



AML/CFT 101

THE FATF RECOMMENDATIONS: TECHNICAL COMPLIANCE

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What is the FATF?

- ✓ The Financial Action Task Force (FATF) was established in 1989 by the Group of Seven (G-7) Summit in Paris.
- ✓ Its mandate initially addressed the laundering of proceeds of transnational organized crime, mainly drug trafficking.
- ✓ Now responsible for development and promotion of policies to combat:
 1. Money Laundering (ML)
 2. Terrorist Financing (TF)
 3. Proliferation Financing (PF)

Objectives of the FATF

- ✓ Three core objectives:
 1. Setting Standards.
 2. Assessing compliance.
 3. Identifying & responding to international threats.

Timeline of FATF Recommendations



1989

FATF established;
primary focus –
combatting
laundering of funds
from drug
trafficking.

1990

Original
Recommendations
were developed.

1996

Scope of FATF
expanded beyond
ML from drug
trafficking.

2001

FATF mandate
expanded to
address TF by
creating 8 Special
Recommendations.
Ninth Special Rec.
created in 2004.

2003

Recommendations
were revised.

2012

40 Recommendations
based on the risk-based
approach were
developed.



FATF 40 Recommendations

Recommendations 1 & 2

A: AML/CFT Policies and Coordination

Recommendations 3 & 4

B: Money Laundering and Confiscation

Recommendation 5 to 8

C: Terrorist Financing and Financing of Proliferation

Recommendations 9 to 23

D: Preventative Measures

Recommendations 24 & 25

E: Transparency and Beneficial Ownership of Legal Persons and Arrangements

Recommendations 26 to 35

F: Powers and Responsibilities of Competent Authorities and Other Institutional Measures

Recommendations 36 to 40

G: International Cooperation



What is Technical Compliance?

“The technical compliance component of the Methodology refers to the implementation of the specific requirements of the FATF Recommendations, including the framework of laws and enforceable means; and the existence, powers and procedures of competent authorities.”

Source: Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effective of AML/CFT Systems, February 2019.

What is Technical Compliance?

- ✓ The fundamental building blocks of an AML/CFT system.
- ✓ Sets out specific requirements of each Recommendation as a list of criteria.
- ✓ Criteria represents the elements necessary to show full compliance with the Recommendations.

What are enforceable means?

- ✓ Regulations, guidelines, instructions or other documents or mechanisms:
 - ✓ That set out enforceable AML/CFT requirements in *mandatory language* with *sanctions for non-compliance* that are effective, proportionate and dissuasive.
 - ✓ And which are *issued or approved by a competent authority*.



What is a competent authority?

Refers to all public authorities with designated responsibilities for combatting money laundering and/or terrorist financing.



Source: Glossary of FATF Recommendations, 2012.

How is Technical Compliance assessed?

- ✓ **Technical Compliance** examines how the country addresses specific requirements of the standards
- ✓ The legal and institutional framework.
- ✓ Powers and procedures of competent authorities.

Technical Compliance Ratings

- ✓ A conclusion should be reached on the extent a country complies (or not) for each Recommendation.
- ✓ There are four levels of compliance:
 1. Largely compliant
 2. Partially compliant
 3. Compliant
 4. Non-complaint

Source: FATF Recommendations, 2012 (Updated June 2019).

Technical Compliance Ratings



Technical Compliance Ratings

Compliant (C)	There are <u>no</u> shortcomings
Largely Compliant (LC)	There are only <u>minor</u> shortcomings
Partially Compliant (PC)	There are <u>moderate</u> shortcomings
Non-Compliant (NC)	There are <u>major</u> shortcomings



Source: FATF Recommendations, 2012 (Updated June 2019).



Did you know?

- ✓ All Mutual Evaluation Reports (MERs) contain a Technical Compliance (TC) Annex that outlines the findings of the assessment team relative to a country's technical compliance;
- ✓ All MERs are subject to review by the FATF global network which consists of nine FATF-style regional bodies (FSRBs) and over 200 jurisdictions.