

CARIBBEAN FINANCIAL ACTION TASK FORCE



## **CFATF ICRG PROCEDURES FOR THE 4<sup>th</sup> ROUND OF AML/CFT EVALUATIONS**

**22 November 2018**

*This document reflects the amendments made to the CFATF ICRG Procedures on  
30 May 2019, 28 November 2019, 2 October 2020 (by written process) and 6  
April 2021 (by written process).*

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**CFATF INTERNATIONAL CO-OPERATION REVIEW GROUP (CFATF ICRG)  
PROCEDURES FOR THE FOURTH ROUND OF MUTUAL EVALUATIONS**

**I. INTRODUCTION**

1. The Caribbean Financial Action Task Force (CFATF) is conducting the fourth round of mutual evaluations for its members based on the FATF Recommendations (2012) and the Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems (2013), as amended from time to time. This document is prepared in keeping with the decision of the CFATF ICRG and CFATF XXXVIII Plenary in Managua, Nicaragua, May 2013<sup>1</sup> and which has been expanded to include all procedural decisions made in subsequent CFATF ICRG and Plenary meetings and agreement by the XLIV Plenary meeting in 2016 in Providenciales, Turks and Caicos Islands on the role of the CFATF ICRG for the Fourth Round<sup>2</sup>.
2. This document should be read in conjunction with the CFATF Procedures for the Fourth Round of AML/CFT Mutual Evaluations (CFATF Procedures), and the Financial Action Task Force International Co-operation Review Group (FATF ICRG) Procedures and Guidelines (FATF ICRG Procedures).

**II. ROLE OF THE CFATF ICRG IN THE FOURTH ROUND OF MUTUAL EVALUATIONS**

3. The CFATF recognises the role of the Financial Action Task Force (FATF) as the global standard-setting body for anti-money laundering and combating the financing of terrorism (AML/CFT). As a FATF Associate Member, the CFATF fully supports the efforts to protect the international financial system from ML/FT risks and to encourage greater compliance with the AML/CFT standards.
4. In this regard, the CFATF has been fully involved in the FATF ICRG in which the FATF along with all FATF Style Regional Bodies (FSRBs), have been working to identify jurisdictions in the global network that have strategic deficiencies in their AML/CFT regimes and to work with them to address those deficiencies that pose a risk to the international financial system. In the November 2010 CFATF Council of Ministers meeting, the CFATF ICRG was established with a view to ensuring dedicated attention to members' compliance with their AML/CFT obligations and active participation by the CFATF in the FATF ICRG process for the third round of mutual evaluations.
5. Pursuant to this Ministerial mandate, the members of the CFATF ICRG agreed that the Working Group would function on the basis that the FATF ICRG<sup>3</sup> process is heavily rigorous and would have severe

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<sup>1</sup> The decision was that "(...) the CFATF ICRG Functions, Processes and Procedures, CFATF ICRG Sanctions Procedure and Guidelines for the Assessors for the review of the Action Plans should be restructured and merged in one Master Document. (...)"

<sup>2</sup> The decision was that the CFATF ICRG will continue assisting and fully supporting its members and collaborating with the FATF ICRG and the JG and that the CFATF ICRG will deal with all issues related to the Follow-Up Process.

<sup>3</sup> The ICRG process was initiated by the Financial Action Task Force (FATF) in February 2010 when the FATF issued two public documents pursuant to procedures that were agreed in June 2009 regarding jurisdictions with strategic AML/CFT deficiencies: the "Public Statement" and "Improving Global AML/CFT Compliance: Ongoing Process."

consequences based upon public identification of individual countries and the entire CFATF, and that all CFATF Members must adopt a stronger approach to reforming their AML/CFT regimes in line with the FATF Recommendations.

6. For the Fourth Round of Mutual Evaluations, the FATF adopted in October 2015 and updated in February 2016 its ICRG Procedures. The revised FATF ICRG Procedures set out the relationship between the FATF and the FSRBs as it relates to the Follow-Up Process as outlined in the CFATF Procedures. For the CFATF, the aim of the relationship is to enhance the collaboration with the FATF ICRG,<sup>4</sup> avoid duplication and make efficient use of resources, where the CFATF will be involved in the drafting of a country's action plan and in the monitoring of its progress.
7. The FATF ICRG Procedures require the establishment of four Joint Groups (Africa/Middle East, Americas, Asia/Pacific, Europe/Eurasia). The Joint Group of the Americas address CFATF matters and is led by two Co-Chairs, one representing the FATF/FATF ICRG and one representing the CFATF and the Latin American Financial Action Task Force (GAFILAT).
8. The FATF ICRG Procedures provides process-oriented guidelines for Joint Groups (JGs) as they work to complete a Post-Observation Period Report (POPR) and draft Action Plan for each country referred to the FATF ICRG.
9. The mandate of the CFATF ICRG is as follows:
  - i. To consider follow-up reports of all CFATF members and make recommendations to plenary;
  - ii. To assist CFATF members that meet the FATF ICRG entry criteria; and
  - iii. To collaborate with the FATF ICRG and the Joint Groups.

### **III. FOLLOW-UP PROCESS<sup>5</sup>**

10. The CFATF's Follow-Up Process is outlined in Section XII of the CFATF Procedures and as indicated in paragraph 80 of such Procedures. The purpose of this process is to: (i) encourage members' implementation of the FATF Standards; (ii) provide regular monitoring and up-to-date information on countries' compliance with the FATF Standards (including the effectiveness of their AML/CFT systems); (iii) apply sufficient peer pressure and accountability; and (iv) better align the CFATF and Financial Sector Assessment Program (FSAP) assessment cycle. This section is intended to develop and provide clarity to the Follow-Up Reports (FURs) that include re-ratings for technical compliance<sup>6</sup>.
11. If an assessed country, whether on regular or enhanced follow-up, decides to seek re-ratings for technical compliance, as indicated in paragraph 92 of the CFATF Procedures, it should indicate to the Secretariat seven (7) months in advance of the Plenary meetings at which the report will be presented and indicate which of the Recommendation the country will be seeking re-rating in order to allow the

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<sup>4</sup> See ANNEX A – FATF ICRG Process Flowchart.

<sup>5</sup> See ANNEX B – CFATF Follow-up process Flowchart.

<sup>6</sup> See ANNEX C – TC Re-ratings process Flowchart.

Secretariat to determine the number of experts that will form the “Group of Experts” (GOE) that will be required to participate and make the necessary arrangements prior to the country’s submission.

12. The country will submit the information to support its re-rating request at least six (6) months in advance of the Plenary meeting at which the report will be presented. The assessed country will also provide information on effectiveness and other Recommendations to facilitate a better understanding of progress made over time for consideration by the Secretariat up to two (2) months before the Plenary where the FUR will be discussed. The effectiveness information will be regarded as confidential and will not be shared as part of the follow-up process nor will be included in the FUR.
13. Only NC/PC rated Recommendations are eligible for a technical compliance re-rating request. Re-rating requests will not be considered where the Secretariat/the relevant GOE determines that the legal, institutional, or operational framework has not changed since the country’s MER (or previous FUR, if applicable) and there have been no changes to the FATF Standards or their interpretation.<sup>7</sup>
14. The information submitted by the country that will be considered for re-rating must:
  - a. Address all deficiencies identified in the MER for the recommendation for which re-ratings is sought, including the deficiencies identified in both the body of the TC Annex and the table “Summary of Technical Compliance – Key Deficiencies” of the Mutual Evaluation Report (MER). The deficiencies will be populated by the Secretariat in the respective Analytical Tool.
  - b. Address all recommendations that have been revised after the country’s on-site visit even if a re-rating is not being sought for that Recommendation. This provision includes those Recommendations where the country was rated LC or C but were revised after the MER was approved.
  - c. In relation to the law, policies procedures or other enforceable means, be in full force and effect at the time of submission of the information in accordance with paragraph 12 above. Any further amendments will not be taken into consideration by the GOE and the Secretariat after that time for the purposes of re-ratings but may be included solely for information purposes.
15. During the review of the information submitted by the assessed country to support its re-rating request, where there are changes to the legal, institutional and operational framework which may impact Recommendations for which the country has not requested a re-rating, the Secretariat shall advise the country accordingly. The country may decide whether to proceed to update its re-rating request to include the related Recommendations and, accordingly, it will have the opportunity to provide new information after the six (6) months deadline set out in paragraph 12. Where the information is not provided within the deadlines agreed with the Secretariat or this is considerably extensive, the Secretariat and the country should agree on whether the Recommendation would be better addressed in a subsequent follow-up re-rating process.

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<sup>7</sup> Where there is disagreement between the expert(s) and the assessed country in this respect, they should discuss with CFATF ICRG Co-Chairs to achieve an agreement.

16. The information that the GOE will use for their review will be an analytical tool<sup>8</sup> for each recommendation that a re-rating is being sought in addition to the attachments that the country considers necessary.
17. The assessed country seeking re-ratings will be able to provide clarifications regarding the information submitted at any time before Plenary. If the assessed country provides additional information less than fourteen (14) weeks before Plenary that is considerably extensive and results in the analysis of the additional information being unmanageable for the GOE to assess, the Secretariat will work with the assessed country to determine whether the Recommendation would be better addressed in a subsequent follow-up re-rating process.
18. Where the GOE and the Secretariat identify inconsistencies/technical errors with the analysis or conclusions in the TC Annex of the assessed country's approved MER or previous FUR, they will verify whether those findings represent a serious or major issue of quality and consistency. Examples of situations meeting this threshold include, but are not limited to: the rating is clearly inappropriate and not consistent with the analysis; there has been a serious misinterpretation of the Standards, Methodology and/or CFATF MEVAL Procedures; an important part of the Methodology has been systematically misapplied, or laws that were not in force and effect were considered in the analysis and ratings of a report. Once the existence of such problems in the TC Annex or previous FUR is verified, the country will be advised accordingly and the GOE will prepare its analysis and conclusions both in the FUR and the Analytical Tool for discussion at the next CFATF ICRG meeting.
19. All FURs will be subject to the pre-plenary written process<sup>9</sup> unless decided otherwise between the Secretariat, the assessed country, the GOE and the CFATF ICRG Co-Chairs. The GOE should submit their analysis to the Secretariat at least ten (10) weeks before Plenary to enable its dissemination to the Global Network. Where no comments are received (including from the country seeking re-ratings), the FUR will be approved by written process. If comments are received, a revised report will be circulated seven (7) weeks before the Plenary meeting. Delegations will have one week to comment on the revised text.
20. Approval by written process will occur unless there are major disagreements between the GOE and the assessed country and/or two or more delegations (not including the assessed country) raise concerns regarding the experts' analysis of a particular Recommendation in the revised FUR. Where there are issues raised, the Secretariat will prepare a "List of Most Significant Issues" and will circulate it to all CFATF members, COSUNs and observers and at least two (2) weeks prior to the CFATF ICRG and/or Plenary discussion. The CFATF ICRG working group and/or Plenary discussion will prioritise discussion of these issues and will limit the time and scope.

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<sup>8</sup> See ANNEX D – Analytical Tool for Technical Compliance re-ratings request.

<sup>9</sup> The pre-plenary written process involves circulating the FUR in writing to CFATF delegations and the Global Network for their written response by a designated deadline. The Secretariat indicates that no response by the deadline will be considered as agreement with the FUR. Once a decision is reached, the Secretariat will communicate it to all members and the Global Network and will also include the decision as an information item on the agenda of the upcoming Plenary meeting so that it will become part of the record of that meeting.

21. After the adoption of the FUR at Plenary and prior to publication, the CFATF Secretariat will send the FUR to the FATF Secretariat for distribution to the Global Network to carry out an Ex-Post Global Quality & Consistency Review Process. FURs, where no issues are raised through the pre-plenary review process, are not subject to this ex-post review process.
22. Where the country decides not to seek re-ratings on any Recommendation, it will be required to provide to the Secretariat information on the effectiveness and technical compliance, two (2) months before the Plenary where the FUR will be presented. The Secretariat will work with the country to ensure the relevant information on the progress of the country is accurately and sufficiently documented.
23. The CFATF publication policy for FURs outlined in paragraph 98 of the CFATF Procedures establishes that the analytical tool will not be for publication. The FURs, which will be published after the process is satisfied, will be in the format of the standardised template<sup>10</sup>.

#### **IV. COUNTRIES IN THE FATF ICRG ONE YEAR OBSERVATION PERIOD**

24. The Secretariat will provide support to CFATF members during the FATF ICRG Observation and Post Observation Period, and in the case of an agreed Action Plan by both the FATF Plenary and a CFATF member. The Secretariat will engage with the jurisdiction in order to properly allocate resources. The Secretariat will at a minimum request updates from the country on the progress that is being made with regard to addressing the MERs deficiencies.
25. Where a jurisdiction, after the adoption of the MER, meets the entry criteria but falls below the ICRG prioritisation criteria, the Observation Period will commence when that jurisdiction enters the FATF ICRG pool and concludes one year later. Following the end of the Observation Period, if/when the jurisdiction meets the prioritisation criteria, a POPR would be prepared for the next FATF ICRG meeting in accordance with section 3.1 paragraph 2 of the FATF ICRG Procedures.
26. The support can be done via conference or telephone calls, face-to-face meetings, etc. and will be in line of the requirements of paragraph 84 of the CFATF Procedures (i.e, the First Enhanced Follow-Up Report).

#### **V. COUNTRIES IN THE FATF ICRG POOL**

27. Countries that are included in the FATF ICRG pool that have not met the prioritization criteria (after their one-year observation period concludes) should remedy and/or make satisfactory progress towards the shortcomings identified in their MER (which could be technical compliance and/or effectiveness) with respect to its referral criteria in the First FUR (even if no re-ratings are requested). The most strategic areas that the countries could address may be determined between the CFATF ICRG Co-Chairs, the CFATF Secretariat and the member country.

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<sup>10</sup> See ANNEX E – Standardised follow-up report publication format (for publication)

28. If the country has not remedied its deficiencies and/or made satisfactory progress as indicated in paragraph 27, the recommendation for that FUR may be the application of enhanced measures as included in paragraph 86 of the CFATF Procedures. This determination would be in line with the requirements of the countries that meet both the FATF ICRG’s referral and prioritisation criteria<sup>11</sup> when those countries did not remedy and/or did not make satisfactory progress in the POPR.
29. In the next follow-up report, the jurisdiction should include updates on the issues that have not been satisfactorily addressed where a determination will be made of the next steps.

## VI. FUNCTIONS AND ACTIVITIES

30. To ensure the effective operation of the CFATF ICRG the following outlines the functions and activities of:

### a. CFATF ICRG Co-Chairs:

- i. Determine work priority and agenda of the CFATF ICRG based on its mandate and aligned to the outcomes of the monitoring conducted by the FATF ICRG and Joint Group.
- ii. Assign responsibilities for completion of identified tasks.
- iii. Determine the schedule of meetings or consultations for completion of tasks and relay such to the Secretariat for execution.
- iv. Provide, in consultation with CFATF ICRG Members, and taking into consideration the outcomes of the FATF ICRG process and Joint Group, instruction and guidance to Secretariat staff regarding the CFATF views and positions on issues to be discussed at FATF working group meetings, Joint Group and CFATF working group meetings and Plenaries.
- v. Participate and collaborate with the Joint Group, FATF ICRG and FATF.
- vi. Chair the CFATF ICRG meetings.

### b. CFATF Secretariat:

- i. Keep members advised of developments and documents of the Joint Group, FATF ICRG and FATF working groups, relevant to the CFATF ICRG’s mandate. This will include the collation, arrangement of translation and distribution of the documents.
- ii. Participate and collaborate with the Joint Group, FATF ICRG and FATF.

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<sup>11</sup> FATF ICRG Procedures and Guidelines: “2.4. Referral based on MER results:

5. After the discussion of the MER, a country, with very poor compliance with the FATF standard, will enter the ICRG pool if any one of the following applies: a. it has 20 or more NC/PC ratings for technical compliance; or b. it is rated NC/PC on 3 or more of the following Recommendations: R.3, 5, 6, 10, 11, and 20; c. it has a low or moderate level of effectiveness for 9 or more of the 11 Immediate Outcomes, with a minimum of two low level ratings; d. it has a low level of effectiveness for 6 or more of the 11 Immediate Outcomes.

2.5. Prioritising countries in the pool

6. A country should be subject to ICRG review if it meets the referral criteria agreed upon in section 2.4 and the country has a threshold of 5 billion USD of financial sector assets (subsequently referred to as “prioritisation criteria”). This will ensure that ICRG does not focus on relatively small countries with potentially insignificant impact on the international financial system.”

- iii. Provide support to CFATF members during the FATF ICRG Observation and Post Observation Period and in the follow-up Process (regular and enhanced).
- iv. Assist CFATF members in the FATF ICRG process.
  - v. Facilitate arrangements for meetings and consultations of the CFATF ICRG, Joint Group and FATF ICRG where necessary.
- vi. Review members' position regarding entry into the FATF ICRG process after the adoption of a CFATF member MER and notify the country accordingly.
- vii. Review and prepare FURs of CFATF members which should include one of the following recommendations:
  - 1. Remain in status quo;
  - 2. Apply enhanced measures as indicated in paragraph 86 of the CFATF Procedures in a consequential manner if necessary; and
  - 3. Be placed in Regular follow-up from Enhanced or in Enhanced follow-up from Regular depending on the level of progress being made.

**c. Members of CFATF ICRG:**

- i. Actively participate in CFATF ICRG meetings and consultations.
- ii. Complete assigned tasks in a timely fashion.
- iii. Review and provide comments on CFATF and FATF consultation documents relative to the work of the CFATF ICRG, Joint Group and FATF ICRG.
- iv. Review on an ongoing basis the FURs of CFATF Members.
- v. Participate as Experts for the re-rating process.
- vi. Make recommendations to Plenary on sanctions when a country has not made satisfactory progress in their FUR.

**VII. PUBLIC STATEMENT**

- 31. A country will be identified as a **“Jurisdiction that has not made satisfactory progress in the CFATF’s 4<sup>th</sup> Round Follow-Up Process”** if the application of paragraph 86, letter “c”, of the CFATF Procedures has been agreed by Plenary.
- 32. If the Plenary, upon recommendation by the CFATF ICRG decides that a country has taken adequate steps to address the main identified deficiencies, the CFATF should issue a Public Statement indicating that the country has **“made significant progress in improving its AML/CFT regime”** and adequately addressed key AML/CFT deficiencies identified by the CFATF in the MER.

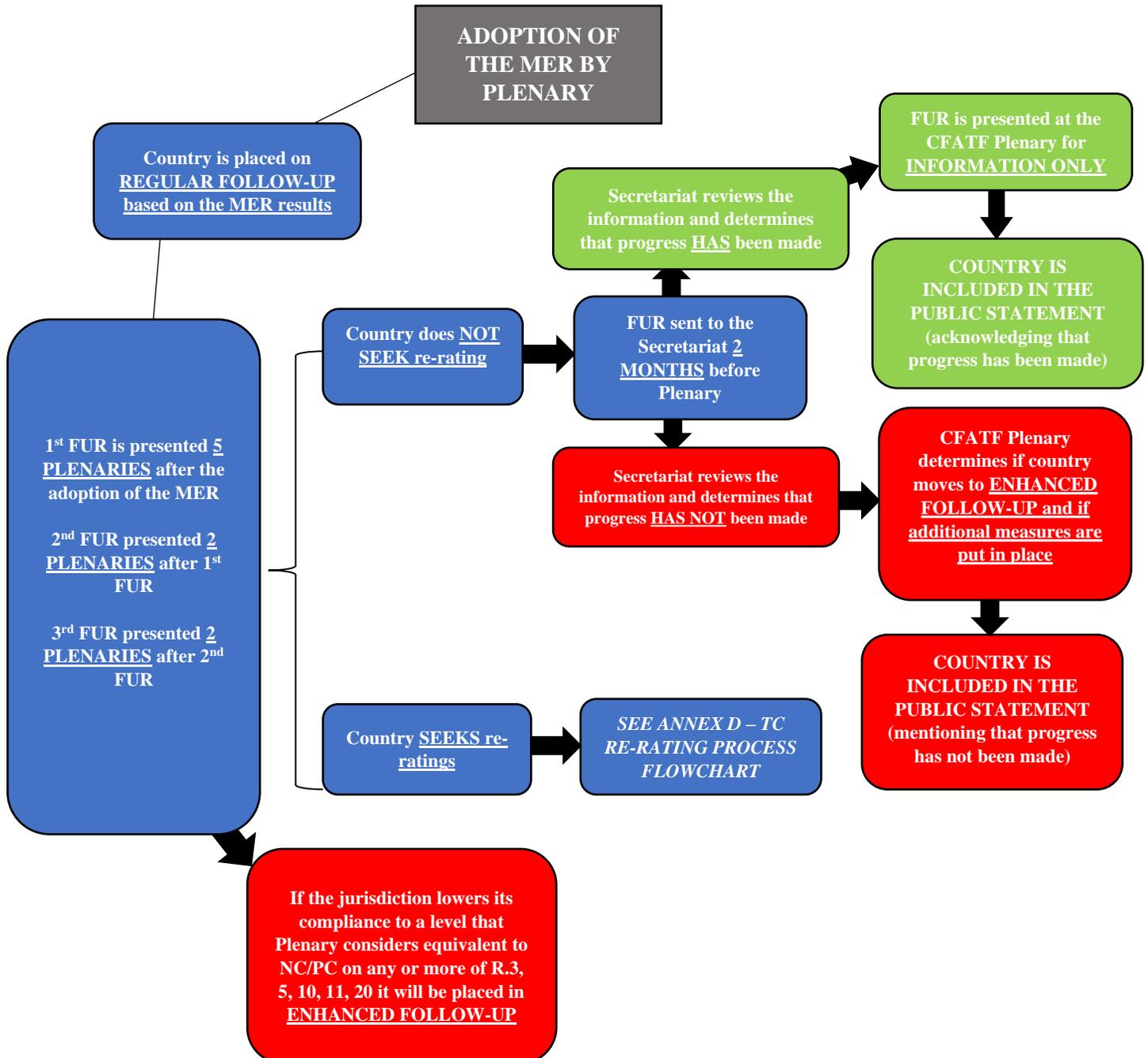
ANNEX A - FATF ICRG PROCESS F

LOWCHART

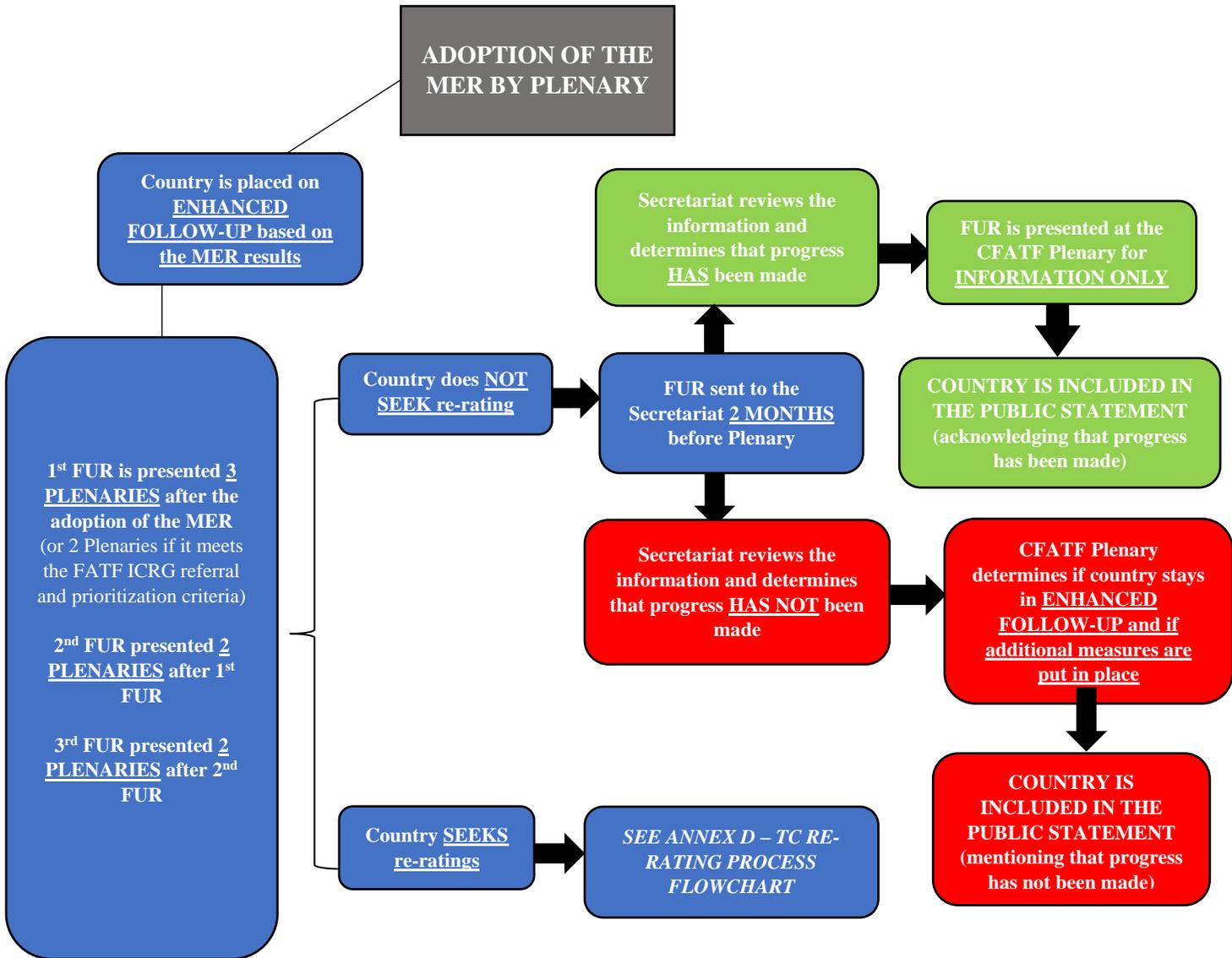


## ANNEX B - CFATF FOLLOW-UP PROCESS FLOWCHART

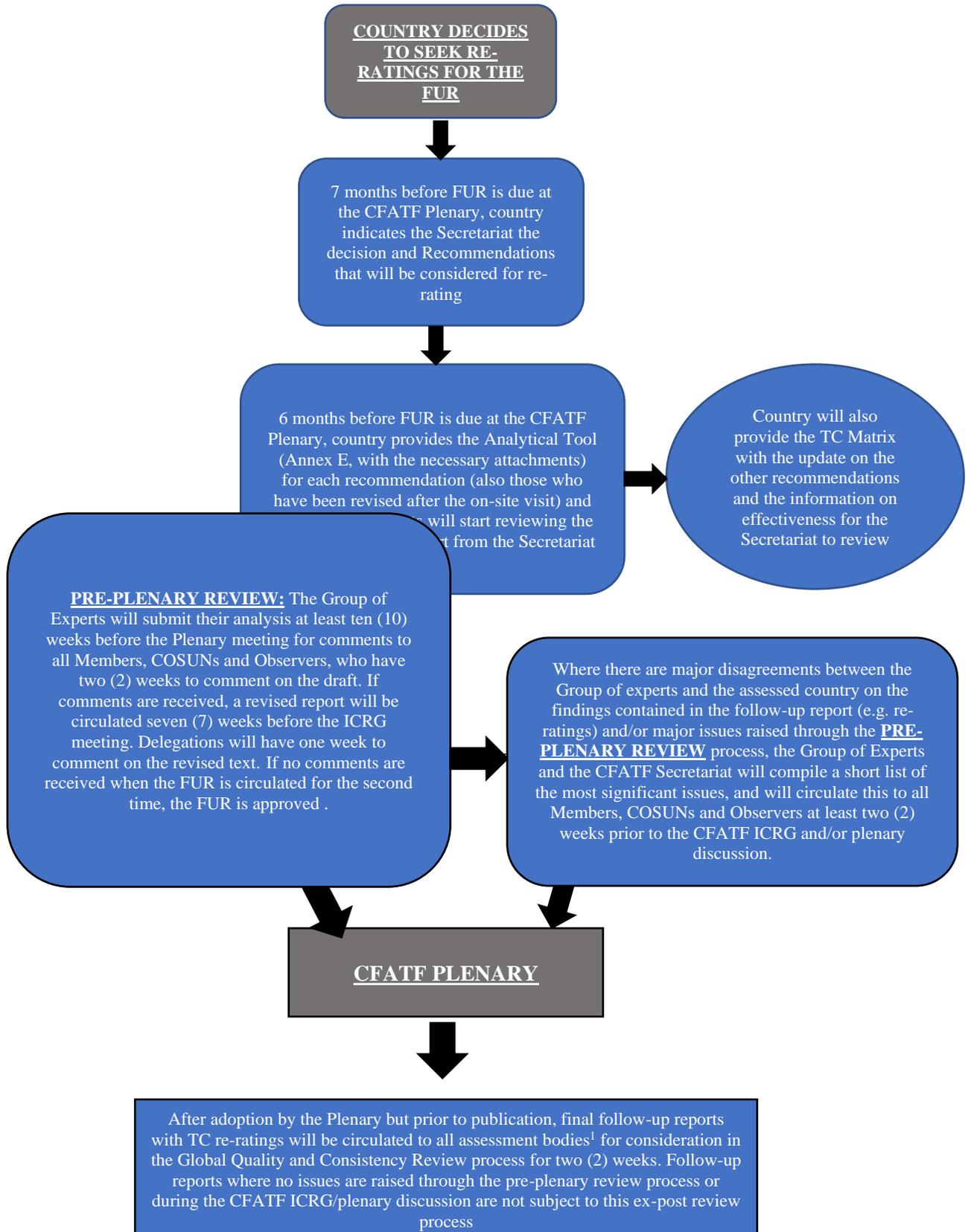
### REGULAR FOLLOW-UP



## ENHANCED FOLLOW-UP



## ANNEX C - TC RE-RATING PROCESS FLOWCHART



**ANNEX D - ANALYTICAL TOOL FOR TECHNICAL COMPLIANCE RE-RATINGS REQUESTS (NOT FOR PUBLICATION)**

**Instructions for the country:** Use the first four columns of this table to report back on what actions (if any) have been taken to address the technical deficiencies identified in your mutual evaluation report (MER), and implement new requirements where the FATF Standards have changed since your MER was adopted. As is the case with mutual evaluations, it is the responsibility of the assessed country to demonstrate that its AML/CFT system is compliant with the Recommendations. On this basis, the fourth column should explain the actions taken since the MER was adopted including cross-references to specific legislation, enforceable means, or other relevant mechanisms. All relevant legislation should be submitted with the below table.

Rec.#	Criterion #	Deficiency cited in MER / New requirements where FATF Standards have changed since MER  <i>(Use 1 row per deficiency/new requirement)</i>	Actions taken  <i>(To be filled in by the country, along with the previous 3 columns)</i>	Analysis & conclusions  <i>(To be filled in by the CFATF Secretariat/group of experts/review group)</i>
[E.g. R.3]	[E.g. C.3.5]	[E.g. Quote the deficiencies for this criterion as reflected in the MER <i>Summary of Technical Compliance – Key Deficiencies</i> table]	[E.g. Briefly describe the actions taken to address the deficiencies for this criterion]	[E.g. Record your analysis and conclusions on the extent to which the actions taken by the assessed country address this deficiency]
[E.g. R.3]				[E.g. Recommendation XX is rated XX, based on progress made since the MER was adopted.]
[E.g. R.8]	[E.g. C.8.1]	[E.g. Where the FATF Standards have changed since the MER, quote the new requirements from the Methodology]	[E.g. Briefly describe the actions taken to address the new requirements for this criterion]	[E.g. Record your analysis and conclusions on the extent to which the actions taken by the assessed country meet the new requirements]

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**ANNEX E - STANDARDISED FOLLOW-UP REPORT PUBLICATION  
FORMAT (FOR PUBLICATION)**

***[COUNTRY NAME: NUMBER & TYPE (E.g. Regular or  
Enhanced) OF FOLLOW-UP REPORT]***

**I. INTRODUCTION**

1. The mutual evaluation report (MER) of *[country name]* was adopted on *[date]*. This follow-up report analyses the progress of *[country name]* in addressing the technical compliance deficiencies identified in its MER. Re-ratings are given where sufficient progress has been made. This report also analyses progress made in implementing new requirements relating to FATF Recommendations which have changed since the MER was adopted: *[list the relevant Recommendations if applicable]*. Overall, the expectation is that countries will have addressed most if not all technical compliance deficiencies by the end of the third year from the adoption of their MER. This report does not address what progress *[country name]* has made to improve its effectiveness. Progress on improving effectiveness will be analysed as part of a later follow-up assessment and, if found to be sufficient, may result in re-ratings of Immediate Outcomes at that time.

**II. FINDINGS OF THE MUTUAL EVALUATION REPORT**

2. The MER rated<sup>12</sup> *[country name]* as follows *[table to be updated accordingly]*:

R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10
R 11	R 12	R 13	R 14	R 15	R 16	R 17	R 18	R 19	R 20
R 21	R 22	R 23	R 24	R 25	R 26	R 27	R 28	R 29	R 30
R 31	R 32	R 33	R 34	R 35	R 36	R 37	R 38	R 39	R 40

3. Given these results, *[country name]* was placed in *[enhanced/enhanced (expedited)/regular]* follow-up. The assessment of *[country name]*'s request for technical

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<sup>12</sup> There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

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compliance re-ratings and the preparation of this report was undertaken by the following [*experts/members of the Secretariat*]:

- [*Expert/Secretariat name(s) and title(s).*]

4. Section III of this report summarises the progress made to improve technical compliance. Section IV sets out the conclusion and a table showing which Recommendations have been re-rated.

### **III. OVERVIEW OF PROGRESS TO IMPROVE TECHNICAL COMPLIANCE**

5. This section summarises the progress made by [*country name*] to improve its technical compliance by:

- a) Addressing the technical compliance deficiencies identified in the MER, and
- b) Implementing new requirements where the FATF Recommendations have changed since the MER was adopted (R.5 and R.8 [*include others if relevant*]).

#### **3.1. Progress to address technical compliance deficiencies identified in the MER**

6. [*Country name*] has made progress to address the technical compliance deficiencies identified in the MER in relation to Recommendations: [*list all relevant Recommendations*] (which were rated NC); [*list all relevant Recommendations*] (which were rated PC), and [*list all relevant Recommendations*] (which were rated LC).

7. As a result of this progress, [*Country name*] has been re-rated on Recommendations: [*list relevant Recommendations*]. The FATF welcomes the steps that [*Country name*] has taken to improve its technical compliance with [*list relevant Recommendations*]; however, insufficient progress has been made to justify a re-rating of these Recommendations.

#### ***Recommendation [R.] (Originally rated [NC/PC/LC])***

8. [*Summary of identified deficiency and progress taken to address it*]

9. [*Conclusion on Recommendation with proposal for rating*]

#### **3.2. Progress on Recommendations which have changed since adoption of the MER**

10. Since the adoption of [*country name*]'s MER, Recommendations 5 and 8 [*and X*] have been amended. This section considers [*country name*]'s compliance with the new requirements.



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18. [Country name] will [remain in enhanced / remain in regular / move from enhanced to regular] follow-up, and will continue to report back to the [CFATF/FSRB] on progress to strengthen its implementation of AML/CFT measures.