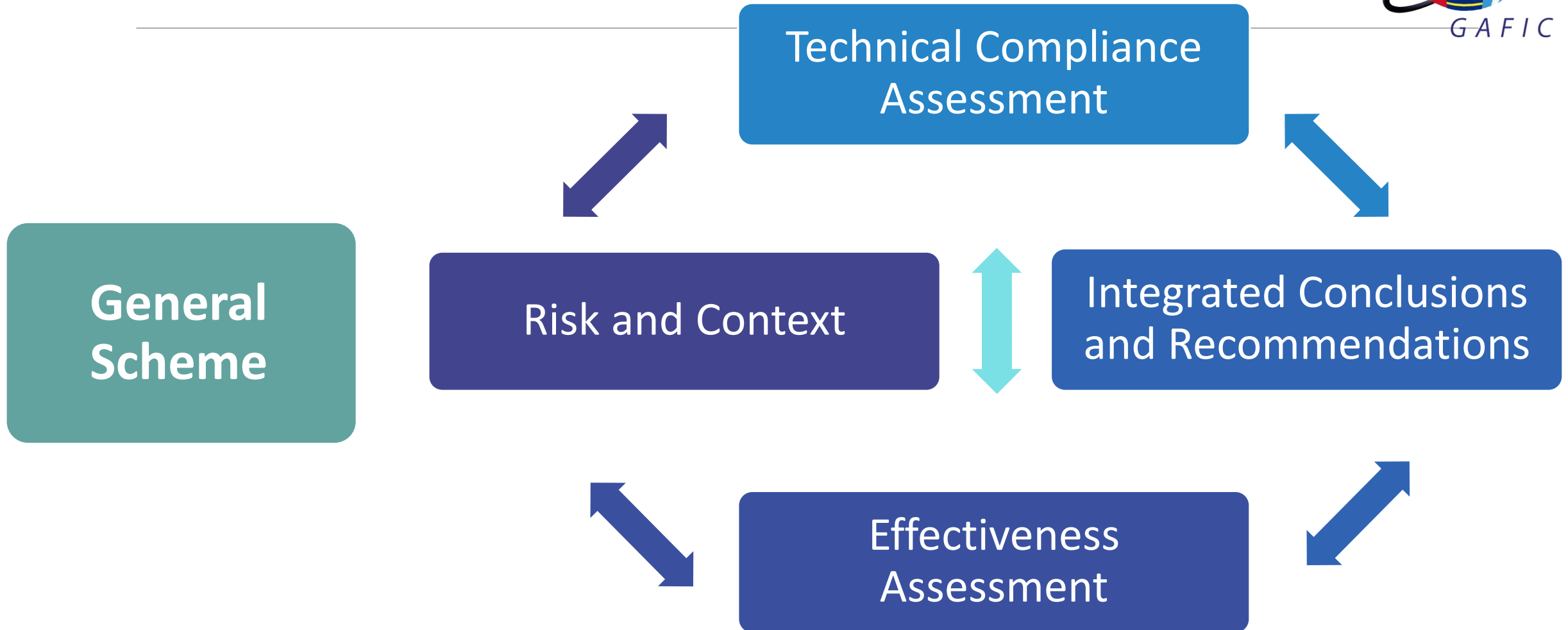
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The 4th Round Of MUTUAL EVALUATIONS

The FATF Methodology of Assessments



Nature of the 4th Round: Effectiveness



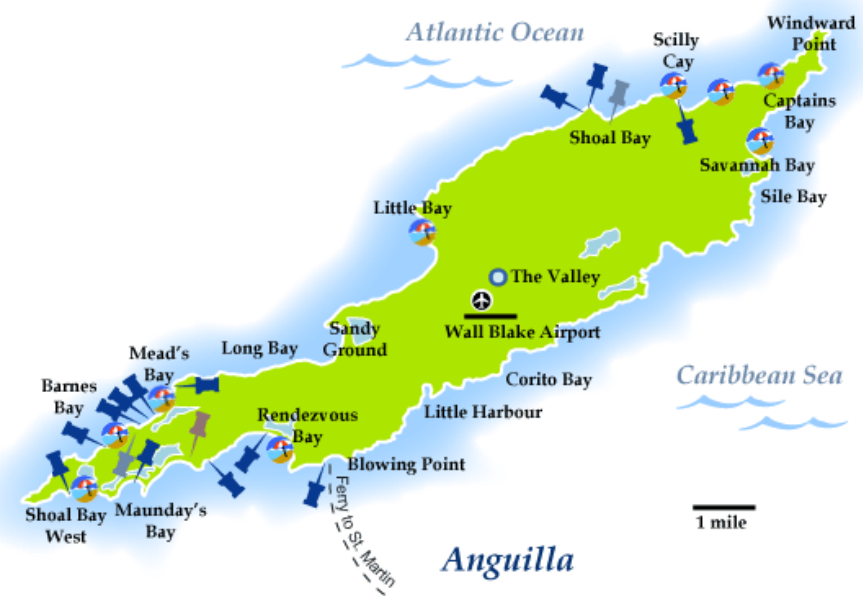
What is Effectiveness?



Judging the **extent** to which a country **achieves** a defined set of outcomes that are central to a robust AML/CFT system, and *analysing* the **extent** to which a country's legal and institutional framework is producing the **expected results**.



New Challenges of the 4th Round and Challenges to Anguilla



New Challenges of the 4th Round



- Risk Based Approach (1)
- Customer Due Diligence (10)
- Politically Exposed Persons (12)
- Transparency of Legal Persons and Arrangements (24 and 25)
- Third-Party Reliance (17)

New Challenges of the 4th Round



- Tax Crimes
 - International Cooperation (40)
 - Cross-border wire transfers (16)
 - Targeted financial sanctions on terrorism (6)
 - Targeted financial sanctions on proliferation (7)



Risk Assessment R.1

New over-arching Recommendation on the RBA

- Countries
- Financial Institutions and
- DNFBP are required to:
 - identify + assess + understand their AML/TF risks

- Risk assessment is the basis of any effective AML/CFT regime:
 - for allocating resources
 - applying additional safeguards to the higher-risk areas

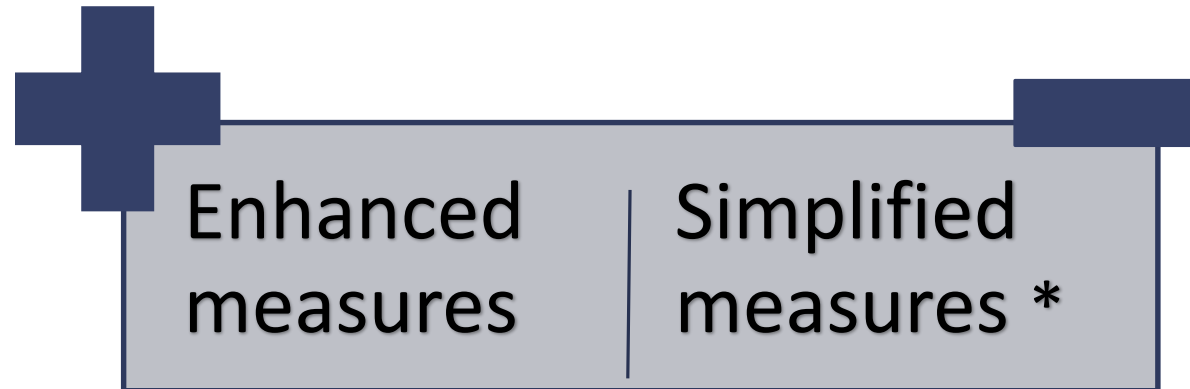
What does a risk-based approach mean?

Basic Principles of the RBA R.1



• **Higer risks**

• **Lower risks**



- The scope of FATF Standards is risk-sensitive
- Possible extension to additional high-risk activities
- Possible exemptions for low-risk activities

○ *Never should be permitted if there is a suspicion of ML/TF

Specific Obligations for FI and DNFBPs



R.1

Assessing risk:

- Updated and documented risk assessment, in accordance with nature and scale of business
- The extent of AML/CFT measures may be differentiated according to the type and level of risk of each of the risk factors identified



Specific Obligations for FI and DNFBPs

R.1

Risk management and mitigation:

- Relevant policies and procedures to manage and mitigate risks, approved by senior management, consistent with national requirements and guidance from relevant national authorities - Possibility to enhance them if required



Customer Due Diligence R.10

Greater specificity on:

- Measures to identify the beneficial ownership of customers that are legal persons or arrangements:
 - Notion of “reasonable measures”
 - Legal persons: step-by-step approach
 - Legal arrangements: list of natural persons to identify
- CDD measures to beneficiaries of life insurance policies:
 - Examples of possible lower & higher ML/TF risk factors
 - Examples of simplified & enhanced CDD measures



Customer Due Diligence R.10

Step 1

- Natural persons who ultimately have a controlling ownership interest

Step 2

- Natural persons exercising control through other means when:
 - there is doubt as to whether the natural person identified under step 1 is the beneficial owner
 - no natural person is identified under step 1

Step 3

- Natural person holding the senior management official position when:
 - no beneficial owner is identified under steps 1 and 2



Politically Exposed Persons R.12

FI should apply CDD measures **to PEPS and PEPS of International Organizations*

- To have risk-management systems to determine whether the client or BO is a PEP

FI should apply additional CDD measures* **IN HIGHER RISK SITUATIONS**

- Obtain senior management approval for establishing such business relationships
- Take reasonable measures to determine the sources of wealth and funds
- Conduct enhanced ongoing monitoring of the business relationship

Politically Exposed Persons R.12

Scope and
CDD measures /
Additional CDD
measures

- CDD measures: to *domestic PEPs* and *PEPs from international organizations*
- Additional CDD measures: on a risk-sensitive basis => in higher-risk situations

Scope:
Who else is PEP?

- Family members
- Close associates of PEPs
- Are subject to the same requirements as PEPs

Transparency of Legal Persons R. 24 (e.g. companies)



Companies
should:

- Be registered
- Obtain and record basic information

Beneficial
ownership
(BO)
information:

- Hold beneficial ownership information in company registries
- Use existing information to determine who the beneficial owner is

Countries

- Provide basic and BO info. In their country
- Monitor the quality of assistance received in response to requested information

Transparency of Legal Arrangements

R. 25 (e.g. trusts)



- Now this recommendation is applicable to all countries
- Trustees should obtain and hold beneficial ownership
 - Trustees in law countries of any express trusts governed under their law
- Trust law countries should require trustees of any express trusts governed under their law, to obtain and hold:
 - beneficial ownership information
 - basic information on regulated agents and service providers to the trust (e.g. accountant).
- Countries are encouraged to have a registry of funds
- Specific requirements for international cooperation

Third-Party Reliance and Group-Wide Compliance Programmes

R.17 & 18



More flexible approach to intra-group reliance:

Financial institutions which belong to a financial group may be considered as meeting some of the conditions for third party reliance

Reliance may be allowed with third parties based in high risk countries within a financial group which effectively implements a group-wide AML/CFT programme

**** Clear delineation between third party reliance and outsourcing or agency***

Third-Party Reliance and Group-Wide Compliance Programmes

R.17 & 18



Internal controls and financial groups

Financial groups should have:

- Group-wide AML/CFT programmes
- Policies on information sharing within the group
- Strengthened requirements in cases where the host country does not permit the implementation of the group-wide programme

Tax crimes as a predicate offence

Scope of predicate offences to ML

- Must cover all serious offences
- Now expanded to **tax crimes**
- Direct taxes and indirect taxes
- As set out in the definition of **designated categories of offences** (Glosary)

What is a serious offence?

- It is left to each country to define it

Key consequence for Financial Institutions and DNFBPS

- To report transactions related to the laundering of the procedes of such crimes. *More clarity.

International Cooperation R.40



Exchanges of information between competent authorities:

Cooperation applies to all competent authorities

Specific requirements for each main type of competent authority (FIUs, Supervisors, Law Enforcement)

Strengthened scope for cooperation by expanding the list of unduly restrictive measures

Safeguard measures on information exchanged

Cross Border Wire Transfers R.16



Additional requirements:

Financial institutions should include originator and beneficiary information on all cross-border wire transfers & related messages

Intermediary financial institutions should take reasonable measures to identify cross-border wire transfers lacking required originator & beneficiary information, and take appropriate action in such cases

Countries should ensure that Financial Institutions take freezing action and should prohibit conducting transactions with designated persons and entities

Targeted financial sanctions on terrorism R.6



○ Focus on TFS regime necessary to implement UNSCRs 1267, 1373, and successor resolutions

Additional requirements:

○ TFS = Freezing action + prohibitions on making funds available to designated persons & entities

○ Persons & entities may be designated by: UN Security Council & Al-Qaida/Taliban pursuant to UNSCR 1267 and successor resolutions; Countries pursuant to UNSCR 1373

Targeted financial sanctions on proliferation R.7



Additional
requirements:

Expanded standard to include TFS (freezing action + prohibitions) in relevant UNSCRs on proliferation

Persons & entities may be designated by the UN Security Council pursuant to: UNSCR 1718 & its successor resolutions (DPRK) UNSCR 1737 & its successor resolutions (Iran)



Thanks for your
attention

